



# OUR GOVERNANCE

|   |     |
|---|-----|
| Board of Directors                          | 68  |
| Executive Committee                         | 72  |
| Chairman's Introduction                     | 74  |
| Governance at a Glance                      | 76  |
| Corporate Governance Report:                |     |
| – Division and Responsibilities             | 77  |
| – Board Leadership and Company Purpose      | 80  |
| – Composition, Succession and Evaluation    | 91  |
| – Nomination Committee Report               | 94  |
| – Audit, Risk and Internal Committee Report | 100 |
| – Audit, Risk and Internal Control          | 102 |
| – Corporate Governance Statement            | 105 |
| – Directors' Remuneration Report            | 106 |
| – Remuneration Policy                       | 111 |
| – Annual Report on Remuneration             | 119 |
| Directors' Report                           | 128 |
| Statement of Directors' Responsibilities    | 133 |

## Board of Directors



**1 TIM ROBERTS**

Chief Executive Officer

**2 AMY STANBRIDGE**

General Counsel and  
Company Secretary

**3 DARREN LITTLEWOOD**

Group Finance Director

**4 JOANNE LAKE**

Deputy Chair



**5 GERALD JENNINGS**  
Non-executive Director

**6 PETER MAWSON**  
Non-executive Director

**7 JAMIE BOOT**  
Chairman

**8 JAMES SYKES**  
Non-executive Director

# Board of Directors



**Jamie Boot**  
Chairman



**Tim Roberts**  
Chief Executive Officer



**Darren Littlewood**  
Group Finance Director



**Joanne Lake**  
Deputy Chair and  
Non-executive Director



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.

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 is responsible for developing and implementing Group Strategy and has ultimate responsibility for Group profitability. Tim leads on engagement with all the Company's stakeholders, including interaction with investors and employees. He is also the Director responsible for all health, safety and environmental matters.

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.



Date of appointment  
October 2015.

Independent  
Yes.

## Additional roles held

Non-executive Chair of Mattioli Woods plc, Non-executive Director of Gateley (Holdings) Plc, Non-executive Director of Morses Club PLC, Non-executive Director of Honeycomb Investment Trust 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 Pannure Gordon, Evolution Securities, Williams de Broe and Price Waterhouse. 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.

## Committee Membership



Nomination



Audit and Risk



Remuneration



Committee Chair



**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**  
Senior Independent  
Director and Non-  
executive Director



Date of appointment  
October 2015.

Independent  
Yes.

**Additional roles held**  
Non-executive Chairman of Nexus Planning Limited, Board Representative for Paradise Circus Project for the Greater 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  
and Designated Non-  
executive Director for  
Workforce Engagement



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 P.D.R 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.
- Extensive experience in asset management.
- A variety of executive and non-executive roles over the years within the private, public and third sectors.

Gerald has over 30 years' experience in the retail and property industry and the delivery of major development projects and adding value through proactive asset management.



**Amy Stanbridge**  
General Counsel and  
Company Secretary

Date of appointment  
October 2018.

**Additional roles held**  
Trustee of St Luke's Hospice, Sheffield & member of Business in the Community's (BITC) Yorkshire and Humber Board.

#### Brings to the Board

##### **Key strengths:**

- Significant legal, compliance, regulatory and corporate governance experience.
- Robust knowledge on all aspects of commercial law and practice.

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. Amy has worked at Henry Boot PLC since 2014, becoming Company Secretary in 2018 and General Counsel in 2021.

# Executive Committee

In 2020 Henry Boot reshaped its senior leadership team by forming an Executive Committee, to lead the business not only in continuing the Group's track record of delivering strong commercial returns but also to broaden the debate on important strategic objectives and help deliver their implementation more effectively.



## **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 late 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. In January 2021, he became a board member of the Yorkshire Board of Landaid.

## **Simon Carr**

Henry Boot Construction Limited

**Date of appointment**  
Managing Director in 2009.

**Brings to the role**  
Simon Carr CBE, BSc (Hons), FRICS has been with Henry Boot for over 30 years. He was recognised in last year's Queen's Birthday honours list, receiving a CBE for services to the construction industry and charity. He is a board member and past national chair of the National Federation of Builders, 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**  
Chief Executive in 2010.

**Brings to the role**  
Darren Stubbs has a wealth of experience in the housebuilding industry and a proven track record in delivering successful housing developments, spanning a 35-year career. He started work at Tay Homes plc at the age of 16 and just seven years later he was Managing Director of his own Leeds-based housebuilding company. Darren formed a new housebuilding company, Stonebridge Homes Limited, in 2010, which is a jointly owned company with Henry Boot PLC.



**Rachel White**  
Henry Boot PLC

**Date of appointment**  
Head of HR in 2015.

**Brings to the role**  
Rachel White joined Henry Boot PLC in 2001 as a graduate trainee. She has held a number of roles in the HR team, before taking the role of Head of HR in July 2015. Rachel has responsibility for HR, Employee Benefits, Reward & Remuneration, Learning & Development and Payroll. Rachel is also a Trustee Director for Henry Boot Pension Trustees Limited, which oversees the Henry Boot Staff Pension and Life Assurance Scheme, and is a member of the Governance Committee for the Henry Boot PLC Group Stakeholder Pension Plan. Rachel leads on the development of our People Strategy to meet the requirements of our subsidiary businesses including succession planning and talent management. She also leads on Diversity & Inclusion, Wellbeing and Employee Engagement.

### Additional Executive Committee Members



**Tim Roberts**  
Chief Executive Officer



**Darren Littlewood**  
Group Finance Director



**Amy Stanbridge**  
General Counsel and Company Secretary

# Chairman's Introduction



"Stakeholder engagement during a period of huge uncertainty and change is without doubt crucial to maintain confidence and support during these immensely trying times, and so has naturally remained a significant focus for the Board this year."

**Jamie Boot**  
Chairman

## Dear Shareholders,

Undoubtedly no report on activities in 2020 could be composed without considering the impact that was felt by the CV-19 pandemic, and that is equally true in respect of the ways our governance had to adapt to ensure best practice in response to the challenges posed by the pandemic. We have had to be more mindful of the views of our stakeholders; more alive and reactive to immediate risks and considerations requiring difficult decision-making; and more aware than ever that the strong culture of our business, as embodied in our values, will carry us through this crisis.

Within that context, it is notable that we have welcomed our new Chief Executive Officer Tim Roberts in 2020, at a time when the demands of that role could not have been greater. I must commend him on rising to the challenge of not only integrating very well into the Board and the wider business and introducing a number of new governance improvements, but also steering the ship with a steady hand during the immense pressures brought to bear by CV-19. Thanks again also to John Sutcliffe, who remained with us as an Executive Director to assist with Tim's induction into the business, and then retired in May 2020 with all of our best wishes.

## UK Corporate Governance Code 2018

Whilst the bulk of our work to implement the requirements of the Corporate Governance Code took place during 2019, there were some issues that remained for us to resolve during the course of 2020 as identified in our last report, and we are continuously striving for self-improvement in the area of general good governance. This was supported by an internal audit of governance compliance in 2020, and the refreshed outcome of our overall review of Code compliance is on page 105.

## ESG

Our focus on the arena of responsible business has taken a huge leap forwards this year with the appointment of a Responsible Business Manager, and you can read more about the exciting developments on this on pages 55 to 56. As a Board, we are increasingly conscious of the need to improve our disclosures around environmental, social and governance activities, and how these link closely with our approach to risk within the business and achievement of our strategic objectives. Our business has always prided itself within its culture of being a good corporate citizen, and I feel very gratified that we will now be able to demonstrate this more clearly through our new initiatives and reporting frameworks, which will only develop over time.

## Strategy

This year with the guidance of Tim Roberts we have focused in even more thoroughly on our short-medium and longer-term strategic objectives for 2021 and beyond, through two Strategy Days carried out towards the end of 2020. Whilst the main strategic direction of the Group has not changed, this has allowed us as a Board to provide greater oversight of the key areas of strategic focus reflecting also on any macro trends presented within the industry. More details on this can be found on pages 30 to 31.

## Culture

We have often spoken in previous reports of the culture of Henry Boot, as embodied through our purpose, vision and values in the Henry Boot Way. At no time have our attributes around Respect, Adaptability and Collaboration been required more than now, and as a Board we have been keen to monitor how these have been enacted and are felt across the Group during the pandemic. You can read more about how we do this on pages 84 and 85.



## Our dedication to engagement with stakeholders

Stakeholder engagement during a period of huge uncertainty and change is without doubt crucial to maintain confidence and support during these immensely trying times, and so has naturally remained a significant focus for the Board this year. Formal consultation (such as remote investor presentations and consultations with major shareholders regarding the new Remuneration Policy), as well as informal feedback from other stakeholders such as employees, has been vital especially in circumstances where people are likely to feel more disconnected from the business. Our report on stakeholder engagement activities on page 88, and our section 172 statement on page 46, provide a detailed insight into the ways in which we have ensured that engagement has been tailored to adapt to the needs of our stakeholders in this shifting environment, and has been factored into important decision-making.

The following report sets out our structure, governance processes and key activities undertaken by the Board and its Committees during 2020. We welcome feedback from our stakeholders and I would encourage you to get in touch with us on any governance matters. Whilst we were hoping to be able to hold our usual gathering for the AGM this year, in light of the ongoing social distancing rules regarding large gatherings, and to safeguard the health of our employees and shareholders, ordinary shareholders and their proxies are kindly requested not to attend in person, as the number of permitted attendees is likely to be restricted. 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 199), 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.

**Jamie Boot**  
Chairman

16 April 2021

## Code compliance

During 2020 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 135-year history as a family business, and as a FTSE Small Cap 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 77 to 79



#### Board leadership and Company purpose

→ Read more on pages 80 to 90



#### Composition, success and evaluation

→ Read more on pages 91 to 99



#### Audit, risk and internal control

→ Read more on pages 100 to 104



#### Remuneration

→ Read more on pages 106 to 127

# Governance at a Glance

## Highlights

### Promoting long-term success

- The Board met frequently to consider numerous issues arising due to the outbreak of the CV-19 pandemic, and required responses to ensure sustainable long-term stability for the Group
- The Strategy Days in November 2020 focused strongly on the strategic focus and direction of the Group including key focus on ESG and related matters
- Engagement of a Responsible Business Manager has established a focused direction for the development of sustainable success metrics in the future, linking strongly to Group strategy, also involving the establishment by the Board of a new Responsible Business Committee

→ Read more about **Our New Strategy** 30 on page 31

**87.5% increase in Board meetings and Committee meetings from 2019, many to discuss issues arising from the CV-19 pandemic**

### Remuneration

- Preparation for the revised 2021 Remuneration Policy commenced in summer 2020 with a review of existing provisions, Code requirements and best practice
- With specialist external advice, Director's Remuneration Policy and outcomes have been debated and key stakeholders consulted
- Code compliance measures have driven the production of a Policy and associated Report on Director Remuneration which achieves excellent governance standards

→ Read more about **Remuneration** on pages 106 to 127

**Consultation with stakeholders in relation to the new Remuneration Policy reached 69.55% of shareholders, as well as the Group Employee Forum**

### Diversity

- Work has commenced to implement our 2019 review of Diversity and Inclusion across the Group
- A Diversity and Inclusion Steering Group has been established, with Group-wide representation
- The Nomination Committee has been focussing in on actions the Board can take to implement its Board Diversity Policy

→ Read more about **Diversity Policy** on page 97

**The D&I Steering Group is composed of 17 members from across the Group's main trading companies, with a split of 47% female 53% male participants**

### Workforce Engagement

- New engagement methods were established in reaction to the CV-19 pandemic, in order to ensure cohesion and consistency across the Group
- Group Employee Forum continued to meet regularly with the designated Non-executive Director and to refer decisions to the Board
- Assessment of workforce views on key topics has been maintained throughout 2020 with key outcomes shaping decisions on policy development

→ Read more about **Workforce Engagement** on page 86

**Gerald Jennings on the Group Employee Forum: "It is important that we, as the Board, hear the views of employees and at the same time proactively ask employees for their views on key issues."**

# 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; five separate Board calls on single urgent matters; and two Strategy Days, one involving the Board and Executive Committee, and one for the Board alone. All members of the Board attended all of these meetings.

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 2020 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 above Committees can be found on pages 78 and 79 and such details form part of this Corporate Governance Statement. In addition, for 2021 the Board established a new Responsible Business Committee to support the Board and Executive Committee of the Group with the development, delivery, and evaluation of the Group's new Responsible Business Strategy, to advise on proposed changes to reporting and governance, and to incorporate Environmental, Social and Governance (ESG) ambitions and targets in the Group's commercial strategy. Reporting on the activities of this Committee will commence in next year's Annual Report and Accounts. The number of Committee meetings are reported in each Committee report, and all members attended all Committees during 2020.

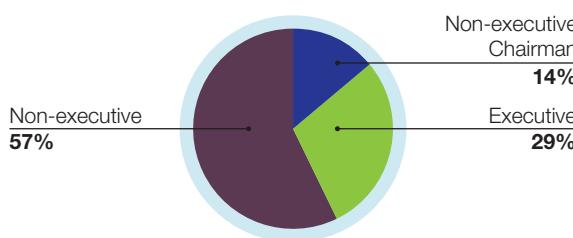
### Board composition

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 70 and 71. The Board believes it has an appropriate balance of Executive and Non-executive, and independent and non-independent, Directors having regard to the size and nature of the business. There was a period of five months during 2020 when both Tim Roberts and John Sutcliffe were Directors on the Board, leading to there being less than half the Board comprising independent Non-executive Directors during that time. However, this was an important aspect of the handover of the role to the Group's new CEO, and was for a limited time only, following which the Board composition returned to being Code compliant. Further to a review by the Nomination Committee (see page 94), 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.

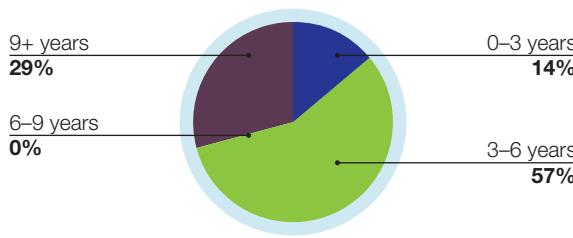
### Board meeting attendance

|  |    |
|--|----|
| Jamie Boot<br><b>Chairman</b>                                    | 12 |
| Tim Roberts<br><b>Chief Executive Officer</b>                    | 12 |
| Darren Littlewood<br><b>Group Finance Director</b>               | 12 |
| Joanne Lake<br><b>Deputy Chair</b>                               | 12 |
| James Sykes<br><b>Non-executive Director</b>                     | 12 |
| Peter Mawson<br><b>Non-executive Director</b>                    | 12 |
| Gerald Jennings<br><b>Non-executive Director</b>                 | 12 |
| John Sutcliffe<br><b>Executive Director<br/>(until May 2020)</b> | 6  |

### Board composition



### Non-executive Board tenure



### 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 102, 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 129). Accordingly, all memberships of the respective Committees are in line with the requirements of the Code.

# Corporate Governance Report



## Division and responsibilities

### Governance structure

During 2020, the Board's activities in relation to good governance have been focused on embedding the changes brought about during its 2019 Corporate Governance Code review, and adapting as required to the changing circumstances brought about by CV-19 in an effective and compliant manner. This concluded at the close of 2020 in an internal audit of corporate governance, and in the limited number of areas in which compliance with the Code has not been achieved, the Board has either committed to adjusting measures to ensure full Code compliance or 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 on page 105.

### The Board

The Board consists of two Executive Directors and five Non-executive Directors, including the Chairman. During 2020, Tim Roberts stepped into the role as CEO with effect from 1 January 2020, and John Sutcliffe provided transitional support to Tim for the first five months of 2020, stepping down in his revised role as Executive Director from the end of May 2020. Biographies are shown on pages 70 and 71. Roles and responsibilities for each Director can be viewed on the website:

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

The Board maintains a formal schedule of matters reserved for its decision. This remains under frequent review to align 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 2020** are detailed on pages 82 and 83

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 Group's Strategy Days.

The functions of the Operations Board, established in January 2016 to review Group working and collaboration, strategic initiatives and risk, were revised and reframed during 2020, with the forum being re-established as the Group's Executive Committee. Continuing members are the CEO, Group Finance Director, four main subsidiary company Managing Directors and the Chief Executive of Stonebridge Homes Limited, with the Head of HR and General Counsel and Company Secretary being added as members of the Executive Committee during 2020.

### 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, Group Finance Controller

##### 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 100 to 102

### Subsidiary Board Meetings

#### LAND PROMOTION

#### Hallam Land Management Limited

##### 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 94 to 98

### REMUNERATION COMMITTEE

**Chair:**

Gerald Jennings

**Members:**

Joanne Lake, Peter Mawson

**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 106 to 127

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  
Developments  
Limited

Stonebridge  
Homes  
Limited

**Attendees:**  
Edward Hutchinson,  
two main Board  
Executives and the  
Company Secretary

**Attendees:**  
Darren Stubbs, and two  
main Board Executives

### CONSTRUCTION

Henry Boot  
Construction  
Limited

Banner  
Plant  
Limited

Road  
Link (A69)  
Limited

**Attendees:**  
Simon  
Carr, two  
main Board  
Executives and  
the Company  
Secretary

**Attendees:**  
Giles Boot,  
two main  
Board  
Executives and  
the Company  
Secretary

**Attendees:**  
Trevor Walker,  
Simon Carr  
and John  
Sutcliffe

### Executive Committee

Reformulated from the existing Operations Board in December 2020, to broaden the debate and discussion amongst the senior team and to ensure wider strategic objectives and initiatives are being set alongside the Group's commercial targets.

### Attendees

The CEO, Group Finance Director, the four main subsidiary company Managing Directors and the Chief Executive of Stonebridge Homes Limited, the Head of HR and the General Counsel and Company Secretary.

## Corporate Governance Report



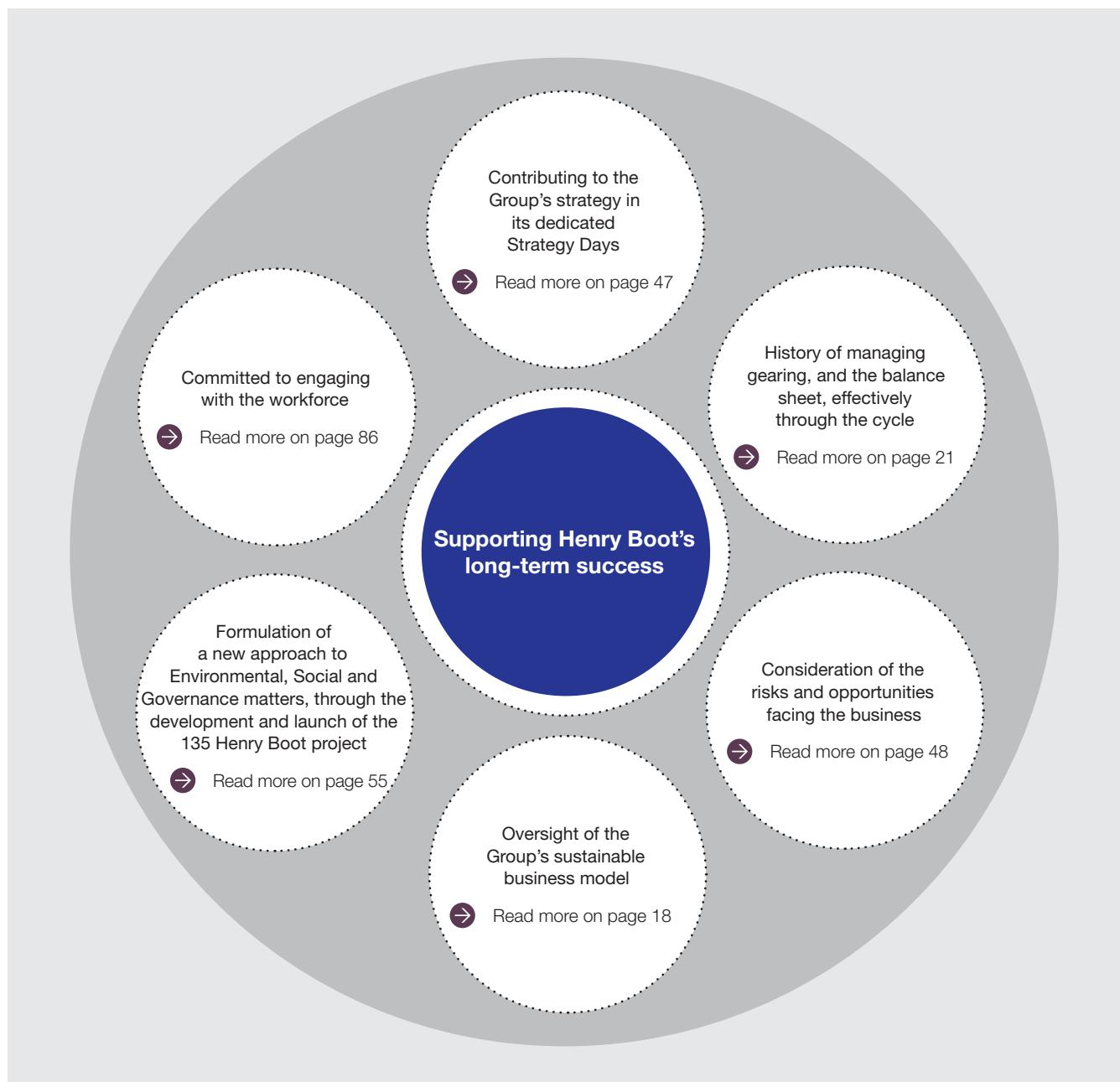
### Board leadership and Company purpose

# ENABLING LONG-TERM SUSTAINABLE SUCCESS

Henry Boot's long-term success is founded upon a clear purpose and supporting strategy, which considers the views and needs of its many stakeholders.

Details of the Board's contribution to the long-term success of the Company whilst ensuring responsible governance, strategy implementation and oversight of operations is set out below.

→ Read more about **how the Board considered the views and needs of the Group's stakeholders** on pages 88 and 89





# Corporate Governance Report



## Board leadership and Company purpose

### BOARD ACTIVITIES

#### What was on the Board's agenda this year

The Board has a Forward Business Schedule to ensure that important strategic and governance issues are regularly brought to the Board; that they hear from more members of the executive team; and that consideration of strategy, key risks and objectives are routinely included. Issues relating to the strategy of the business, stakeholders, governance and risk are scheduled for discussion by the Board, alongside the routine items on health and safety, financial matters and Group operations.

#### How the Board responded to the CV-19 pandemic

The Board recognised that its approach to governance had to flex in order to adapt to the challenges and changing landscapes presented during the early days of the CV-19 pandemic.

This included:

- Board meetings moving to virtual platforms
- One-off Board meetings
- Receiving regular updates from the CEO on immediate operational issues arising from the CV-19 pandemic
- Supporting the establishment of a Coronavirus Committee to oversee and implement business continuity measures

→ Read more about **our response to CV-19** on pages 44 and 45

#### Support from the Board Committees

##### Audit and Risk Committee

- liaison with the previous external auditors, PwC, in relation to ongoing issues regarding the sign off of the 2019 financial results due to temporarily stricter auditing practices in place
- a more frequent review of the risk register generally, and consideration of any specific risks arising in relation to the pandemic
- adjustment to the onboarding of new external auditors, EY, to commence their work with the 2020 half-year results

##### Remuneration Committee

- responsive to impact of market volatility and investor sentiment in relation to remuneration objective setting and outcomes throughout the year
- making difficult remuneration decisions impacting on Executive Directors and the wider workforce (see also s.172 statement on pages 46 and 47).

#### How the Board contributed towards the Group's strategic direction

Whilst the Board is considering strategic direction throughout the year, this becomes an area for specific focus on the Board's Strategy Days. The Board met twice to carry out the Strategy Day business, on one occasion with the Executive Committee, to discuss short and longer-term strategic objectives and areas of focus.

A number of the Board's key strategic decisions specifically demonstrate compliance with section 172 of the Companies Act 2006 and are set out on pages 46 and 47. Naturally, the Board ensures that strategic objectives and stakeholder considerations are addressed in all Board decisions and governance processes, and some further areas looked at this year demonstrating this are:



| Area   | Link to Strategy   | What was reviewed and considered?   |
|--|--|---|
| <b>Health and safety</b><br>                                |   | Though this is always a key consideration for the Group, as one of Henry Boot's core strategic objectives, it has doubtlessly been even more of a focus during 2020 due to the CV-19 pandemic. The Board received regular updates on the ways in which the various parts of the Group had been required to adapt to manage the requirements brought about by the pandemic, most notably the stringent operating protocols that were necessary in order for construction sites and depots to remain operational. This is set against the Group's usual backdrop of good governance and striving for continuous improvement in the areas of Health and Safety generally.                              |
| <b>Diversity and Inclusion</b><br>                          |   | The Board has had key oversight this year of the Group's developing initiatives in the area of diversity and inclusion, commencing with a review of the externally-sourced report of the Group's approach in early 2020. This has culminated in the establishment of a Diversity and Inclusion Steering Group to direct the implementation of the recommendations in the review. Alongside this, the Board has been considering its own approach to increasing diversity and inclusion, which you can read more about on page 97.   |
| <b>Kangaroo Works and Heart of the City Block H</b><br>     |    | Henry Boot Construction's tendering activity throughout 2020 has remained strong and the Board have considered two crucial schemes in the heart of the construction division's operating area of Sheffield, in the Kangaroo Works and Heart of Sheffield Block H scheme. Both are substantial schemes which also contribute to the wider economic and social redevelopment of Sheffield City Centre, and the Board carefully considered the ways in which these schemes advanced the Group's strategic core markets of residential and urban development.   |
| <b>CEO induction and embedding</b><br>            |  <br> | Though the induction process for Tim Roberts commenced in 2019, with the assumption of his role as CEO from the start of 2020 the Board have been instrumental in welcoming Tim and working with him to develop his knowledge of the business and understand his priorities and strategic goals for the Group. Though no doubt interrupted by the CV-19 pandemic, Tim's focus has remained on delivering his 'First 100 Days' priority agenda and working with the Board to ensure mutual agreement of aims; similarly, the Board (through the Nomination Committee) has monitored the onboarding and embedding process to optimise the best induction for Tim into the Group.                      |
| <b>Starfish liquidation</b><br>                   |    | During 2020, as the impacts of the CV-19 pandemic on various parts of the Group became evident, the Board had the difficult task of determining that Starfish Commercial Limited, acquired by Henry Boot Construction during 2019, should be placed into creditor's voluntary liquidation. Though Starfish's operations were strongly linked to one of the Group's core markets of residential development, the company was not performing in line with expectations, and CV-19 materially impacted its operations to the extent that it was unable to recover to a sustainable level. Accordingly, the decision was taken to discontinue Group funding to the company, leading to its liquidation. |

**Group strategic priorities**

Safety



Delivery



People



Growth

Read more about **Our New Strategy**  
on pages 30 and 31**Stakeholders**

Employees



Suppliers



Shareholders



Environment



Customers



Pensioners



Communities

# Corporate Governance Report



## Board leadership and Company purpose

# THE HENRY BOOT WAY OF DOING BUSINESS

## OUR CULTURE

### Our Culture

The Henry Boot Group adopted its Purpose, Vision and Values in 2017 after extensive work had been carried out through numerous Group employee engagements – this is referred to as the ‘Henry Boot Way’. By approaching the definition of our culture in this way, we ensured that we could capture the thoughts of employees through a ‘bottom-up’ approach, 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. The Board recognises that not only does it have a key role to play in living the Values itself, but also in monitoring the way in which those Values and the overall culture of the Group is embedded within its strategy and general approach to business.



## HOW THE BOARD MONITORED CULTURE IN 2020

| Action                       | Link to culture  |
|------------------------------|--|
| <b>Engagement surveys</b>    | Following the engagement of a specialist employee survey provider in late 2019 and as reported on in last year's report, the Board and subsidiary boards reflected on the outcomes of the main employee survey, and referred them to the subsidiary employee forums for review and discussion. Further surveys on specific issues, such as the CV-19 pandemic response, and the proposed approach to agile working, have also been carried out in 2020 and the results considered by the Board. A repeat of the main employee survey was also carried out from 2020, which the Board reviewed and considered in relation to the next required steps arising. |
| <b>Employee forum</b>        | As described on page 86, the Group and subsidiary employee forums provide a key method of employee engagement on a number of issues including cultural matters and perceptions throughout the Group. This is fed up to the Board through the designated Non-executive Director appointed to liaise with the Group Employee Forum, so that the entire Board can benefit from hearing the feedback and respond to issues as necessary.   |
| <b>Coronavirus Committee</b> | Established in February 2020, and comprising both Board and non-Board members, this mechanism enabled feedback from the Group to be filtered up to the Board on various measures taken, such as communications methods and remuneration outcomes.  |
| <b>Webinars</b>              | Arising from the Coronavirus Committee's desire to employ different engagement methods during CV-19 pandemic, taking into account the complexities of engagement during widespread remote working, the Group utilised live webinars with Q&A functions, featuring Board and non-Board members. One example was "CV-19: Planning for the Future", giving updates on the business during the height of the pandemic, the response undertaken to date and the route to recovery. Following the webinars, feedback on the key messages was also shared with the Board.   |
| <b>Strategy Days</b>         | The Group's People Strategy, alongside the wider strategy of the businesses, was discussed – with issues such as attraction and retention of employees linking to key strategic objectives and with the Board and Executive Committee considering how this could enable the delivery of the key strategic objectives.  |
| <b>Cultural assessment</b>   | The Board plans to work with its external auditors, EY, on some further cultural assessment engagement during 2021 to complement its main employee survey outcomes.  |

## OUTLOOK

Clearly work on monitoring the culture of the Group will continue to evolve and adapt to the changing circumstances of our working arrangements, and also take into account the outcomes of ongoing and future engagement methods. The Board's establishment of a Responsible Business Committee (see page 56) will be yet another strand of connection to the wider workforce and to the embedding of Henry Boot Way culture-related activities from 2021 onwards.

# Corporate Governance Report



## Board leadership and Company purpose

### EMPLOYEE ENGAGEMENT

As we often state, Henry Boot's greatest assets are its people and as such are a key focus across the organisation, including at Board level, to ensure that employee views are being taken into account. Following some crucial work carried out by the Engagement and Cooperation Working Group (formed to implement a key action arising from the One Henry Boot initiative), we have established two key methods of direct Board employee engagement, also demonstrating compliance with Provision 5 of the Code:

- the founding of a Group Employee Forum;
- the appointment of a designated Non-executive Director of the Board to liaise with the Forum.

We also refer to employee engagement in a number of ways in our Responsible Business report on pages 57 to 61, and in this section, we outline further the ways in which that engagement has specifically taken place with the Board.

#### Employee forum

As we described in our Annual Report and Accounts for 2019, in that year we first established our Group and subsidiary Employee Forums. Each main wholly-owned subsidiary (and Henry Boot PLC) set up its own 'Subsidiary Employee Forum' (SEF), the Chair of each of which meets to form the 'Group Employee Forum' (GEF). This initiative has continued throughout 2020 and, despite the natural challenges presented by the CV-19 pandemic (which Gerald Jennings, the designated Non-executive Director liaison with the GEF speaks about opposite), the GEF has had significant input on a number of matters, which are outlined here.

#### Outcomes

A number of the key issues discussed, some of which have been referred up to the Board or elsewhere throughout the Group for resolution and/or discussion and feedback, are outlined here:

#### Case study: Group wide webinars

It became quickly apparent during the CV-19 pandemic that employee engagement methods and frequencies would need to be revisited, taking into account the complexities of engagement during widespread remote working, and one of the ways this was achieved was through live employee webinars with Q&A functions. These featured Board and non-Board members, and in particular members of the Group Employee Forum who have been helping to steer on matters such as the Group's agile working approach. This form of engagement, being much more personal and interactive, has meant both a greater visibility for employees of the Group's approach on key strategic issues, but also greater visibility of senior leaders across the workforce in a more interactive forum.



- **Executive Remuneration** – the consultants appointed by the Remuneration Committee, Korn Ferry, attended a GEF meeting to discuss various elements of Executive Director remuneration and the approach being taken for the updated Remuneration Policy being proposed for 2021, to aid understanding and also explain the alignment with the Group's wider remuneration policy – the latter being an issue that continues to be in development for 2021.
- **ESG** – the Group's newly appointed Responsible Business Manager attended a GEF meeting, to discuss to Group's proposed approach to environmental, social and governance matters and the development of the longer-term Responsible Business Strategy.
- **Agile Working** – GEF members were canvassed for their views on the Group's proposed approach and asked to contribute to the consultation activities (through surveys and webinars) being carried out widely across the Group. GEF members remain involved in the ongoing approach to this issue to ensure that the diverse needs of employees are considered.

Other issues raised and responded to related to issues such as HR policy and rewards, office management, financial and IT Group systems.

#### 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 which 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.

**"2020 presented challenges for all and understanding the impact of CV-19 has been fundamental to helping employees navigate the changing environment. Through the use of webinars with live Q&A functionality, we have effectively been able to see how people have been adjusting to the pandemic's restrictive conditions and receive feedback that has helped shape and improve our engagement methods for the long-term."**

**Darren Littlewood**

Chair of the Coronavirus Committee

In late 2019 the Group commissioned a specialist employee survey provider to undertake an anonymous employee engagement survey which would seek to build on the work carried out on the 'Henry Boot Way' and would provide us with a framework of questions which could be repeated on an annual basis with little or no amendment in order that we can assess progress. The Board reviewed the outcomes of the 2019 survey during 2020 and also asked for the results to be disseminated to the Group Employee Forum to discuss with their members separately. A slightly revised version of this survey was then issued for 2020, building on the key themes but looking to maintain consistency in questions for a comparable result. The responses provide insight into Henry Boot as a whole as well as individual subsidiaries, and will be shared and discussed with the PLC Board, Executive Committee and employee forums, for feedback and development of ways of addressing any key outcomes. More detail on this is found in our Responsible Business report on pages 55 to 65.

### 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 welcome 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 which makes them unique. It is recognised that the industries in which we work 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. The Board takes a keen interest in the development of the Group's initiatives in this area, which are described more on page 59 within the Responsible Business report, and is also through the Nomination Committee looking at ways to align the wider Group approach with that of the Board. More about this is described in the Nomination Committee report on page 97. Diversity and Inclusion will also form a key cornerstone of the work to be carried out by the newly formed Responsible Business Committee.

### Wellbeing

In the 2019 Annual Report and Accounts, we outlined the launch of the SMILE platform that had taken place during the year, which combines all of our wellbeing offering into one place and makes it easily 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 helps employees to source the guidance that they need, and is described further in the Responsible Business report at page 57.

Naturally during 2020 employee wellbeing has been particularly pertinent given the difficult circumstances presented by the CV-19 pandemic, which is something that has been closely monitored by the Coronavirus Committee through surveys and other data, and fed back to the Board. The Committee has also been looking at lessons learned arising from the pandemic, some of which represent potential improvements to working practices which will feed into our wellbeing offering, and this will be reported in relation to our 2021 performance.

## Q&A:

### WITH GERALD JENNINGS



(Designated Non-Executive Director  
responsible for GEF liaison)

#### **Q: What were some of the key highlights for the past year?**

**A:** The Forum members have worked well together and have shown an eagerness to be involved in strategic issues. I have been pleased to see a two-way dialogue between the Forum and the Board, which has been a good start to the engagement I have been keen to encourage. Introducing the new Chief Executive, Tim, to the Forum members has opened up a new means of proactive communication, which has worked well and has been effective. Towards the end of the year our newly recruited Responsible Business Manager spoke at a Forum meeting and there was a very constructive discussion around the ESG agenda. In the same way the Forum has been active in inputting into issues such as agile working. A new initiative has been opening a discussion with the Forum around Remuneration and consulting on Executive Director's rewards. As Chair of the Remuneration Committee, I was able to arrange for the Forum to speak with our Remuneration Consultant to deepen the Forum's understanding.

#### **Q: How did the CV-19 pandemic affect employee engagement?**

**A:** Clearly CV-19 had an initial impact on the activities of the Forum and the ability to meet in person. As with much of the Company's business, however, the Forum quickly adapted and regular meetings took place digitally. There was, relatively, little disruption to the effectiveness of the Forum and it was noteworthy that Forum members continued to be engaged and keen to discuss and debate key business matters.

#### **Q: What areas does the Board want to focus on in the future?**

**A:** It is important that we, as the Board, hear the views of employees and at the same time proactively ask employees for their views on key issues. I want to ensure we have an effective two-way dialogue. Some of the key issues include: how we continue to work through, and out of, the pandemic; how we improve our workforce reward structure; feedback on strategy particularly in relation to our culture; and how we improve our ESG outcomes in relation to key areas of Diversity and Inclusivity, tackle climate change and continue to be a business that employees are proud to work for.

# Corporate Governance Report



## Board leadership and Company purpose

### HOW THE BOARD ENGAGES WITH STAKEHOLDERS

In 2019, 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.

| <b>E Employees</b>   |  |  | <b>Co Communities</b>                       |   |   |
|--|--|--|---|---|---|
| Method   | Info flow to Board   | Direct Engagement  | Method                                      | Info flow to Board  | Direct Engagement   |
| <b>Group Employee Forum (GEF) and Nominated Non-executive Director</b><br>(discover more information on this on pages 86 to 87)  | Nominated Non-executive Director fed back any issues arising and decisions required by the Board on issues presented by the GEF.                   | GEF meetings attended by Nominated Non-executive Director.<br><br>Planned in-person meetings between the whole Board and GEF postponed due to social distancing and will be revived in 2021. | <b>Environmental, social and governance</b> | The Board have proactively been informed about and debated ESG trends and forthcoming developments and what the response from Henry Boot will be, including as part of the Strategy Days. | The Responsible Business Manager has met routinely with the Board and presented at Board meetings since being appointed.                                |
| <b>Attendance by Board at subsidiary meetings</b>  | Subsidiary board MDs and department heads attended Board meetings to discuss issues relevant to their company and key issues throughout the Group. | Board members attended subsidiary board and other meeting opportunities throughout the year.   | <b>Reserved Matters</b>                     | Approvals now require specific consideration of stakeholder engagement.   | The CEO and Group Finance Director have been proactively involved in the development and initial delivery of the Group's Responsible Business Strategy. |
| <b>Different forms of engagement</b><br>interactive communications including webinars with Q&A sessions have been used to engage with employees on a range of matters this year. | The wider Board were kept aware of the webinars, were able to attend them and received feedback on issues arising afterwards.                      | The CEO and Group Finance Director both participated in the webinars to employees.   | <b>Community engagement</b>                 | This is now being considered more widely under the banner of ESG.   | Formation of a Responsible Business Committee, with Board Directors as members, will be carried out during 2021.  |
| <b>Employee engagement surveys</b><br>Due to the CV-19 pandemic, these have been carried out more frequently throughout the year (read more about this on pages 86 to 87).       | Results of employee survey including actions arising are brought to the Board following completion for review and agreement of next steps.         |  |   |   |   |

| <b>En Environment</b>  |   |   | <b>Sh Shareholders</b>                            |  |  |
|--|---|---|---|--|--|
| Method   | Info flow to Board  | Direct Engagement   | Method  | Info flow to Board   | Direct Engagement  |
| <b>Environmental, social and governance</b><br>(see more about this under our Responsible Business section on pages 64 and 65) | The Board have proactively been informed about and debated ESG trends and forthcoming developments and what the response from Henry Boot will be, including as part of the Strategy Days. | The CEO and Group Finance Director have been proactively involved in the development and initial delivery of the Group's Responsible Business Strategy.<br><br>Formation of a Responsible Business Committee, with Board Directors as members, will be carried out during 2021. | <b>Investor Roadshows</b>                         | Structured feedback sessions are reported to the Board.  | Take place annually with the CEO and Group Finance Director (carried out via virtual meetings during 2020).  |
| <b>Current environmental assessment and reporting</b>  | Reporting requirements and methodologies form part of reports to the Board in relation to formulation of the Group's Responsible Business Strategy.                                       |   | <b>Focused investor communication</b>             | Outcomes of any investor consultations are reported to the Board.  | Undertaken via letters/telephone calls regarding significant 'votes against' and other issues of interest to investors prior to AGM, in particular during 2020 focused around the revised Remuneration Policy. |
| <b>Matters Reserved for the Board</b>  | Reports from Group subsidiary companies now contain consideration of environmental issues.  |   | <b>Regular Board updates</b>                      | Provided in relation to investor and proxy advisor sentiment collated by management / brokers / PR consultants.  |  |
|  |   |   | <b>Shareholder engagement with family members</b> | Done informally through family/other relationships with Board members, on ad hoc basis.  |  |
|  |   |   | <b>AGM</b>  | Usual formal and informal engagement by all Board members directly with shareholders sadly compromised due to CV-19. Read more about the AGM on page 89. |  |

During 2020, this was reviewed and further developed to ensure that methods of engagement were significant and relevant, whilst taking into account the substantial logistical issues presented by CV-19 and social distancing. Work will be ongoing during 2021 to ensure that stakeholder views are more clearly incorporated into the Board's decision-making procedures (as shown in our section 172 statement on pages 46 to 47), as well as evolving ways in which methods of engagement are made convenient to those stakeholders.

## P Pensioners

| Method  | Info flow to Board  | Direct Engagement  |
|---|---|--|
| Pensioner's lunch                               |   | Usually arranged by the Company and attended by Board members (impacted by CV-19 in 2020). |
| Ad hoc events for pensioners and family members |   | Wherever possible these are attended by Board members.                                     |
| Pensions report                                 | Presented at every Board meeting as to performance of the pension scheme. |  |

## C Customers (including local authorities)

| Method                | Info flow to Board | Direct Engagement   |
|-----------------------|--------------------|---|
| Subsidiary engagement |                    | Formal and informal feedback methods are carried out throughout the Group, methods of further engagement being considered by the Executive Committee. |
| Awards                |                    | In conjunction with our clients and customers, we represent our joint success in schemes across the Group through achievement of numerous awards.     |

## Su Suppliers

| Method               | Info flow to Board   | Direct Engagement |
|----------------------|--|-------------------|
| Health and Safety    | This is continuously monitored and reported to the Board.            |                   |
| Interactions on site | Operations on site are part of the observation and feedback process. |                   |

## Sh Our engagement through the Annual General Meeting

The Board carefully considered the best method of engagement with its shareholders due to the inability to hold an in-person AGM in 2020. The slightly delayed AGM in June 2020 welcomed questions to be submitted by shareholders in advance, and proxy voting in advance of the meeting was strongly encouraged, with an online presentation containing business updates presented by the CEO available. Though the Board was saddened to be unable to welcome shareholders in its usual manner, it felt that the format adopted provided appropriate avenues for engagement, and will be adopting a similar format for the 2021 AGM, as set out in the Notice of Annual General Meeting on pages 199-201.

# Corporate Governance Report



## Board leadership and Company purpose

### Board performance review

Building on our evaluation activities in previous years, a further formal and rigorous internal performance review was undertaken in 2020 for the Board, its Committees, the Chair and each individual Director. The process and results are set out below.

#### Process

##### STEP 1

Board discussed and agreed preferred approach in October 2020, to proceed with an internal performance review for 2020.

##### STEP 2

Questionnaire content agreed with Chairs, which were then issued with a two-week response period and individual interviews arranged with Jamie Boot and Peter Mawson (for Chair and individual member evaluations).

##### STEP 3

Questionnaire deadline, results collated and reports written.

##### STEP 4

Reviewed results with Board and respective Committees, and agreed actions for 2021. Reviewed progress against 2020 actions.

##### STEP 5

In May 2021, carry out mid-year review of progress against 2021 actions.

### Areas where the Board scored strongly:

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



# Corporate Governance Report



## Composition, success and evaluation

| 2020 action areas  | Progress during 2020  | Action areas for 2021  |
|--|---|--|
| <b>Board and Audit and Risk</b>  |   |  |
| <b>Strategy</b><br>Introduction of two shorter Strategy Days throughout the year; one for subsidiary strategies and one for the PLC.   | Two Strategy Days were carried out during November 2020, one to involve the Board and Executive Committee, one for just the Board.  | <b>Strategy</b><br>Ensure there is a regular update to the Board on progress against the 2020 Strategy Day actions.  |
| <b>Reports</b><br>CEO Board report to be created for each meeting.   | CEO Board Report now included for each Board meeting agenda.  | <b>Reports</b><br>Ensure that stakeholder engagement and views are built into Board reporting more robustly.   |
| <b>Reports</b><br>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. | Initial work on this commenced during early 2020. All subsidiary reports now have an executive summary and the papers have been slimmed down. To be continued during 2021.  | <b>Reports</b><br>Work with the Executive Committee to develop consistency and brevity of subsidiary reporting and ensure that they contain clear and concise summaries.   |
| <b>Risk</b><br>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.                    | Board calls were arranged for items needing approval particularly in response to the changing requirements presented by the CV-19 pandemic and the shifting of dates relating to results.   |  |
| <b>Stakeholder engagement</b><br>Increased site visit opportunities to be offered to the Board.  | Board is given a forward schedule of site meetings, subsidiary meetings and other engagement opportunities in each Company Secretarial Report.  | <b>Engagement</b><br>Facilitate more opportunities for Board members to engage more widely with employees from across the Group, not just at Board meetings.   |
| <b>Risk review</b><br>Detailed review of principal and emerging risks and the mitigation measures in place.  | Review commenced in January 2020, for reporting in the 2019 annual report and accounts, along with setting the risk appetite statement and risk approach for the Group.<br><br>This is set to be reviewed again towards the end of 2021 in conjunction with EY, who are carrying out a detailed risk mapping exercise with BDO to identify risk owners and mitigations. | <b>Risk review</b><br>Continue ongoing review of risk appetite, principal and emerging risks and the mitigation measures in place.<br><br><b>Risk mapping</b><br>Undertake a risk assurance mapping exercise in conjunction with internal/external auditors. |
| <b>External audit</b><br>Set expectations for new external auditor and robustly assess the audit plan.   | Expectations set during tender process for selection of EY as new audit partner.<br><br>Audit plan assessed at Committee meeting in October in depth, with challenges made to risk assessment criteria and materiality thresholds.  | <b>External audit</b><br>Evaluate first full financial year audit carried out by EY to identify any pinch points or lessons learned.   |
| <b>Internal audit</b><br>Consider whether to hold an extended meeting with the internal auditors without management present.   | Meeting held at commencement of August Committee meeting between Committee members and BDO.   | <b>Internal audit</b><br>Tendering the position of internal auditor, and considering the approach and content for internal audit for 2022 onwards.   |

# Corporate Governance Report



## Composition, success and evaluation

| 2020 action areas   | Progress during 2020  | Action areas for 2021  |
|---|---|--|
| <b>Nomination</b>   |   |  |
| <b>Equality, diversity and inclusion</b><br>Monitor equality, diversity and inclusion initiatives across the Group to encourage progress against diversity targets in the Board Diversity Policy.   | <p>D&amp;I is a strategic priority forming part of the personal objectives for the CEO, the MDs and other senior managers.</p> <p>Engaged the services of external advisers in late 2019 to undertake research into D&amp;I across the Group. Results of the research shared in July 2020 (delayed due to CV-19).</p> <p>Following this, a D&amp;I Steering Group was set up with the purpose of addressing areas highlighted by external advisers, sharing ideas and discussing priorities to develop a Group Equality, Diversity &amp; Inclusion Strategy.</p> <p>As part of the December meeting, the Committee considered areas where further action is required to implement the Board Diversity Policy.</p> | <b>Equality, diversity and inclusion</b><br>Continue to monitor and support Equality, Diversity and Inclusion initiatives across the Group with the corresponding link that this represents in providing progress against diversity targets in the Board Diversity Policy. |
| <b>Skills development</b><br>Consider the future Group strategy and the skills needed at Board level to bridge any skills gaps.   | <p>As part of its annual review, the Committee considered upweighting the technical skills of the Board in relation to IT and D&amp;I.</p> <p>With regards IT, a strategy is in development to strengthen internal expertise over time.</p> <p>With regards D&amp;I, extra learning and development activities for the Board are to be arranged.</p>  | <b>Skills development</b><br>Continue to consider the future Group strategy and the skills needed at Board level to bridge any skills gaps.  |
| <b>Succession planning</b><br>Review at least annually the succession plan for Executive Directors and senior management and, in light of the Senior Leadership Development Programme (SLDP), invite Managing Directors of each Henry Boot subsidiary to prepare a succession plan for the senior leadership within their business. | <p>Much of the focus has been on succession planning for certain individuals, with additional Committee meetings arranged throughout the year to review and agree a plan for these individuals.</p> <p>An annual review of succession plan and update on the SLDP and Leadership Development Programme (LDP) considered at December Committee meeting.</p>  | <b>Succession planning</b><br>Continue to review at least annually the succession plan for Executive Directors and senior management and, in light of the SLDP, invite the Executive Committee to prepare a succession plan for the senior leadership within their teams.  |

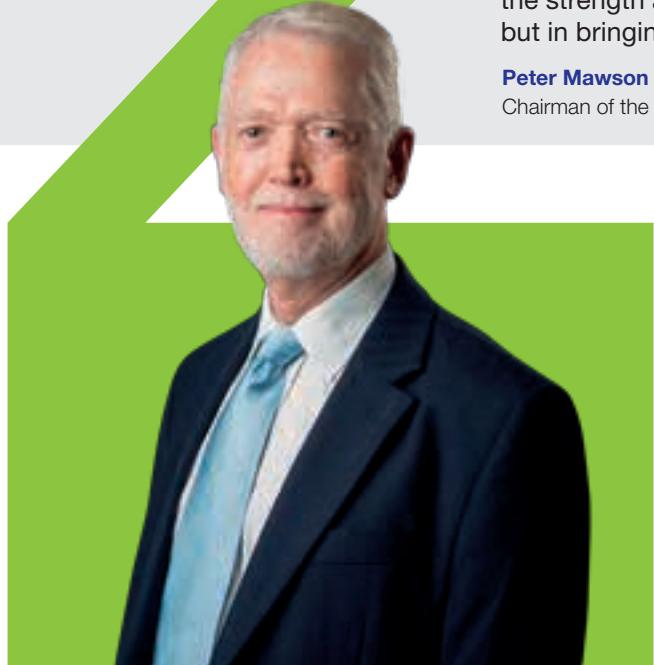
| 2020 action areas   | Progress during 2020  | Action areas for 2021   |
|---|---|---|
| <b>Remuneration</b>   |   |   |
| <b>Advisors</b><br>Appoint external consultants for Remuneration Policy guidance.   | Korn Ferry appointed in June 2020 to lead the work required for the refresh of the Remuneration Policy and other associated workstreams.  | <b>Disclosure</b><br>Considering appropriate levels of disclosure in relation to the new Remuneration Policy and its application, as well as reporting against Code compliance achieved this year.  |
| <b>Stakeholder engagement</b><br>Increase stakeholder engagement ahead of the next Remuneration Policy, particularly with institutional investors and employees.          | Engagement with Group Employee Forum has commenced, with two meetings having been held to discuss personal objectives and overall remuneration approach (the latter including Korn Ferry).<br><br>Engagement with institutional investors in respect of the revisions to the Remuneration Policy took place during late 2020, with more planned in Q1 2021. | <b>Stakeholder engagement</b><br>Ensure that stakeholder engagement and views are built into Committee reporting more robustly, in particular employee views (linking in to the Employee Forum as applicable).  |
| <b>Reward</b><br>Gain further oversight into the reward strategy of the wider workforce and review appropriateness.   | As part of the work being undertaken by Korn Ferry, reviews are to be undertaken of a number of remuneration issues of Executive Committee / subsidiary director remuneration packages including pensions, bonus objectives and LTIPs.<br><br>Work is planned to continue on this throughout further areas of the workforce during 2021.                    | <b>Wider workforce remuneration</b><br>Continue to gain further oversight into the reward strategy of the wider workforce and review appropriateness, seeking to align where appropriate with the approach across the Group and with Senior Management. |
| <b>Strategy</b><br>Align Annual Bonus objectives to the Group's strategic objectives.   | Personal bonus objectives for 2020 for Executive Directors and members of Executive Committee have identified areas of alignment with the Group's strategic objectives.<br><br>This will be reviewed and strengthened further for the 2021 targets.   |   |
| <b>Strategy</b><br>Increase the information provided to the Committee behind the individual performance measures for the personal objectives section of the Annual Bonus. | The Committee reviewed and approved the breakdown of measures behind the overall targets for the 2020 personal objective targets for Executive Directors.   |   |

# Corporate Governance Report



## Composition, success and evaluation

### NOMINATION COMMITTEE REPORT



**Peter Mawson**  
Chairman of the Nomination Committee

5 5



**Jamie Boot**  
Committee member

5 5



**Joanne Lake**  
Committee member

5 5



**James Sykes**  
Committee member

5 5



**Gerald Jennings**  
Committee member

5 5

#### Nomination Committee attendance key

Meetings attended

  Eligible meetings

"As a Nomination Committee, we are looking ever more closely at the development of talent within the business, through our next generation within the Leadership Development Programme. I am positive about the impact this has, not only on our understanding of the strength and depth of talent we already have within the Group, but in bringing on a more diverse pipeline of talent for the future."

**Peter Mawson**

Chairman of the Nomination Committee

#### Review of the year

During 2020 the Committee met five times to consider a wide variety of important issues and initiatives. This included review of the embedding process for Tim Roberts as incoming CEO in 2020, succession planning activities, review of the Board Diversity Policy and its implementation, 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 2020 were myself, Joanne Lake, Gerald Jennings, Jamie Boot and James Sykes. Within the year there have been no changes to the composition of the Committee.

On behalf of the Board and the Nomination Committee (the Committee), as Chairman of the Committee, I am pleased to present the Directors' Nomination Report for the year ended 31 December 2020.

#### Henry Boot PLC Board



#### Nomination Committee



#### Identifying skills and experience gaps

→ Read more on page 95

#### Leading appointments

→ Read more on page 97

#### Reviewing effectiveness and effecting change

→ Read more on page 95

#### Ensuring succession planning

→ Read more on page 97

#### Assessing core skills and commitment

→ Read more on page 96

#### Maintaining effective Board and Committee composition

## Board skills assessment

In line with the requirements of 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 behaviours.

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 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, and was altered from the 2019 assessment by the division of the previous category relating to 'Residential' into 'Public' and 'Private'.

### Technical skills

In this section of the assessment, the technical skills of the members were reviewed and in 2020 was expanded to include 'Customer Relations', 'Diversity & Inclusion', 'Environment' (split out from Health, Safety and Environment), 'Business Continuity' and 'Crisis Management', to reflect stronger areas of emphasis within the industry.

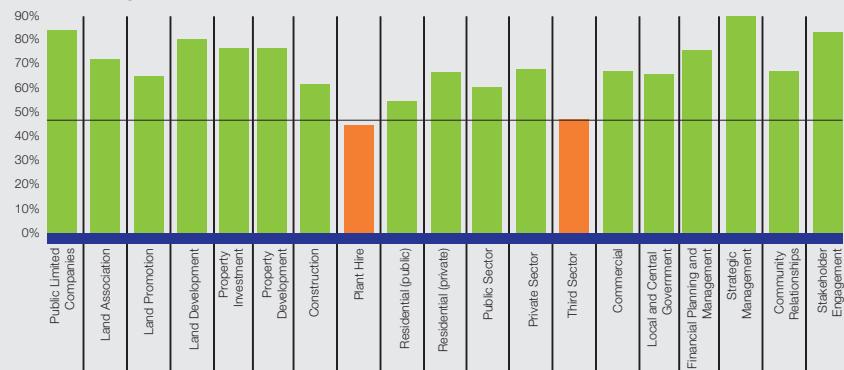
### Cultural fit

Focusing on the ways that the Board members contributed to and aligned with the culture of the Group, this portion looks at issues such as 'Custodian of the Henry Boot Ethos and Values', and 'Striving for Performance and Results'. This portion of the assessment was unaltered for 2020 and in all of these matters, the scores of the Board were in the 'Very Strong' category.

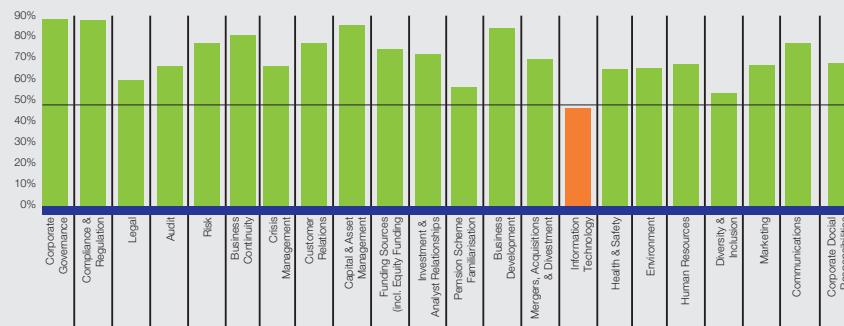
## Board skills and assessment matrix (% of Board members)

Each member of the Board was asked to self-assess against each knowledge and experience and technical skills 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).

### Knowledge and experience



### Technical skills



### Matrix key

● Exceeded benchmark (> 50% of Board members)

● Below benchmark (> 50% of Board members)

\* 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> | IT and cyber (technical skill)<br>          | 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. |
|              | Plant hire (knowledge and experience)<br>   | 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. |
|              | Third sector (knowledge and experience)<br> | Given that this was an area which was of less commercial relevance to the Group, it was not felt that development of knowledge and experience in this area would be required.  |

Overall, the Committee felt that there were no significant areas of concern. The Committee's view was that these matters 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. 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; whilst 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

In addition, the Committee initiated during 2020 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

Provision of the LDP 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. The LDP was intended to take place within five cohorts during 2020 – however, as with many activities, its delivery was disrupted by the CV-19 pandemic. However, during 2021, some rearranged virtual (and hopefully in person) programmes will recommence to deliver this important initiative.

## Terms of reference

During 2020, 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. Some minor amendments required to bring the Terms of Reference in line with the suggested model precedent produced by the Chartered Governance Institute were proposed and adopted as part of that review the Terms of Reference were reapproved, and are available on the Company's website.

## 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 B.A.M.E. 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. The policy is available to view at [www.henryboot.co.uk/our-responsibility](http://www.henryboot.co.uk/our-responsibility)

As described on page 59, a substantial focus for the Group in 2021 and beyond is its approach to diversity and inclusion, an area which has significantly progressed during 2020. The Board is keen to promote and contribute towards the delivery of the Group's Equality, Diversity and Inclusion Strategy to be launched in 2021, and is considering the ways in which it can do so, in areas such as:

### • Opportunity within the Group

- Succession and development through the SLDP and LDP – promoting transparent succession and development structures within the Group that have the incidental benefit of promoting greater diversity through retention of diverse employees, with the eventual aim of creation of a pipeline of succession towards appointment to senior levels of management and to the Board
- Total reward strategy across the Group – promoting greater transparency on the outcomes of progression throughout the Group, enabling retention
- Reverse mentoring – diverse spokespeople throughout the Group engaging with senior managers and the Board to give feedback on issues of importance, perceptions of the approach to diversity and any concerns

### • Education of teams/line managers/stakeholders

- Participation in training – to be rolled out throughout the Group and to involve the Board, on issues such as unconscious bias
- Being champions for the promotion of D&I throughout the Group

The Committee recognises the need for diversity and opportunity within the business to be carried through into the composition of the Board and is committed to seeking to improve Board diversity when appropriate opportunities arise. It is recognised that there will be periods of change on the Board and that the optimum diversity balance may not be achieved for periods of time while the Board is refreshed. However, it is our longer-term intention to achieve this balance. The Board is also looking at other ways in which this may be achieved in the short to medium term.

Some other specific measures that the Board has taken in relation to the achievement of its Diversity Policy are:

- ensuring the inclusion of equality and diversity-related personal objectives for Executive Directors – which can be seen in the Directors' Remuneration Report on page 126; and
- in relation to the refreshed terms of the Remuneration Policy (see page 108), the removal of the strict Non-executive Director shareholding requirement that previously existed, to remove barriers to Board members from more diverse backgrounds.

As with the Group's wider Diversity and Inclusion agenda, this is a long-term approach and will require further development and enhancement over the forthcoming years, which the Committee is very keen to support.

# Corporate Governance Report



## Composition, success and evaluation

### Board effectiveness and time commitment

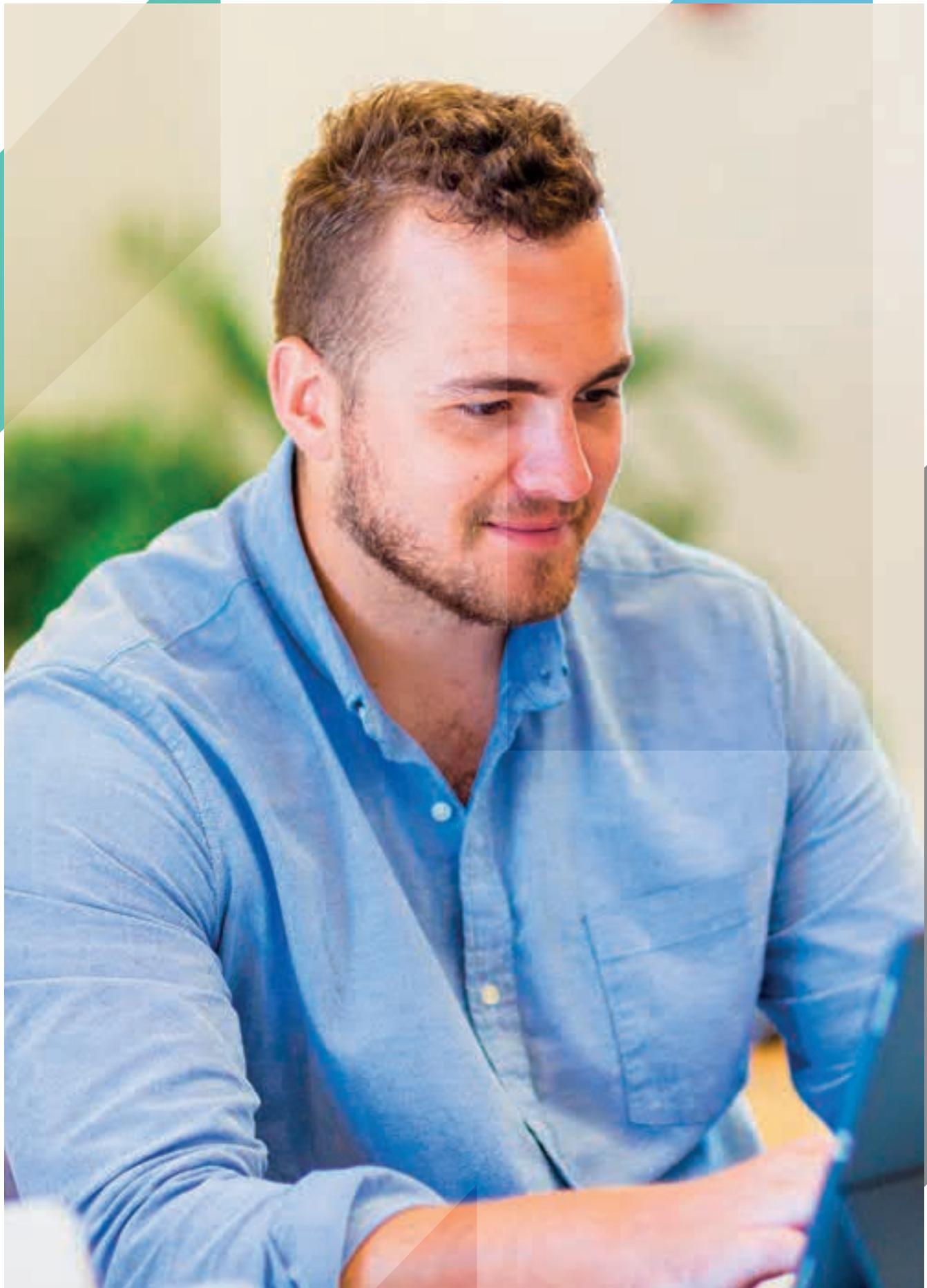
The Committee discussed the skills, independence, length of tenure and time commitments of all the Directors and reviewed the results of the 2020 Board performance review (see pages 90 to 93 for more information) as well as the Board skills evaluation completed during the year. During this process, we noted that Joanne Lake held directorships in other publicly-listed companies including a chairmanship at Mattioli Woods plc. Joanne's time spent at her other directorships now equates to, on average, 10.5 days a month 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 will seek re-election at the upcoming AGM, biographies are shown on pages 70 and 71, and a further summary of Board roles and responsibilities can be found on our website at [henryboot.co.uk](http://henryboot.co.uk).

### Peter Mawson

Chairman of the Nomination Committee

16 April 2021



# Corporate Governance Report



## Audit, risk and internal control

### AUDIT AND RISK COMMITTEE REPORT



**Joanne Lake**

Chair of the Audit and Risk Committee



**Peter Mawson**

Committee member



**Gerald Jennings**

Committee member



#### Audit and Risk Committee attendance key

Meetings attended

Eligible meetings

“During a period of turbulence it is vital that the Audit and Risk Committee plays its part in helping to weather the difficulties and manage the risks involved, which we have done through these challenging times.”

**Joanne Lake**

Chair of the Audit and Risk Committee

#### Review of the year

On behalf of the Board and the Audit and Risk Committee (the Committee), as Chair of the Committee, I am pleased to present the Directors’ Audit and Risk Committee Report for the year ended 31 December 2020.

The Audit and Risk Committee has this year progressed with its internal audit activities, which are outlined below, as well as onboarding and embedding the practices of the new external auditor, Ernst & Young LLP (EY), and reviewing and developing the Group’s approach to the assessment and monitoring of risk. Naturally, there were many additional challenges placed on the agenda of the Committee arising out of the CV-19 pandemic, requiring additional engagement with PwC in relation to the audit of the 2019 results, and ensuring sign-off of these for publication. As a result, the Committee met seven times during the year, with its March and August meetings focusing on the approval of the full-year and half-year results (though a further meeting in relation to the full-year 2020 results was required due to ongoing uncertainty created by the pandemic). The other four meetings covered issues such as the internal audit plan and outcomes during 2020, onboarding and embedding arrangements with EY as the new external auditors, and risk review and evaluation.

Those serving as members of the Committee were myself (Committee Chair), Peter Mawson and Gerald Jennings.

#### 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, a position which is currently held by BDO LLP (BDO). 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.

Due to pressures brought to bear across the business during 2020, a number of internal audit activities have been deferred to 2021, however the following internal audit exercises were carried out during the year:

| Topic                                 | Outline   |
|---------------------------------------|---|
| <b>IT Infrastructure</b>              | This review provided independent assurance as to whether appropriate controls are in place to mitigate the key risks over IT Infrastructure and meet the needs of key business stakeholders. Specifically, it reviewed the design and operation of IT infrastructure in place at Henry Boot PLC and Stonebridge Homes, as well as the plans for future Banner Plant infrastructure. |
| <b>Treasury and Budget Management</b> | The purpose of this review was to ensure that adequate and effective controls are maintained over the processes relating to treasury, cash and budgeting within Henry Boot PLC.   |
| <b>HR and Payroll</b>                 | Providing assurance as to the adequacy of the framework established within the Group to manage HR processes. The audit also reviewed the HR processes and controls within Stonebridge Homes.  |
| <b>Corporate Governance</b>           | This review focussed on ensuring that adequate and effective controls are maintained over the processes relating to the corporate governance arrangements within Henry Boot PLC. The review considered whether the processes in place were appropriate and aligned to good practice principles. More on the outcomes of this can be found in the Compliance Statement on page 105.  |

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. In 2020, BDO carried out a follow up exercise in relation to the results of the internal audit activities from 2019 and presented a mid-year review to the Committee, to ensure that follow up activities had been carried out.

### Internal audit effectiveness review and re-tendering

In order to continue to assess the effectiveness of BDO as internal auditor, the Committee commissioned the carrying out of a further survey on the effectiveness of the internal auditors within the Group in 2020. 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 departments were as expected, with no significant issues being raised.

During 2021 the Committee will tender the role of internal auditor, as BDO's tenure will reach three years during this period (the duration of the initial appointment), and is considered best practice. The tender process to be followed will largely mirror that used to tender for the external auditors during 2019, comprising an invitation to tender process, interview and submission of proposals, evaluation and Committee approval. This will be reported on further in the 2021 Annual Report and Financial Statements.

### Embedding of external auditor

EY was formally appointed as external auditor of the Group in June 2020, having demonstrated during the tender process the team's experience of transitioning large listed clients. From appointment, EY has been provided with full access to Group management, has attended Committee meetings, reviewed previous auditor working papers and undertaken work on the Group's half-year results. They have performed transition, planning and interim audit work ahead of the year-end.

### External audit effectiveness review

The full review of the effectiveness of the external auditor will be carried out in July 2021, at which point the new external auditor, EY, will have effectively been carrying out its functions for 12 months. The process employed for carrying out this review will be reported in the 2021 Annual Report and Accounts and will form the basis of the Committee's review process going forwards.

### Extent to which external auditor challenged management

The external auditor has provided robust challenges around areas of complexity or judgement, including contract, property and inventory valuations, as well as going concern and viability. Their procedures and findings are detailed in their report to this committee.

### Independence of the external auditor

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

The Committee is required to approve services provided by the external auditor 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.

EY did not provide any non-audit services to the Group during the year. Details of 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 2020.

In accordance with best practice, the Company will require its external audit partner to rotate every five years, this being the first year to which this relates. The statutory auditor signing the Audit Report for 2020 is Victoria Venning.

The Committee members meet with 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 auditor on an annual basis outlining the measures taken by it to ensure that its 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 auditor 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

### 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 manage and mitigate those risks and the enhanced system of risk management adopted by the Company are set out in more detail on pages 48 to 54. 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 136 to 143 discusses other key audit matters which were also considered by the Committee.

| Focus                                      | Matters considered   | Committee outcome   |
|--|--|---|
| <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, completed 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 EY's assessment, the Committee was comfortable with the values adopted.                         |
| <b>Valuation of housebuilder 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 of inventories is determined by reference to expected future sales value and costs to complete assumptions which are subject to estimation.</p>                   | During the year, the Committee critically reviewed the carrying value of housebuilder inventories and judgements in relation to recoverable amounts. Following discussions with EY, the Committee was satisfied that the carrying values are appropriate. |
| <b>Construction accounting estimates</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.  |

### Terms of Reference

During 2020, 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. Some minor amendments required to bring the Terms of Reference in line with the suggested model precedent produced by the Chartered Governance Institute were proposed and adopted as part of that review and the Terms of Reference were reapproved, and are available on the Company's website.

Approved by the Board and signed on its behalf by

**Joanne Lake**

Chair of the Audit and Risk Committee

16 April 2021



# 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 48 to 54 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 which 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 bi-monthly management meetings and formal bi-monthly 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, strategic objectives and budgets 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 January 2021 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 2020

## Compliance statement

During 2020 the Board and its Committees have been continuing its work to embed the requirements of the Code and improve wherever possible its operations and governance. The Company has complied with all the principles of the UK Corporate Governance Code 2018 for the year ended 31 December 2020 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 135-year history as a family business, and as a FTSE Small Cap 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 a member of the Board for 30 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 guided the Company successfully through previous such downturns, 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 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 135 years, the Board remains confident 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 were Executive Directors on the Board, as well as Darren Littlewood, during John's handover period to Tim, leading to there being less than half the Board comprising independent Non-executive Directors during that time. However, this was an important aspect of the handover of the role to the Group's new Chief Executive Officer, 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 returned to a Code compliant one.

**The following sections set out some areas of non-compliance that were identified by the Group's internal auditors, BDO, as also referred to in the Audit and Risk Committee Report on pages 101, together with measures identified for addressing them. By highlighting and reporting on these matters, the Report therefore ensures full compliance with the requirements of the Code to 'comply or explain'.**

## Provision 1

Whilst there is reference to how governance contributes to the development of the strategy, there has previously been no explicit reference to how the governance structure contributes to the achievement of the strategy. This is now addressed in the section 172 statement on pages 46 to 47, detailing the ongoing supervision that the Board will undertake in relation to the achievement of short- and medium-term strategic objectives.

## Provision 2

An action was recorded in the 2019 Annual Report and Accounts to support achievement of Principle Two of the Code, to 'provide culture metrics associated with the One Henry Boot project'. These have not been recorded and monitored to date. As we set out on pages 86 to 87 this

work commenced with the first Group-wide employee survey in late 2019, with results reported to the Board in early 2020. This has been repeated in early 2021 and will give rise to a base of metrics and KPIs against which culture can be monitored from this year. This will also include work with EY to use their cultural assessment survey tool to monitor ways in which the 'Henry Boot Way' has been embedded and is viewed since its introduction.

## Remuneration Policy –

### Provisions Three, 33, 34, 36, 40 and 41

During 2020 there have been a number of ongoing remuneration actions in place to meet the requirements of the Code, alongside the required update to the Remuneration Policy to be brought to the 2021 AGM. These related to:

- The completion of the Remuneration Policy with remuneration consultants, Korn Ferry, in aligning remuneration to strategy and culture and recording how Executive remuneration has been determined.
- Engagement with shareholders/investors on the updated Remuneration Policy.
- Aligning policies with incentive structures across the Group.
- Reviewing the fees of Non-executive Director's and the share scheme remuneration package to meet the requirements of the Code.

These actions are all in progress and will be completed during 2021 as a result of the work carried out with Korn Ferry and the implementation of the new Remuneration Policy, as reported in the Director's Remuneration Report on pages 106 to 127.

## Provision 5

Provision Five of the Code outlines that the Board should make clear how the interests of stakeholders have been considered in decision making. In July 2020 the Board approved the Stakeholder Policy that had been drafted to identify stakeholders to the Group and the level of required engagement. An action to document the stakeholder impact within all decision papers will be in progress during 2021 (as highlighted within the section 172 statement on pages 46 to 47), to document fully that all relevant stakeholders are properly considered in decision making.

## Provision 7

Provision Seven of the Code outlines that the Board should 'take action to identify and manage conflicts of interest... and ensure that the influence of third parties does not compromise or override independent judgement'.

Whilst new Directors are required to complete a request for information form on appointment, the request for information form did not specifically ask that the appointee records any perceived conflict of interest, which is the typical approach taken in similar listed organisations.

The Terms of Reference of the Nomination Committee also did not state the requirement to review the independence status of the Board.

As a result, there was a risk that conflicts of interest and threats to independence may not be identified and captured to support the requirements of the Code. These changes to the required processes have now been implemented.

## Provision 28

The 2019 Annual Report includes a description of the principal risks to Henry Boot PLC, and an explanation of how these are being managed or mitigated. In relation to emerging risks, the Annual Report notes 'Board reviews all principal risks including consideration of how risk exposures have changed during the period and any emerging risks arising from risk registers'.

However, there is not a direct reference as to how emerging risks are identified and managed and the Terms of Reference for the Audit and Risk Committee does not make reference to how emerging risks are considered.

A clear reference to how emerging risks are identified and managed is now contained within the Risk Management section on pages 48 to 54.

## 20% vote against – AGM

At the AGM in 2020, no resolution proposed received more than 20% of the vote against it.

**Amy Stanbridge**  
Company Secretary

16 April 2021

# Corporate Governance Report



## Remuneration

### DIRECTORS' REMUNERATION REPORT



**Gerald Jennings**

Chairman of the Remuneration Committee

**6** **6**



**Joanne Lake**

Committee member

**6** **6**



**Peter Mawson**

Committee member

**6** **6**

#### Remuneration Committee attendance key

Meetings attended

Eligible meetings

“During a trying time for our sector, I am proud of the way we have been able to be responsive and adapt our approach to the changing environment we operate in as a Committee, as well as setting up the Remuneration Policy to steer us in the forthcoming years.”

**Gerald Jennings**

Chairman of the Remuneration Committee

On behalf of the Board and the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2020.

This report is split into three sections: the Remuneration Committee Chairman's Statement, the Remuneration Policy and the Annual Remuneration Report. Our Remuneration Policy will be put forward for shareholder approval at the 2021 AGM and there will be an advisory vote on this Statement and the Annual Remuneration Report.

#### Review of the year

During 2020 the Committee met six times to consider a wide variety of important issues and initiatives. Naturally during this period, and as referenced in last year's Annual Report and Accounts, a large portion of our focus was on responding to the issues raised by the CV-19 pandemic.

Also, as we discuss on these pages, a significant proportion of time was spent on preparation of the refreshed Remuneration Policy. Details of these can all be found below.

In summary, the key activities of the Committee during 2020 have included:

- Reviewing, consulting with shareholders on and revising our Remuneration Policy
- Review and consult with shareholders on the operation of the Remuneration Policy for FY21
- Considering the impact of CV-19 on the operation of the Remuneration Policy for executives and all employees
- Considering the outturn of the annual bonus and the LTIP
- Review and approval of salary increases
- Review and approval of bonus awards
- Determining the grants under the LTIP
- Considering and approving the Directors' Remuneration Report

Those serving as members of the Committee for 2020 were myself, Joanne Lake and Peter Mawson. Within the year there have been no changes to the composition of the Committee. Biographies of the current members of the Committee are shown on pages 70 to 71.

During the year, the CEO, GFD, Chairman and other Non-executive Directors attended the meetings with the Committee upon request, in order to assist on matters concerning other senior executives within the Group. No Executive Director or member of management were 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 stakeholders more widely (including shareholders) with those of the Executive Directors.

## Our response to CV-19

The year has been dominated by the impact of the CV-19 pandemic on the business and the Committee has worked hard to ensure that the Remuneration Policy has been applied in a way that is aligned to the experience of the stakeholders in the business.

Recognising the need to conserve cash in the business, the Board voluntarily reduced salaries and fees by 20% from 1 April 2020, for the duration of the most severe impact of the pandemic. Salaries and fees were reinstated in full on 1 October 2020 as business operations recovered to near-normal levels. Following the year end, the decision was taken to repay in full these salary reductions for Executive Directors, to mirror the experience of the wider workforce in having received 100% of salary during the pandemic.

As noted in last year's report, despite excellent profit performance in 2019, the final dividend paid for 2019 was reduced by 50% and the Executive Directors' 2019 bonuses were also reduced by 50%.

For employees, although Henry Boot furloughed staff during the most severe period of CV-19, salaries were topped up to 100%.

The Group has not taken direct Government support under the CCFF or CBILS schemes. We did benefit from furlough money under the Coronavirus Job Retention Schemes. However, having recognised that the Group was in a position to be able to afford to pay this money back, the money taken in relation to Group companies was repaid in early 2021.

While there have been some redundancies, these relate to our pre-CV-19 planning for ongoing efficiency and cost reduction plans, rather than being due explicitly to the impact of CV-19 on our business.

Alongside this, the Board has taken the decision to recommend a dividend of 3.3p for approval at the Company's AGM in May, taking the full year dividend to 5.5p. This represents a 10% uplift from the full year dividend paid in respect of 2019's results, and is an outcome that has been taken into account by the Committee when determining remuneration outcomes for 2020, including, as noted to the side, the 2020 bonus outturn for Executive Directors' being proportionately scaled back.

We have not made any adjustments to the terms or previously granted LTIP awards and believe that with discretion applied to scale back the annual bonus, the policy has operated as intended.

## Performance in 2020 and Executive remuneration outcomes

As with many other companies, 2020 represented a turbulent year of trading for the Group, though achievement of a more modest profit before tax demonstrated that the Group's performance remained buoyant, and also sustained the Group's positive cash position in existence at the outset of 2020.

The Committee delayed the setting of the PBT element of the annual bonus targets for FY20 due to the considerable uncertainty caused by the pandemic. Following careful consideration of the business plan stretching targets were set at the half year. These recognised the significant likely reduction in profitability over the year, but were set at a level which required very significant improvement in performance in the second half of the year to deliver the best possible outcome for shareholders for the year as a whole and to ensure that the business would emerge from the crisis in optimum shape.

Based on the strong performance over the second half of the year, the formula-driven outturn against the PBT bonus target would have delivered a bonus at between a target and stretch level of performance. Having reviewed this outcome, the Committee considered that it would be appropriate to scale back the bonus payable (for the second year running) and determined that, on this basis, a bonus should be payable to the Executive Directors. The Committee's thinking in this regard is discussed further below:

- **Treatment of employees during CV-19** – Henry Boot furloughed employees during the most severe period of CV-19, this included a period where our construction sites paused for a limited period of approximately one week whilst appropriate working practices were established. For the most part of 2020, all our construction sites and plant hire depots have remained open and operational. Salaries for all furloughed employees were, however, topped up to 100%. While there have been some redundancies, these relate to our pre-CV-19 planning for ongoing efficiency and cost reduction plans, rather than being due explicitly to the impact of CV-19 on our business.
- **Shareholder experience** – Whilst Henry Boot did pay a reduced final dividend in 2020 for FY19, we are paying a dividend in 2021 for FY20. As a reminder, the Committee used discretion to also halve the bonuses for the FY19 year (for all employees including Executive Directors) in light of the dividend reduction. This was despite FY19 having been the second most profitable year ever, after 2017 and, looking back, we were relatively unusual in scaling back last year's bonus for the dividend reduction (most of our peers did not).
- **Government support** – The Company has not taken direct Government support under the CCFF or CBILS schemes. We did benefit from furlough money under the Coronavirus Job Retention Scheme. However, having recognised that the Company was in a position to be able to afford to pay this money back, this has all now been repaid.

# Corporate Governance Report



## Remuneration

Considering these factors and wider company performance (and recognising in particular that we scaled back last year's bonus) the Committee considers that a scaled-back bonus payment was an appropriate outcome. A consistent approach has been applied to wider employee bonuses and the Committee believes that this outcome is fair and proportionate, particularly when looked at across both of the last two financial years.

Full details of the approach taken to the bonus payments are set out later in the report.

The 2018 LTIP awards vested subject to EPS growth, ROCE and TSR performance conditions over a three year period to 31 December 2020. As a result of performance over the period the award will vest at 27.81%. No adjustments were made to the performance conditions in the light of CV-19. The Committee were comfortable with the result and believe that the outcome is appropriate. Further details are set out on page 122.

### New Remuneration Policy

The current Remuneration Policy was approved by shareholders at the 2018 AGM. The 2021 AGM marks the third anniversary of this shareholder approval and, in line with UK reporting regulations, the Committee is bringing a new Policy to shareholders for approval this year.

The main changes to the Policy are to simplify it where possible and to update it for changes to market best practice, the UK Corporate Governance Code and investor guidelines. The key changes are to:

- increase the shareholding requirement for the GFD from 150% to 200% of base salary and to add post-employment shareholding requirements
- reduce pension contribution for current and future Executive Directors to align to the workforce rate. For the GFD the pension will reduce from 20% of salary to the workforce rate (currently 8%) from 1 January 2022
- add a deferred share element to the annual bonus
- reduce the policy limit in the Long-Term Incentive Plan from 200% to 175% of salary

Our Directors' Remuneration Policy is closely aligned to the achievement of the Company's business objectives and to the long-term interests of our shareholders. A full summary of the changes, and the reasons for these changes, are set out on pages 111 to 112 and the full Policy is set out on page 113 to 115.

### The application of Directors' Remuneration Policy for 2021

As part of the Policy review, the Committee considered the total remuneration packages for the Executive Directors with a particular focus on the GFD's package.

#### Base salary

Following this review the CEO received a salary increase of 1% with effect from 1 January 2021, in line with the average increase for the workforce.

In the case of the GFD despite recent phased salary increases which increased his salary from £150,000 to £250,000, the Committee noted that the total remuneration (including pension, bonus and LTIP) was still below the lower quartile of prudent market benchmarks. Given the Committee's concern regarding attracting and retaining the best candidates, whilst not paying more than necessary, the Committee has determined that there should be one further increase to the salary for the GFD from £250,000 to £300,000 to reflect his experience more accurately, the market rate for his role and his outstanding contribution to the business. Following feedback from the proxy advisory firms we consulted, the Committee has decided to stagger this increase. Accordingly, as a first step we have increased the salary from £250,000 to £275,000 with effect from 1 January 2021 and there will be a further £25,000 increase effective from 1 January 2022, subject to individual and Company performance. Any further increases over the remainder of the Policy period would be in line with the average workforce increase, barring genuinely exceptional circumstances.

#### Annual bonus

The annual bonus will be operated in line with the new Policy. The Executive Directors will have a maximum annual bonus opportunity of 120% of salary. The annual bonus will be assessed against financial measures (for two thirds) and strategic objectives (for one third). Two thirds of the annual bonus will be paid in cash, one third of the bonus earned will be invested into shares and deferred for three years.

During the year the Committee will review the appropriateness of using Environmental, Social and Governance measures within the bonus plan (and possibly the LTIP). This will be considered in line with the Board's broader thinking in relation to the business strategy, as set out in other parts of this Annual Report.

#### LTIP award

As a part of the Remuneration Policy, the Committee reviewed the grant levels under the LTIP within the new reduced Policy limit of 175% of salary and has determined that the normal grant level for the CEO should increase from 100% to 125% of base salary. There will be no change to the grant level for the GFD. The proposed LTIP opportunities are designed to drive and reward management for achieving the stretching performance conditions, linked to the long-term strategy. For the FY21 award we have determined that the same mix of EPS, ROCE and TSR measures will be retained with one third weightings for each. Performance targets are appropriately stretching and set out in this report.

## Stakeholder consultation

In 2020 and early 2021 the Remuneration Committee consulted with major family and institutional shareholders and proxy advisory firms to seek their views on the proposed Remuneration Policy and implementation. During the consultation, the major shareholders were supportive of our proposed changes to the Remuneration Policy. In relation to the operation of the Policy for FY21, shareholders were also broadly supportive. However, as noted on page 108 we have staggered the salary increase for the GFD following feedback. I would like to thank those consulted for their participation in this consultation process. The Remuneration Committee will continue to monitor developments in corporate governance and market practice to ensure that the Policy and its implementation continues to be in line with best practice and investor guidance. The timeline for our stakeholder consultation was as follows:

### AUGUST 2020

Group Employee Forum consultation with Gerald Jennings to discuss the remuneration strategy and Executive Director objectives; Committee reviewed the existing Remuneration Policy and any gaps with market practice

### OCTOBER 2020

Group Employee Forum meeting with Gerald Jennings and Korn Ferry dedicated to discussing the Remuneration Policy; Committee discussed the Remuneration Policy framework, and reviewed and agreed the first consultation letter

### NOVEMBER 2020

First consultation letter sent out to major family and institutional shareholders and proxy agencies

### DECEMBER 2020

Committee reviewed investor feedback and changes were made to the draft Remuneration Policy

### JANUARY 2021

Gerald Jennings gave an update to the Group Employee Forum with any changes to the Remuneration Policy and its proposed implementation; Committee reviewed and agreed the second consultation letter

### FEBRUARY 2021

Second consultation letter sent out to major family and institutional shareholders and proxy agencies

### MARCH 2021

Committee reviewed final investor and employee feedback and approved the Remuneration Policy

## Closing remarks

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.

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

### Gerald Jennings

Chairman of the Remuneration Committee

16 April 2021

# Corporate Governance Report



## Remuneration

### Remuneration at a glance

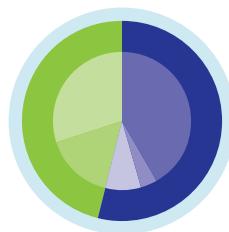
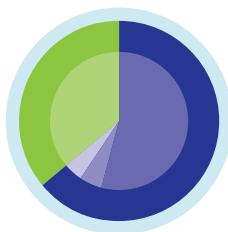
#### Executive Directors' Remuneration Policy

Elements of Executive Directors' pay

#### Chief Executive Officer — Tim Roberts (2019: John Sutcliffe)

2020

2019

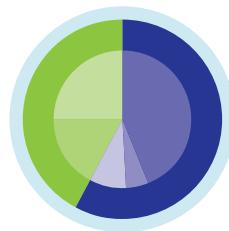
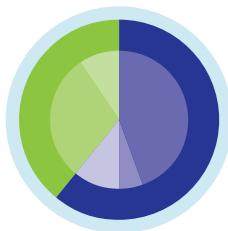


|                            | 2020<br>% | 2019<br>% |
|----------------------------|-----------|-----------|
| <b>Fixed:</b>              | <b>64</b> | 54        |
| Base salary                | 85        | 78        |
| Taxable benefits           | 8         | 7         |
| Pension-related benefits   | 7         | 16        |
| <b>Performance-linked:</b> | <b>36</b> | 46        |
| Annual bonus               | 100       | 35        |
| Long-term incentive plan   | —         | 65        |

#### Group Finance Director — Darren Littlewood

2020

2019



|                            | 2020<br>% | 2019<br>% |
|----------------------------|-----------|-----------|
| <b>Fixed:</b>              | <b>61</b> | 58        |
| Base salary                | 73        | 76        |
| Taxable benefits           | 9         | 9         |
| Pension-related benefits   | 18        | 15        |
| <b>Performance-linked:</b> | <b>39</b> | 42        |
| Annual bonus               | 76        | 41        |
| Long-term incentive plan   | 24        | 59        |

#### Single total figure of remuneration for Executive Directors for year ended 31 December 2020

|                   |     |     |     |
|-------------------|-----|-----|-----|
| Tim Roberts       | 456 | 259 | 715 |
| Darren Littlewood | 303 | 147 | 47  |

£'000

● Fixed pay   ● Annual bonus   ● Long-term incentive

#### Key performance indicators (KPIs) performance for year ended 31 December 2020

##### Annual bonus

##### Profit before tax

— £17.1m

##### Key

- ✓ At or above stretch target
- Between threshold and stretch target
- ✗ Below threshold target

##### LTIP 3 year performance

| Earnings per share | Total shareholder returns | Return on capital employed |
|--------------------|---------------------------|----------------------------|
| ✗ (76)%            | ✗ (12)%                   | ✓ 12%                      |

# REMUNERATION POLICY

**This section of the report sets out the Company's policy on the remuneration of Directors which will be put to a binding shareholder vote at the 2021 AGM. Subject to shareholder approval, the Policy will take effect from the date of the 2021 AGM and is intended to apply for three years.**

The Company policy on remuneration is designed to ensure that Executive Directors earn sufficient remuneration to be motivated to achieve our strategy with the addition of appropriate incentives, aligned to our vision and strategic objectives, that encourage enhanced performance without excessive risk.

The Committee annually reviews market practices and levels of remuneration for directors in similar roles within companies of comparable size and complexity. This review considers remuneration within our wider workforce, pay increases awarded and bonus levels generally in the Group, with the aim that we reward all employees fairly according to their role, performance, the economic environment and the Group's financial performance.

The Policy has been tested against the six factors listed in Provision 40 of the UK Corporate Governance Code:

- **Clarity** – the Committee has made alterations to the Remuneration Policy to make it clearer, including a simplified annual bonus structure. The elements of the Remuneration Policy were described clearly to investors during the consultation process, to the workforce during the engagement with the Group Employee Forum and are set out in this report.
- **Simplicity** – remuneration structures have been simplified. All structures are as simple as possible whilst providing a strong link between reward and performance and avoiding reward for failure
- **Risk** – the Remuneration Policy has been designed to discourage inappropriate risk taking including a balance between short-term and long-term elements, as well as bonus deferral, recovery and withholding provisions, in addition to in-employment and post-cessation shareholding requirements. To avoid conflicts of interest, Committee members are required to disclose any conflicts or potential conflicts ahead of Committee meetings. No Executive Director or other member of management is present when their own remuneration is under discussion.
- **Predictability** – elements of the Policy are subject to caps and dilution limits. An illustration of pay levels for different levels of performance are shown in the scenario charts in the notes to the Policy table. The Committee has the discretion to adjust the formulaic outcomes of the incentive arrangements if the outcome is considered inappropriate.
- **Proportionality** – There is a broadly equal balance between fixed pay and incentives and there is also a broadly equal balance between short-term and long-term incentives, reflecting the importance of both short-term and long-term performance.

- **Alignment to culture** – Henry Boot's distinctive company culture has been taken into consideration with the incentivisation of the Executive Directors to continue to develop the Group with our people at the forefront of our strategies, whilst formulating a Policy to drive sustainable long term growth.

## Changes to the Directors' Remuneration Policy

The following changes have been made to the Remuneration Policy.

### Base Salary

The salary cap which stated that salaries would be no higher than the median rate of the upper quartile of the FTSE Small Cap, has been removed to simplify the Policy and because this limit is significantly higher than any salaries that we intend to pay during the Policy period.

### Pension

Pension rates for Executives will be aligned with the wider workforce. Any new Executive Director appointed will have a pension rate in line with the wider workforce, currently 8% of salary. This represents the amount that most employees are able to contribute to the pension and that it is equitable for the Executive Directors to participate. The current pension rate for the CEO is 8% of salary. The GFD's pension contribution will be retained at the current 20% of salary rate until 31 December 2021 and then reduce to the workforce rate. This reduction will take place a year earlier than the recommended date in the Investment Association guidance.

### Annual Bonus

In line with market best practice, we are introducing compulsory bonus deferral, one third of the bonus earned will be invested into shares and deferred for three years. In addition, a formal discretionary override has been introduced into the Policy and recovery and withholding provisions have been broadened to include reputational damage and corporate failure. To simplify the bonus scheme, the reference to an "exceptional maximum bonus" opportunity (120% of salary) has been removed and, instead, is now described as the "maximum" which is what, in reality, the exceptional maximum has always been (i.e. it has been the point at the top of the performance range at which the maximum bonus has been payable which has in the past, and will continue to be in the future, reflective of exceptional performance).

The pay-out schedule is now based on a sliding scale between threshold and maximum, in line with general market practice.

The specific split between financial and non-financial measures (80:20) has been removed to allow for greater flexibility. The majority of the bonus will continue to be based on financial measures. We would like some flexibility in the Policy to have a slightly higher weighting on non-financial strategic and in due course ESG measures, and so propose that the Policy should state simply that a majority of the bonus should be based on financial measures.

# Corporate Governance Report



## Remuneration

### Long-Term Incentive Plan (LTIP)

The maximum limit has been reduced from 200% of salary to 175% of salary.

The previous Policy stated that the performance measures for the LTIP would include EPS, ROCE and TSR with the weightings for any measure not exceeding 50%. We have removed the stipulation of which particular measures should be used and instead stated that these will be linked to the business strategy, albeit at this stage there is no intention to move away from this mix of measures.

To strengthen the alignment of interest between shareholders and executives, to the extent awards vest the value of dividends payable over the vesting period will be added, usually in the form of an additional award of shares.

As per the annual bonus, the recovery and withholding provisions have been broadened and the discretion to adjust the formulaic outcome has been formally introduced.

### Shareholding Requirements

In line with market best practice, we have increased the shareholding requirement for the GFD from 150% to 200% of salary so that both Executives must build up a shareholding equivalent to 200% of salary.

A post-cessation shareholding requirement has been introduced. Any Executive Director leaving the Company will be required to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary for a period of two years. Market purchased shares by the individual will be excluded from this requirement and the requirement will only apply to LTIP awards made after the May 2021 AGM.

### Recruitment and leaver treatment

The Policy regarding buyout awards and payments for loss of office have been updated to reflect latest market practice.

Performance conditions will be applied on a like-for-like basis on any buyout awards and awards will resemble forfeited arrangements as far as practicable.

Leavers will no longer be able to receive lump sum payments if a contract is terminated. Payments for loss of office will be phased over the notice period and subject to mitigation and offset against earnings elsewhere.

### Non-executive Directors

We are committed to a culture that promotes equality and diversity. As a result, the requirement for Non-executive Directors to build up a shareholding to the value of 50% of the base fee, has been removed from the Policy to ensure that no potential Non-executive Director candidates are unable to take the role due to this requirement. However, we will continue to encourage Non-executive Directors' to build up a meaningful shareholding in Henry Boot where possible.

## POLICY TABLE

| Element         | Purpose and link to strategy   | Operation   | Opportunity   | Performance measures |
|-----------------|--|---|---|----------------------|
| <b>Salary</b>   | Core element of the Executive Directors' fixed remuneration reflecting the role, experience and set in part by reference to comparable companies in the FTSE and appropriate relativities within the broader executive team. | The Committee reviews base salaries annually, taking into consideration:<br><br>i. the value of the individual to the Group, their skills, experience and performance;<br>ii. pay increase levels in the Group and more generally in the marketplace; and<br>iii. the Group profitability and prevailing market conditions.   | Salary increases will normally be in line with the workforce average. The Committee will consider any increase above this level very carefully in the following circumstances, for example:<br><br>i. relevant commercial factors;<br>ii. increasing scope and responsibility;<br>iii. promotional increases; and<br>iv. falling below market positioning.  | None.                |
| <b>Benefits</b> | These are provided on a market competitive basis to assist in recruiting and retaining Executive Directors.  | Executive Directors currently receive:<br><br>i. a car allowance;<br>ii. private health insurance;<br>iii. permanent health insurance;<br>iv. death in service cover; and<br>v. the offer of participation in the SAYE Scheme.<br><br>The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practice or the operational needs of the Group.<br><br>The cost of providing benefits is borne by the Company and varies from time to time. | Set by reference to normal market practice.   | None.                |
| <b>Pension</b>  | To provide a contribution towards retirement income.   | Executive Directors are eligible for membership of the Henry Boot PLC Group Stakeholder Pension Plan (defined contribution pension scheme) or a cash supplement in lieu of this.<br><br>The Henry Boot Staff Pension & Life Assurance Scheme (defined benefit pension scheme) is closed to new members, however internal promotees to an Executive Director will retain any existing membership.  | The current CEO and any new Executive Director will receive a pension contribution in line with the rate applying to the majority of the workforce, currently 8% of salary.<br><br>The current GFD will receive a pension contribution of 20% of basic salary, which will continue until 31 December 2021 and then this will reduce to be in line with the contribution rate for the majority of employees. | None.                |

# Corporate Governance Report



## Remuneration

| Element                         | Purpose and link to strategy   | Operation  | Opportunity   | Performance measures  |
|---------------------------------|--|--|---|---|
| <b>Annual bonus</b>             | To incentivise the delivery of financial performance, operational targets and individual objectives over the financial year.   | Targets are reviewed annually and any payment is determined by the Committee after the year end based on targets set for the financial year.<br><br>Two thirds of the annual bonus will be paid in cash, one third of the bonus earned will be invested into shares and deferred for three years (during which time the shares cannot be sold). Malus and clawback provisions apply.   | The maximum bonus opportunity is 120% of salary.  | The majority of the bonus will be based on financial metrics.<br><br>No more than 10% of the maximum bonus opportunity will payout for threshold performance and no more than 50% for target performance.<br><br>Payout between threshold, target and maximum will be calculated on a straight-line basis.  |
| <b>Long-Term Incentive Plan</b> | The Long-Term Incentive Plan provides a clear and strong link between the remuneration of Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for achieving longer-term objectives aligned closely to the business strategy and shareholders' interests. | Conditional share awards are granted annually to Executive Directors.<br><br>Awards vest after the third anniversary of grant subject to performance conditions and continued service.<br><br>To the extent awards vest, the value of dividends payable over the vesting period will be added, usually in the form of an additional award of shares.<br><br>After awards vest, subject to selling sufficient shares to pay tax, shares must be held for a further two years.<br><br>Malus and clawback conditions apply. | Up to a maximum of 175% of salary in any year.<br><br>Award levels would not be increased above 125% of salary in the case of the CEO and 100% of salary in the case of the GFD without first consulting with our major shareholders. | The Remuneration Committee has the discretion to adjust the formulaic outcome of the bonus if they believe the outcome does not accurately reflect business performance.<br><br>Performance conditions and targets will be set each year linked to business KPIs in line with the strategy, or a measure of total shareholder return.<br><br>The Remuneration Committee has the discretion to adjust the formulaic outcome of the bonus if they believe the outcome does not accurately reflect business performance.<br><br>No more than 25% of the award will vest for threshold performance. |

| <b>Element</b>                     | <b>Purpose and link to strategy</b>   | <b>Operation</b>  | <b>Opportunity</b>   | <b>Performance measures</b> |
|------------------------------------|---|---|--|-----------------------------|
| <b>Shareholding guidelines</b>     | Direct share ownership by Executive Directors aligns their long-term interests to those of shareholders.  | During employment Executive Directors are required to build and maintain a shareholding equivalent to 200% of base salary. Executive Directors are expected to retain at least 50% of any LTIP awards or deferred bonus awards until holdings reach the required level.<br><br><b>Post-ceSSION of empLoymEnt</b><br>Any Executive Director leaving the Company will be expected to retain the lower of the shares held at cessation of employment and shares to the value of 200% of salary, for a period of at least two years. Market purchased shares purchased by the individual will be excluded from this requirement and the requirement only applies to awards made after the May 2021 AGM. | Not applicable.  | None.                       |
| <b>Non-executive Director fees</b> | Fee levels are set in order to recruit and retain high calibre Non-executive Directors with the relevant experience required to achieve success for the Company and its shareholders. | The fees of the Chairman are determined by the Committee and the fees of the Non-executive Directors are determined by the Board (minus the Non-executive Directors).<br><br>Non-executive Directors are not eligible to participate in any of the Company's share schemes, incentive arrangements or pension schemes.  | Non-executive Directors are paid a basic fee.<br><br>Additional fees may be paid for chairing committees or taking additional roles such as the Senior Independent Director or Director responsible for the Employee Voice.<br><br>Non-executive Directors are encouraged, but not required, to build up a shareholding in Henry Boot. | None.                       |

**Notes to the Policy table****Explanation of the performance measures chosen**

The Committee has the discretion in exceptional circumstances to change performance measures and targets part-way through a performance year if there is a significant event which causes the Committee to believe the original measures and targets are no longer a fair and accurate measure of business performance.

**Malus and clawback**

The Committee has discretion to claw back awards made under the annual bonus plan and LTIP in the event of a material misstatement in the audited consolidated accounts of the Company, a material error in assessing any performance condition, employee misconduct, serious reputational damage or corporate failure. In these circumstances the Committee has discretion to reduce or cancel deferred awards, or require the participant to repay some or all of the value delivered from a bonus or LTIP awards, at any time up to the third anniversary of vesting of LTIP awards or payment of annual bonus.

**Statement of consideration of employment conditions elsewhere in the Group****Differences in policy from the wider employee group**

Henry Boot PLC aims to provide a remuneration package that is market competitive, complies with statutory requirements and is applied fairly and equitably across employees of the Group. Where possible, the Group operates the same core remuneration principles for employees as it does for Executive Directors.

# Corporate Governance Report



## Remuneration

These are:

- We remunerate fairly for each role with regard to the marketplace, consistency across comparable roles and consistency across each company within the Group.
- We remunerate people at a level that the Group has the ability to meet which is sufficient to retain and motivate our people to achieve our shared long-term goals.

Bonus arrangements across the Group normally have a similar structure to the Executive Directors in that the main target measure is Group profitability. The level of bonus potential varies across all Group companies.

Participation in the LTIP Scheme is extended to the senior management beyond the Executive Directors at the discretion of the Board. In line with the Non-executive Directors, share ownership amongst the wider workforce is encouraged but there is no formal requirement to hold shares. Furthermore, we also encourage long-term employee engagement through the offer of a SAYE Share Scheme and CSOP Scheme to all eligible employees.

### Employee engagement

Employee engagement on remuneration matters by the Committee is conducted through the Group Employee Forum (GEF). The GEF consists of employees from across the businesses and provides an opportunity for employees to voice their views and raise concerns. The GEF is attended by the designated Non-executive Director and Remuneration Committee Chair, Gerald Jennings, who acts as a conduit between the Board and the workforce, and ensures a two-way dialogue. During the Remuneration Policy consultation, two meetings were held with the GEF to discuss the overall remuneration approach and the Executive Directors' objectives, the latter meeting included our advisors, Korn Ferry, which the GEF members welcomed both in terms of understanding the background to the remuneration decisions and the potential outcomes, alongside strategic rationale. In addition, every December, the Head of HR presents a report to the Committee summarising matters relating to the wider workforce, relative levels of pay between companies in the Group, changes to other working conditions and changes within the make-up of the workforce. Information from both the GEF and the Head of HR report is considered when setting and implementing the Directors' Remuneration Policy. You can read more about the work of the GEF on page 86.

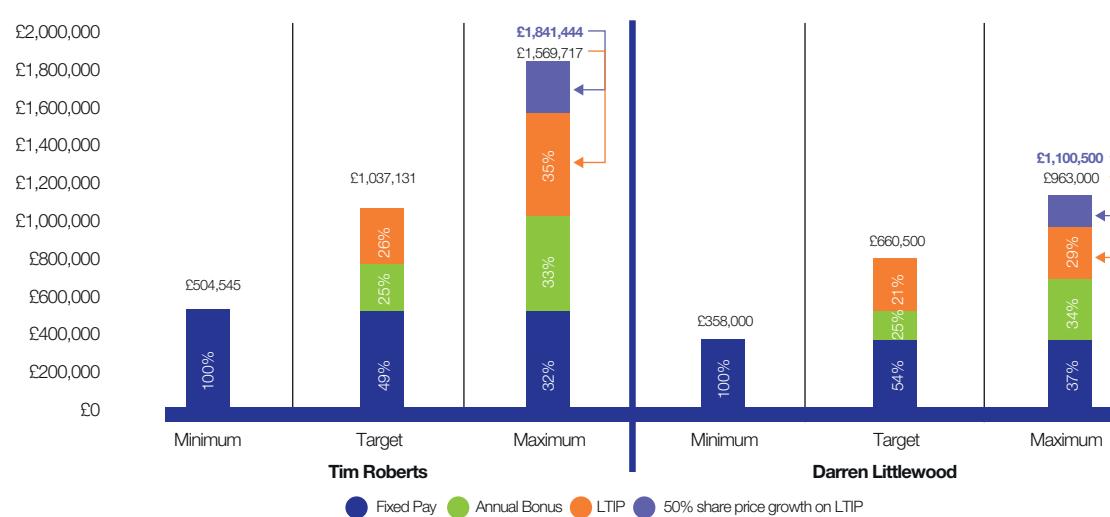
### Consideration of Shareholder Views.

In 2020, the Remuneration Committee consulted with major family and institutional shareholders and proxy advisers to seek their views on the proposed Remuneration Policy and implementation. During the consultation, the major shareholders were supportive of our proposed changes to the Remuneration Policy and so we have proceeded with the planned changes. In relation to the operation of the Policy for FY21, shareholders were also broadly supportive. However, as noted in the Chairman's Statement, following shareholder feedback we staggered the salary increase for the GFD over two years. The Committee is thankful for shareholders' participation in this consultation process. The Remuneration Committee will continue to monitor developments in corporate governance and market practice to ensure that the Policy and its implementation continues to be in line with best practice.

### Illustration of the application of the Remuneration Policy

The graph shows total remuneration under the new Policy, illustrating the minimum pay (fixed pay), on-target pay and maximum pay (assumptions are set out in the table below).

|                |   |
|----------------|---|
| <b>Minimum</b> | Fixed pay comprised of base pay as of 1 January 2021, benefits paid in FY20, and pension contributions in FY21.   |
| <b>Target</b>  | Fixed pay and 50% of maximum bonus and LTIP opportunity.  |
| <b>Maximum</b> | Fixed pay and maximum payout under the bonus and LTIP. This scenario also includes an additional element illustrating the impact of 50% share price growth on the LTIP. |



## Recruitment Remuneration Policy

This table sets out the Company's policy on recruitment of new Executive Directors for each element of the remuneration package. Non-executive Directors are recruited on an initial three-year term and receive a fee but no other benefits.

| Remuneration element       | Policy on recruitment   |
|----------------------------|---|
| <b>Base salary</b>         | The Committee will typically offer a salary in line with the Policy whilst also considering the experience, ability to implement Group strategy, and the wider economic climate and pay and conditions throughout the Group, in order to facilitate the hiring of candidates of the appropriate calibre required to implement the Group's strategy.   |
| <b>Benefits</b>            | The Committee will offer benefits in line with the Policy for existing Executive Directors; however, the Committee has the flexibility to consider other benefits from time to time, including relocation expenses.   |
| <b>Pension</b>             | Contribution levels will be set in line with the Company policy.  |
| <b>Bonus</b>               | The Committee will offer the ability to earn a bonus in line with the Policy (maximum 120% of base salary). Bonus opportunities will be pro-rated for new employees that join during the year.  |
| <b>LTIPs</b>               | The Committee will offer LTIPs in line with the Policy in the year of joining.  |
| <b>Buyouts</b>             | The Committee's policy on "buying out" existing incentives granted by the Executive's previous employer will depend on the process of recruitment and be negotiated on a case-by-case basis. The Committee may make an award in order to "buy out" previous incentives but it will only be made if it is considered necessary to attract the right candidate and there will not be a presumption in favour of doing so. The award will in any event be no larger than the award forfeited and will resemble the arrangements forfeited as far as applicable and performance conditions will apply on a like-for-like basis. |
| <b>Internal appointees</b> | Any remuneration awards previously granted to an internal appointee to the Board will continue on their original terms. In the same way, if an appointee is accruing benefits in the Henry Boot Staff Pension and Life Assurance Scheme these will continue as before.  |

## Payment for the loss of office policy

The table below sets out the policy on exit payments. Treatment of different elements under the Policy may vary depending on whether the Executive is classified as a "good" or a "bad" leaver. "Good leaver" status occurs upon the cessation of employment for a compassionate reason, such as death in service; ill health; injury; disability; retirement; redundancy or for any other reason determined by the Committee.

The Committee will ensure that a consistent approach to exit payments is adopted and there is no reward for poor performance and any liability to the Group is minimised/mitigated in all areas. Where a compromise agreement is required, the Committee would consider contributing to the reasonable costs of legal and other expenses relating to the termination of employment and pay reasonable amounts to settle potential claims.

| Remuneration element                     |   |
|--|---|
| <b>Base salary/fees and benefits</b>     | Base salary/fees and benefits will be paid over the notice period subject to mitigation. Compensation will be phased over the notice period. If the Executive finds a new role prior to the end of the notice period, payments will be offset against earnings from the new role.   |
| <b>Pension/salary in lieu of pension</b> | Pension contributions and any payments in lieu of pension will be provided over the notice period.  |
| <b>Bonus</b>                             | For a good leaver, any bonus payment would be at the discretion of the Committee and would be pro-rated to the time employed in the year that employment ceases. Any payment would be paid at the same time as other Directors, subject to the original performance criteria deferral and malus and clawback.   |
| <b>LTIP Awards</b>                       | <p>It is normal for awards to lapse on cessation of employment unless the Company and Committee agree that the Executive is a good leaver. Good leavers will be treated in accordance with the rules of the LTIP scheme which has been approved by shareholders. Their awards are prorated for the proportion of the performance period that has elapsed. Any prorated shares vest at the normal vesting date and are subject to the same performance conditions as other LTIP award holders. The Committee retains discretion to allow vesting at the time of cessation of employment on a prorated basis. Good leavers will be subject to the clauses in the LTIP Scheme related to holding periods, malus and clawback.</p> <p>In the event of a change of control, Directors affected will be treated in accordance with the rules of the LTIP Scheme. Any early vesting as a consequence of a change of control would be based on the Committee's assessment of the performance conditions and would take into account the vesting period that has elapsed at the time of the change of control.</p> |

# Corporate Governance Report



## Remuneration

### Service contracts

Tim Roberts and Darren Littlewood 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 from either party. Contractual compensation in the event of early termination provides for compensation of basic salary, pension and benefits for the notice period, which would be payable on a phased monthly basis.

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, subject to a maximum of three terms totalling nine years; however, they may be terminated without compensation at any time.

### Policy on external appointments

The Company recognises that Executive Directors may be invited to become Non-executive Directors of other companies and that this can help broaden the skills and experience of a Director. Executive Directors are permitted to accept one external appointment with the approval of the Board. Any remuneration earned from such appointments is retained by the Executive.



# ANNUAL REPORT ON REMUNERATION

**The following section provides details of how Henry Boot's Remuneration Policy was implemented during the financial year. The labelled parts of the Directors' Remuneration Report are subject to audit.**

## The Remuneration Committee

The role of the Remuneration Committee as well as members, meetings and key activities during the year are set out on page 106-107

## External Advisers

During 2020, the Committee agreed that it was appropriate to carry out a formal tender process in relation to its advisers, and following a robust process, the Committee appointed Korn Ferry as its advisers with effect from 11 June 2020.

During the year the Committee received independent advice on Directors' remuneration from Korn Ferry. The company is a member

of the Remuneration Consultants Group and adheres to its Code of Conduct which requires its advice to be objective and impartial.

The fees paid to Korn Ferry for providing advice to the Committee in relation to Directors' remuneration was £38,549. Korn Ferry had no other connection to the Company. The Committee is satisfied that the advice it received is objective and independent.

## 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 30 June 2020 the resolution put to shareholders on an advisory basis to receive and approve the 2019 Directors' Remuneration Report was passed. The number of votes in favour of that resolution was 91,440,756 (94.07% of votes cast), against 5,762,073 (5.93% of votes cast), and withheld 31,839.

The total number of votes cast in respect of this resolution represented 72.98% of the issued share capital.

The current Remuneration Policy was approved at the AGM on 24 May 2018. The number of votes in favour of that resolution was 79,610,196 (87.38% of votes cast), against 11,493,781 (12.62% of votes cast), and withheld 1,395,563.

## 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<br>31 December 2020 | Salary and<br>fees<br>£'000 <sup>1,2</sup> | Taxable<br>benefits<br>£'000 | Pension-<br>related<br>benefits<br>£'000 | Total fixed<br>£'000 | Annual<br>bonus<br>£'000 | Long-term<br>incentives <sup>5</sup><br>£'000 | Total Variable<br>£'000 | Total<br>Remuneration<br>£'000 |
|--------------------------------|--|------------------------------|--|----------------------|--------------------------|---|-------------------------|--------------------------------|
| Tim Roberts <sup>3</sup>       | 387  | 35                           | 34                                       | 456                  | 259                      | —   | 259                     | 715                            |
| John Sutcliffe <sup>4</sup>    | 151  | 15                           | 33                                       | 199                  | —                        | 65  | 65                      | 264                            |
| Darren Littlewood              | 221  | 28                           | 54                                       | 303                  | 147                      | 47  | 194                     | 497                            |
| Jamie Boot                     | 81   | 1                            | —  | 82                   | —                        | —   | —                       | 82                             |
| James Sykes                    | 43   | —                            | —  | 43                   | —                        | —   | —                       | 43                             |
| Joanne Lake                    | 43   | —                            | —  | 43                   | —                        | —   | —                       | 43                             |
| Gerald Jennings                | 43   | —                            | —  | 43                   | —                        | —   | —                       | 43                             |
| Peter Mawson                   | 43   | —                            | —  | 43                   | —                        | —   | —                       | 43                             |
|                                | 1,012                                      | 79                           | 121                                      | 1,212                | 406                      | 112   | 518                     | 1,730                          |

| Year ended<br>31 December 2019 | Salary and<br>fees<br>£'000 | Taxable<br>benefits<br>£'000 | Pension-<br>related<br>benefits<br>£'000 | Total fixed<br>£'000 | Annual<br>bonus<br>£'000 | Long-term<br>incentives <sup>6</sup><br>£'000 | Total Variable<br>£'000 | Total<br>Remuneration<br>£'000 |
|--------------------------------|-----------------------------|------------------------------|--|----------------------|--------------------------|---|-------------------------|--------------------------------|
| John Sutcliffe                 | 395                         | 34                           | 79                                       | 508                  | 153                      | 251   | 404                     | 912                            |
| Darren Littlewood              | 225                         | 27                           | 45                                       | 297                  | 89                       | 113   | 202                     | 499                            |
| Jamie Boot                     | 88                          | —                            | —  | —                    | —                        | —   | —                       | 88                             |
| James Sykes                    | 46                          | —                            | —  | —                    | —                        | —   | —                       | 46                             |
| Joanne Lake                    | 46                          | —                            | —  | —                    | —                        | —   | —                       | 46                             |
| Gerald Jennings                | 46                          | —                            | —  | —                    | —                        | —   | —                       | 46                             |
| Peter Mawson                   | 46                          | —                            | —  | —                    | —                        | —   | —                       | 46                             |
|                                | 892                         | 61                           | 124                                      | 805                  | 242                      | 364   | 606                     | 1,683                          |

1. The Board voluntarily reduced salaries by 20% from 1 April 2020, for the duration of the most severe impact of the pandemic. Salaries and fees were reinstated in full on 1 October 2020. For Executive Directors, the total salary waived was £43,045.98 for the CEO and £25,000.00 for the GFD. These salary reductions for Tim Roberts and Darren Littlewood were repaid, to mirror the experience of the wider workforce in having received 100% of salary whilst furloughed, after the year end.
2. The Chairman's fee and the Non-executive Director's fees were reduced by 20%. The fee reductions were not reinstated.
3. Tim Roberts was appointed to the Board as CEO on 1 January 2020.
4. John Sutcliffe stepped down from the CEO role on 31 December 2019. He remained on the Board in an advisory role until 31 May 2020 when he stepped down from the Board.
5. The value of long-term incentives has been calculated based on the average share price for the period 1 October to 31 December 2020 of £2.53. No part of the award is currently attributable to share price appreciation. No discretion was applied due to share price.
6. The value of long-term incentives has been adjusted from the average share price for the period 1 October 2019 to 31 December 2019 of £2.68, to the price on the day of vesting of £2.35. No part of the award is currently attributable to share price appreciation. No discretion was applied due to share price.

# Corporate Governance Report



## Remuneration

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 on page 119 is derived from the following:

|                                 |   |
|---------------------------------|---|
| <b>Salary or fees</b>           | The amount of salary or fees received in the year (excluding the amount waived in relation to the CV-19 pandemic).  |
| <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 120 and 121.   |
| <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 8% salary for Tim Roberts and 20% of salary for Darren Littlewood and John Sutcliffe until his resignation from the Board. |

### Individual elements of remuneration

#### 2020 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. John Sutcliffe was not eligible to receive a bonus for 2020.

|  | Profit Before Tax |        |         |                 |
|--|-------------------|--------|---------|-----------------|
|  | Threshold         | Target | Maximum | Actual achieved |
| Profit (£m)  | £12.0m            | £13.3m | £20.0m  | £17.1m          |
| % of salary payable under bonus (out of 80% of salary) | 10%               | 40%    | 80%     | 65.5%           |

The Remuneration Committee also evaluated the performance of the Executive Directors against the 2020 personal objectives, noting the progress that had been made against the difficult backdrop of the CV-19 pandemic, and also that certain objectives would be required to continue into future years given their status as longer-term outcomes. In that context, the proportion of objectives achieved was assessed as follows:

#### 2020 personal objectives – Tim Roberts

| Objective                     | Details  | Performance against objective  | Score |
|-------------------------------|--|--|-------|
| 1                             | Reviewing and develop Group strategy, identifying and implementing strategic smart objectives taking account of risk.  | New five-year business plan signed off by Board following in-depth strategic review  | 15/16 |
| 2                             | Communicating the Group's purpose, vision and values both internally and externally.   | Good communication throughout the business during pandemic<br>Greatly improved external coverage   | 3/4   |
| 3                             | To develop and refine succession plans whilst progressing the identification and development of successors.  | New ExCo formed with better diversity<br>Succession plans completed and good progress with new hires   | 4/4   |
| 4                             | Lead good health and safety practices around the Group to avoid any major health and safety incidents.   | Group adjusted very well to CV-19 risks<br>Full H&S review completed, KPIs agreed and actions identified   | 3/4   |
| 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. | Positive feedback from brokers/PR on shareholder views<br>Further work needed to develop IR approach   | 2/4   |
| 6                             | Develop Environment Social and Governance (ESG) Policy, and support legal and regulatory compliance and initiatives around the Group meeting related deadlines.                        | ESG specialist appointed to the senior team<br>D&I policy initiated<br>Board ESG policy to be presented to the Board in Summer 2021 after significant work in 2020 | 4/4   |
| 7                             | Develop the Diversity and Inclusion (D&I) Policy, promoting diversity, and reducing the gender pay gap.  | Good progress made on broader D&I agenda but further work needed on a more diversified talent pipeline   | 2/4   |
| <b>Total (out of max 40%)</b> |  |  | 33%   |

## 2020 personal objectives – Darren Littlewood

| Objective              | Details  | Performance against objective  | Score |
|------------------------|--|--|-------|
| 1                      | Reviewing and develop Group strategy, identifying and implementing key strategic smart objectives for the Group.   | New five-year business plan signed off by Board following in-depth strategic review  | 11/12 |
| 2                      | Inform and develop strategy for each subsidiary, including key strategic smart objectives for Starfish and overseeing the integration of that business into HBC. | Full strategy review for each subsidiary completed and presented to the Board<br>Determined that the Starfish venture should be liquidated   | 3/4   |
| 3                      | Developing strategic influence within the business and profile within the wider industry.  | Strong relationships created with ExCo members<br>Chaired the CV-19 Committee and led the ExCo group<br>Good external networks with active membership of the CBI, and local chambers of commerce | 3/4   |
| 4                      | Redeployment of working capital into key business activities with a focus on risk weighted returns.  | Review completed for borrowing limits of subsidiary companies<br>Full review of risk completed in each subsidiary and presented to Audit and Risk Committee                                      | 4/4   |
| 5                      | Developing the Finance/IT/Communication team's profile and skillsets, developing their integration across the Group.   | Have significantly raised profile of the support functions across the Group  | 2/4   |
| 6                      | Management and development of financial reporting within each business, to the Board and to the investor community.  | New financial reporting systems incorporated within the subsidiaries<br>Better reporting of Strategic KPIs<br>One significant new investor added   | 2.5/4 |
| 7                      | Undertake a review of internal audit following the 3-year BDO programme and successful transitioning of the external audit from PWC to EY.                       | Thorough review of internal audit process completed<br>New auditor bedded in   | 2.5/4 |
| 8                      | Improve remuneration reporting requirements with clearer links to the objectives and priorities of the Group.  | Improved Directors' Remuneration report in line with Code and all relevant Reporting Requirements  | 3/4   |
| Total (out of max 40%) |  |  | 31%   |

The Remuneration Committee considers that Tim Roberts achieved 33% out of a maximum 40% of these targets, resulting in a bonus of 33% of salary for the personal element and that Darren Littlewood achieved 31% out of a maximum 40%, resulting in a bonus of 31% of salary.

As detailed in the Chairman's letter, the Committee exercised discretion to scale back the formulaic bonus payable.

The table below sets out the calculation for the bonus payable based on the formula and then the bonus payable after the Committee used discretion to reduce this amount.

The level of the scale-back was derived from a halving of the bonus (consistent with the approach last year) and then increasing this amount by 22%, which was the level of the percentage increase under the Group-wide profit share scheme for FY20.

| Executive Director | Formulaic payout under profit element (max 80% of salary) | Payout under personal element (max 40% of salary) | Total formulaic payout of bonus (max 120% of salary) | Total payout before Committee discretion (£) | Total payout following Committee discretion |
|--------------------|---|---|--|--|---|
| Tim Roberts        | 65.5%   | 33%   | 98.5%  | £424,003                                     | £258,641.83                                 |
| Darren Littlewood  | 65.5%   | 31%   | 96.5%  | £241,250                                     | £147,162.50                                 |

# Corporate Governance Report



## Remuneration

### Long-Term Incentive Plan (LTIP)

The Committee has reviewed the performance criteria for the LTIP shares awarded in 2018, based on performance for the years 2018, 2019 and 2020. The LTIP shares in this award were subject to the performance criteria set out in the table below. Based on performance, the award will only pay out under the ROCE element.

| Performance condition              | Weighting | Threshold     | Maximum        | Actual performance | Payout of element        |
|------------------------------------|-----------|---------------|----------------|--------------------|--------------------------|
|                                    |           | (25% vesting) | (100% vesting) |                    | (max out of 33.3%/33.4%) |
| EPS growth                         | 33.3%     | RPI+3% p.a.   | RPI+7% p.a.    | -76%               | 0%                       |
| ROCE                               | 33.3%     | 10%           | 13%            | 12.34%             | 27.81%                   |
| TSR <sup>1</sup>                   | 33.4%     | Median        | Upper quartile | Below median       | 0%                       |
|                                    |           | TSR: -4%      | TSR: 10%       | TSR: -12%          |                          |
| <b>Total vesting (out of 100%)</b> |           |               |                |                    | <b>27.81%</b>            |

1. The TSR comparator group was comprised of the FTSE Small Companies Index.

### LTIP awards granted in the year (Audited)

LTIP awards were granted during the year to Tim Roberts and Darren Littlewood on 22 June 2020. The Committee considered the level of the share price at the date of grant and determined that the award level should proceed at the usual 100% of salary level. However, in the event that there are windfall gains, or where payouts are not commensurate with performance, the Committee would use discretion to scale back awards on vesting:

|                   | Type of award           | % of salary | Number of shares | Face value of grant at £2.56 per share | % of award vesting at threshold |
|-------------------|-------------------------|-------------|------------------|--|---------------------------------|
|                   |                         |             |                  |  |                                 |
| Tim Roberts       | LTIP – nil cost options | 100%        | 168,039          | £430,179.84                            | 25%                             |
| Darren Littlewood | LTIP – nil cost options | 100%        | 97,592           | £249,835.52                            | 25%                             |

The awards are subject to the following performance conditions which will be measured over the three-year period ending 31 December 2022:

|                            | % linked to award | Threshold  | Maximum                                |
|----------------------------|-------------------|--|--|
|                            |                   | (25% of max)   | (100% of max)                          |
| EPS growth                 | 33.3              | RPI + 3% per annum   | RPI + 7% per annum                     |
| Return on Capital Employed | 33.3              | Average three-year ROCE of 10%   | Average three-year ROCE of 13% or more |
| TSR                        | 33.4              | TSR at median or above constituent companies of the FTSE Small Companies Index | TSR at or above the upper quartile     |

### Pension entitlement

Tim Roberts receives a salary supplement in lieu of pension contribution equivalent to 8% of salary, in line with the workforce rate.

Darren Littlewood is a deferred member of The Henry Boot Staff Pension and Life Assurance Scheme (Defined Benefit) from 31 March 2019. His normal retirement date within the Scheme would be in 2042, aged 67. The annual allowance for tax relief on pension savings applicable to Darren Littlewood in 2020 was £4,000. He elected to receive a salary supplement in lieu of the employer contributions which amounted to £50,000 following which he chose to contribute £4,000 into the Henry Boot PLC Group Stakeholder Pension Plan through a salary sacrifice arrangement. Darren Littlewood's pension contribution will be retained at the current 20% of salary rate until 31 December 2021 and then reduce to the workforce rate. This reduction will take place a year earlier than the recommended date in the Investment Association guidance.

John Sutcliffe is a deferred member of the Henry Boot PLC Group Stakeholder Pension Plan. Contributions are made at 20% of salary and contributions to the Plan in the year were £nil (2019: £nil). The annual allowance for tax relief on pension savings applicable to John Sutcliffe in 2020 was £nil and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £32,916.70 (2019: £79,000).

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.

## 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 and connected persons in the Company as at 31 December 2020. The Executive Directors are subject to a shareholding requirement of 200% of salary under the new Policy which is subject to shareholder approval at the 2021 AGM.

|                             | Number of ordinary shares held | LTIPs subject to performance measures | Total     | Number of ordinary shares as a % of salary or fees <sup>1</sup> | Total share interests as a % of salary or fees |
|-----------------------------|--------------------------------|---------------------------------------|-----------|---|--|
| Jamie Boot <sup>2</sup>     | 5,665,002                      | —                                     | 5,665,002 | 15,861%   | 15,861%  |
| Tim Roberts                 | 170,067                        | 168,039                               | 338,106   | 100%  | 198%   |
| John Sutcliffe <sup>3</sup> | 816,565                        | 277,544                               | 1,094,109 | n/a   | n/a  |
| Darren Littlewood           | 186,507                        | 248,161                               | 434,668   | 173%  | 403%   |
| James Sykes                 | 20,000                         | —                                     | 20,000    | 106%  | 106%   |
| Joanne Lake                 | 10,710                         | —                                     | 10,710    | 57%   | 57%  |
| Gerald Jennings             | 19,900                         | —                                     | 19,900    | 105%  | 105%   |
| Peter Mawson                | 13,200                         | —                                     | 13,200    | 70%   | 70%  |

The share price at 31 December 2020 was 255p. The salary used for this calculation is that which commences on 1 January 2021.

1. Details of Director shareholding requirements can be found in the 2018 Remuneration Policy, which can be viewed on the website: [henryboot.co.uk](http://henryboot.co.uk).
2. Jamie Boot also holds 14,753 preference shares.
3. John Sutcliffe's shareholdings are shown as at the date he stepped down from the Board on 31 May 2020. LTIP amounts for John Sutcliffe shown have not yet been pro-rated to take in to account his leaver date.

Between 31 December 2020 and 31 March 2021, being a date not more than one month prior to the date of the Notice of the AGM, there were no changes in the beneficial interests of any of the current Directors.

|                   | Plan | Date of grant | Market price at date of grant | At 1 January 2020 | Grant during the year | Exercised during the year | Lapsed during the year | At 31 December 2020 |                                      | Actual exercise date /earliest vesting date | Market valuation on exercise £ |
|-------------------|------|---------------|-------------------------------|-------------------|-----------------------|---------------------------|------------------------|---------------------|--------------------------------------|---|--------------------------------|
|                   |      |               |                               |                   |                       |                           |                        | At                  | exercise date /earliest vesting date |   |                                |
| Tim Roberts       | LTIP | 22/06/2020    | 256.17p                       | —                 | 168,039               | —                         | —                      | <b>168,039</b>      | 22/06/2023                           | —   | —                              |
|                   |      |               |                               | —                 | 168,039               | —                         | —                      | <b>168,039</b>      |                                      |   |                                |
| John Sutcliffe    | LTIP | 24/04/2017    | 241.2p                        | 160,665           | —                     | 107,002                   | 53,663                 | —                   | 24/04/2020                           | 251,455                                     |                                |
|                   | LTIP | 25/04/2018    | 294.3p                        | 132,502           | —                     | —                         | —                      | <b>132,502</b>      | 25/04/2021                           | —   |                                |
|                   | LTIP | 30/04/2019    | 272.3p                        | 145,042           | —                     | —                         | —                      | <b>145,042</b>      | 30/04/2022                           | —   |                                |
|                   |      |               |                               | 438,209           | —                     | 107,002                   | 53,663                 | <b>277,544</b>      |                                      | 251,455                                     |                                |
| Darren Littlewood | LTIP | 24/04/2017    | 241.2p                        | 72,554            | —                     | 48,320                    | 24,234                 | —                   | 24/04/2020                           | 113,552                                     |                                |
|                   | LTIP | 25/04/2018    | 294.3p                        | 67,950            | —                     | —                         | —                      | <b>67,950</b>       | 25/04/2021                           | —   |                                |
|                   | LTIP | 30/04/2019    | 272.3p                        | 82,619            | —                     | —                         | —                      | <b>82,619</b>       | 30/04/2022                           | —   |                                |
|                   | LTIP | 22/06/2020    | 256.17p                       | —                 | 97,592                | —                         | —                      | <b>97,592</b>       | 22/06/2023                           | —   |                                |
|                   |      |               |                               | 223,123           | 97,592                | 48,320                    | 24,234                 | <b>248,161</b>      |                                      | 113,552                                     |                                |

## Sharesave plan

|             | Plan | At 1 January 2020 | Granted during the year | Exercised during the year | Lapsed during the year | At 31 December 2020 |                | Exercise price | Date from which exercisable | Expiry date |
|-------------|------|-------------------|-------------------------|---------------------------|------------------------|---------------------|----------------|----------------|-----------------------------|-------------|
|             |      |                   |                         |                           |                        | At                  | Exercise price |                |                             |             |
| Tim Roberts | 2010 | —                 | 7,594                   | —                         | —                      | <b>7,594</b>        | 237p           | 01/12/2023     | 01/06/2024                  |             |

## Share price

The middle market price for the Company's shares at 31 December 2020 was 255p and the range of prices during the year was 185p to 342p.

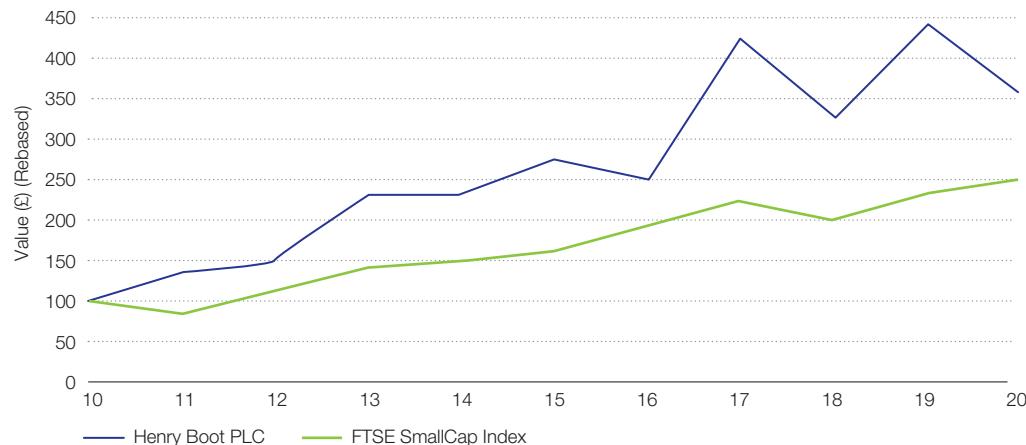
# Corporate Governance Report



## Remuneration

### Ten-year TSR performance graph

The chart below shows the TSR for the Company compared to the FTSE Small Cap Index over ten years. The FTSE Small Cap index has been chosen as Henry Boot is a constituent of the FTSE Small Cap index.



### CEO remuneration for the previous ten years

| Year                       | 2010 | 2011 | 2012 | 2013  | 2014  | 2015 | 2016  | 2017  | 2018  | 2019 | 2020 |
|----------------------------|------|------|------|-------|-------|------|-------|-------|-------|------|------|
| Total Remuneration (£'000) | 764  | 842  | 962  | 1,054 | 1,000 | 981  | 1,118 | 1,277 | 1,250 | 912  | 715  |
| Annual bonus (% of max)    | 58.3 | 66.7 | 58.3 | 83.3  | 94.5  | 87.8 | 91.1  | 99.2  | 76.8  | 64.8 | 50.0 |
| LTIP (% of max)            | 64   | 50   | 40   | 50    | 25    | 25   | 67    | 100   | 87    | 65   | nil  |

### Percentage change in Directors remuneration<sup>2</sup>

The table below sets out in relation to salary, taxable benefits and annual bonus the percentage increase in remuneration for Directors compared to the wider workforce from 2019 to 2020. For these purposes:

|                                      | Salary/fees | Taxable benefits | Annual bonus |
|--------------------------------------|-------------|------------------|--------------|
| Chief Executive Officer <sup>1</sup> | 0%          | 0%               | N/A          |
| Group Finance Director               | 11%         | 0%               | (51.1)%      |
| Jamie Boot                           | 3%          | N/A              | N/A          |
| James Sykes                          | 3%          | N/A              | N/A          |
| Joanne Lake                          | 3%          | N/A              | N/A          |
| Gerald Jennings                      | 3%          | N/A              | N/A          |
| Peter Mawson                         | 3%          | N/A              | N/A          |
| Workforce                            | 3.99%       | 0%               | (40.81)%     |

1. Tim Roberts was appointed CEO on 1 January 2020 therefore there is no previous year comparative to calculate a change.

2. John Sutcliffe stepped down from the CEO role on 31 December 2019. He remained on the Board in an advisory role until 31 May 2020 when he stepped down from the Board. John Sutcliffe has been excluded as he left the company during the year and so a comparison to the previous year would not be representative.

### CEO pay ratio

The table below illustrates the ratio between CEO pay for 2020.

| Year | Method   | 25th percentile | 75th percentile  |           |
|------|----------|-----------------|------------------|-----------|
|      |          | pay ratio       | Median pay ratio | pay ratio |
| 2020 | Option A | 26:1            | 18:1             | 11:1      |
| 2019 | Option A | 41:1            | 27:1             | 17:1      |

In line with legislation, the analysis has been calculating using Option A based on the single total figure for the CEO on page 119 and pay and benefits for UK FTE employees. The Committee selected Option A as the method of calculation as it is generally recognised as the most statistically robust and is consistent with the 2019 reporting.

The pay and benefits for UK employees was calculated on 18 March 2021 using the same method as used for the single total figure. Furloughed employees were included in the calculation but as salaries were topped up to 100% this had limited impact on the calculation. No estimates or adjustments have been made.

The median CEO pay ratio has decreased since 2019 but there are several reasons why the ratio for 2020 may not be representative of a typical year. In 2020, members of the Board voluntarily reduced salaries by 20% for the duration of the most severe impact of the pandemic and although some employees were furloughed salaries were topped up to 100%. In addition, as Tim Roberts was appointed to the Board as CEO on 1 January 2020, his first LTIP grant will not be eligible to vest until 2023. As such the ratio for 2020 may under-emphasise current pay differentials. However, the ratio is considered to be consistent with the pay, reward and progression policies within the Company.

|                           | 25th percentile   | 50th percentile   | 75th percentile   |
|---------------------------|-------------------|-------------------|-------------------|
| Salary/wages              | £24,720.00        | £34,145.00        | £51,141.81        |
| <b>Total remuneration</b> | <b>£27,447.00</b> | <b>£39,245.50</b> | <b>£63,479.37</b> |

### Relative importance of the 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:

|   | 2020<br>£'000 | 2019<br>£'000 | %<br>change |
|---|---------------|---------------|-------------|
| Ordinary dividends                            | <b>7,319</b>  | 6,633         | 10%         |
| Profit attributable to owners of the business | <b>11,921</b> | 37,596        | (68)%       |
| Overall expenditure on pay                    | <b>31,125</b> | 35,029        | (11)%       |

### Implementation of Remuneration Policy in 2021

#### Executive Directors

##### Base salary and fees

The CEO will receive a base salary increase of 1% effective 1 January 2021, in line with the wider workforce. The GFD will receive a salary increase of 10% effective 1 January 2021, this is the first part of a two-stage increase to reflect his experience, the market rate for this role and his outstanding contribution to the business since his appointment.

|                   | Salaries effective from |         |        |
|-------------------|-------------------------|---------|--------|
|                   | 01 January              |         | Change |
|                   | 2021                    | 2020    |        |
|                   | £                       | £       | %      |
| Tim Roberts       | <b>434,764</b>          | 430,460 | 1%     |
| Darren Littlewood | <b>275,000</b>          | 250,000 | 10%    |

##### Pension

Darren Littlewood will continue to receive a salary supplement in lieu of pension of 20% of salary until 31 December 2021, following which his salary supplement in lieu of pension will reduce to 8% of salary, this representing the pension contribution that most employees are able to contribute to the pension. Tim Roberts will receive a salary supplement in lieu of pension of 8% of salary.

##### 2021 bonus

The maximum bonus opportunity for Executive Directors is 120% of salary. The 2021 bonus will be based two thirds on financial measures and one third on strategic objectives. In line with the new Policy, 10% of the bonus will payout for threshold performance, 50% at target. The profit targets are considered to be commercially sensitive and will therefore be disclosed retrospectively in next year's report. An overview of the strategic objectives for each director is set out below.

# Corporate Governance Report



## Remuneration

### 2021 personal objectives – Tim Roberts

|          |   |
|----------|---|
| <b>1</b> | Implement Group strategy, identifying strategic smart objectives, taking account of risk  |
| <b>2</b> | Communicating the Group's strategy, vision and values both internally and externally  |
| <b>3</b> | Develop senior leadership team and review Group remuneration  |
| <b>4</b> | Lead good Health and Safety practices around the Group to avoid any major Health and Safety incidents   |
| <b>5</b> | 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 |
| <b>6</b> | Develop Environment Social and Governance (ESG) Policy, and support legal and regulatory compliance and initiatives around the Group meeting related deadlines                        |
| <b>7</b> | Promote an open, diverse and progressive organisation and reduce the gender pay gap   |

### 2021 personal objectives – Darren Littlewood

|          |   |
|----------|---|
| <b>1</b> | Formulate and communicate Group strategy, implementing and monitoring key strategic smart objectives for the Group                          |
| <b>2</b> | Inform and develop IT strategy for each subsidiary business and the overarching Group   |
| <b>3</b> | Developing strategic influence within the business and profile within the wider industry  |
| <b>4</b> | Developing the Finance/IT/Communications team's profile and skillsets, developing their integration across the Group                        |
| <b>5</b> | Management and development of financial reporting within each business, to the Board and to the investor community                          |
| <b>6</b> | Undertake a review of internal audit following the three-year BDO program and successful transitioning of the external audit from PwC to EY |
| <b>7</b> | Support the development of an Environmental, Social and Governance (ESG) Policy   |

Two-thirds of any bonus earned will be payable in cash and for the remaining one third of the bonus, Executive Directors will be required to invest this into shares which must be held for three years.

### LTIP Awards expected to be granted for the financial years 2021–2023 in 2021

The Committee also reviewed the grant level under the LTIP within the new, lower, policy limit of 175% of salary. Recent grant levels have been 100% of salary and as part of the overall review the Committee has determined that the normal grant level should increase to 125% of base salary for the CEO and maintain the current grant level for the GFD (100% of salary). The proposed LTIP opportunities are designed to drive and reward management for achieving the stretching performance conditions, linked to the long-term strategy, and we are comfortable with the slightly higher award level for the CEO, recognising his position as leader of the business and key driver of the success of the long-term strategy.

After the increase, the Committee is satisfied that the CEO's total remuneration will continue to be positioned between the lower quartile and median for companies of a similar size and sector. This is a market positioning that we are comfortable with, taking into account the other career benefits of working for Henry Boot.

|                   | Type of award          | % of salary | % of award at threshold |
|-------------------|------------------------|-------------|-------------------------|
| Tim Roberts       | LTIP – nil cost option | 125%        | 25%                     |
| Darren Littlewood | LTIP – nil cost option | 100%        | 25%                     |

The performance criteria for these awards is as follows:

|   |  |
|---|--|
| <b>EPS</b>  | We strive to grow earnings per share sustainably over the long-term. 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.   |

These three performance criteria provide a good balance between financial and stock market performance.

The EPS targets represent growth from a 2020 EPS of between 144% and 211% and are considered by the committee to be stretching in light of the business plan and the market outlook.

The ROCE range has been reduced slightly from prior years recognising the continuing impact of the COVID pandemic on the business during 2021 in particular.

The detailed performance metrics which will be measured over the three-year period to 31 December 2023, for these awards is as follows:

|   | <b>Weighting</b> | <b>Threshold target<br/>(25% of maximum)</b> | <b>Maximum target<br/>(100% of maximum)</b> |
|---|------------------|--|---|
| EPS in 2023                                       | 33.3%            | 22p  | 28p   |
| Return on Capital Employed (average over 3 years) | 33.3%            | 9%   | 12%   |
| TSR relating to the FTSE Small Cap Index          | 33.4%            | Median performance                           | Upper quartile performance                  |

Awards will be subject to a two-year holding period post vesting.

### Non-executive Directors

|                                 | <b>Fees effective from</b> |                    |          |
|---------------------------------|----------------------------|--------------------|----------|
|                                 | <b>01 January<br/>2021</b> | 01 January<br>2020 | Change   |
|                                 | <b>£</b>                   | <b>£</b>           | <b>%</b> |
| Chairman fee                    | <b>91,078</b>              | 90,176             | 1%       |
| Base Non-executive Director fee | <b>48,218</b>              | 47,740             | 1%       |

Approved by the Board and signed on its behalf by

**Gerald Jennings**

Chairman of the Remuneration Committee

16 April 2021

# Corporate Governance Report

## DIRECTORS' REPORT

The Directors' Report for the financial year ended 31 December 2020 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 2020 is set out on pages 16 to 65.

### 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 Governance on pages 74 to 133, and also within this Director's Report.

### Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 144. The companies affecting the profit or net assets of the Group in the year are listed in note 36 to the Financial Statements.

The Directors recommend that a final dividend of 3.3p per ordinary share be paid on 28 May 2021, subject to shareholder approval at the 2021 AGM to be held on 20 May 2021, to ordinary shareholders on the register at the close of business on 30 April 2021. If approved, this, together with the interim dividend of 2.2p per ordinary share paid on 16 October 2020, will make a total dividend of 5.5p per ordinary share for the year ended 31 December 2020. Further details are disclosed in note 10 to the Financial Statements on page 162.

### Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 154 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 17, 24, 25 and 27 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 53 to 54.

### Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 133. The Independent Auditors' Report is given on pages 136 to 143.

### 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 133.

### 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 2020 and as at the date of this Annual Report and Financial Statements can be found on pages 70 and 71. 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 2020, are disclosed in the Directors' Remuneration Report on pages 106 to 127. Between 31 December 2020 and 31 March 2021, being a date not more than one month prior to the date of the Notice of the AGM, there has been no change in the beneficial interest of any current Director.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 122 to 127.

### 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 20 May 2021 are set out in the Directors' Remuneration Policy.

Tim Roberts and Darren Littlewood 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 which 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 2018 Directors' Remuneration Policy can be viewed on the website, with the proposed 2021 Directors' Remuneration Policy being set out on pages 111 to 118.

### 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. Commencing in 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 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 and other management 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 ordinarily scheduled throughout the year though in 2020 these were negatively impacted by the CV-19 pandemic. You can read more about the engagement with employees and other stakeholders on pages 86 to 89.

Specific training requirements were considered as part of the Board's skills evaluation, details of which can be found on pages 95 to 96. 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 are set out responsible business section on pages 57 to 60, the employee engagement report on pages 86 to 87 and Nomination Committee Report on pages 94 to 98.

### **Employee engagement**

Details of our employee engagement activities can be found on pages 86 to 87.

### **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 2021, 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 30 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 Responsible Business section on page 61.

### **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 46 to 47 and 88 to 89.

## **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. Our largest institutional and family shareholders were also consulted in the months leading up to the publication of the Remuneration Policy. As a result of feedback received, changes were made to the Policy and its implementation for 2021. 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, [henryboot.co.uk](http://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 64 to 65. 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 31 March 2021, 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.

|   | <b>Voting rights over ordinary shares</b> |                    |  |
|---|---|--------------------|--|
|   | <b>Number</b>                             | <b>% of issued</b> |  |
| Rysaffe Nominees and J J Sykes (joint holding) <sup>1</sup> | 20,722,155                                | 15.56              |  |
| Unicorn Asset Management Limited                            | 6,830,000                                 | 5.13               |  |
| The Fulmer Charitable Trust <sup>2</sup>                    | 5,739,580                                 | 4.40               |  |
| The London & Amsterdam Trust Company Limited                | 5,525,936                                 | 4.15               |  |
| 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 123.

## **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

# Corporate Governance Report

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 2020 were Jamie Boot, Tim Roberts, Darren Littlewood and Amy Stanbridge (John Sutcliffe resigned on 31 May 2020), 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 2020, 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 250,000 ordinary shares in the Company in order to satisfy upcoming grants. Further details are provided in note 32 to the Financial Statements.

## Future developments

Important events since the financial year end and likely future developments are described in the Strategic Report on pages 16 to 65 and in note 36 to the Financial Statements.

## 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 newly-appointed external auditors, Ernst & Young LLP, have carried out the audit of the 2020 financial results. Resolutions re-appointing Ernst and Young as auditors (Resolution 12) and authorising the Audit and Risk Committee to fix their remuneration (Resolution 13) will be proposed at the AGM.

## Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 133. The Independent Auditors' Report is given on pages 136 to 143.

## 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 gatherings due to the CV-19 pandemic, ordinary shareholders and their proxies are kindly requested not to attend the AGM in person, as the number of permitted attendees is likely to be restricted. 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 Notice of the AGM can be found on pages 198 to 201, which also details methods of shareholder engagement to take place in conjunction with the AGM. It is also available at [henryboot.co.uk](http://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 30 to the Financial Statements. As at 31 March 2021, the ordinary shares represent 97.08% of the total issued share capital of the Company by nominal value and the preference shares represent 2.92% 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 198 to 201 includes the following resolutions:

- An ordinary resolution (Resolution 14) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,440,364 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 31 March 2021. The authority will expire on 19 August 2022 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 15) 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 £666,054 (approximately 5% of the Company's issued ordinary share capital at 31 March 2021). The authority will expire on 19 August 2022 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 16) to renew the authority of the Company to make market purchases of up to 13,321,093 of its own issued ordinary shares (10% of the Company's issued ordinary share capital at 31 March 2021). 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 him unless all calls and other sums presently payable by him 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 20 May 2021 are set out in the Notice of AGM on pages 198 to 201.

## 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.

## 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 less 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.

# Corporate Governance Report

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 make any arrangement or composition with their creditors generally;
- iii. they are physically or mentally incapable of acting as a Director, in the opinion of a registered medical practitioner who is treating them;
- iv. a court makes an order that they are prevented from exercising their powers or rights by reasons of their mental health;
- v. 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
- vi. 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.

The following table sets out where stakeholders can find relevant Non-Financial information within this Annual Report, further to the Financial Reporting Directive requirements contained in sections 414CA and 414CB of the Companies Act 2006. Where possible, it also states where additional information can be found that support these requirements.

| Reporting requirement                                  | Relevant Henry Boot policies and procedures                           | Where to read more in this report                                     | Page                    |
|--|---|---|-------------------------|
| <b>Business Model</b>                                  |   | Business Model  | 18–21                   |
| <b>Principal risks and impact of business activity</b> |   | Risks and Uncertainties<br>Audit and Risk Committee Report            | 48–54<br>100–105        |
| <b>Non-financial KPIs</b>                              |   | Strategy<br>Key Performance Indicators                                | 26–29<br>42             |
| <b>Employee Engagement</b>                             | Board Diversity Policy<br>Board Stakeholder Policy                    | Our Responsible Business<br>Our People<br>Corporate Governance Report | 55–56<br>57–59<br>88–89 |
| <b>Human Rights</b>                                    | Modern slavery statement & Policy<br>Rights to Work<br>Whistleblowing | Our People  | 61                      |
| <b>Social matters</b>                                  | Board Stakeholder Policy  | Our Responsible Business  | 55–65                   |
| <b>Anti-bribery and corruption</b>                     | Anti-bribery and Corruption Policy                                    | Our People  | 61                      |
| <b>Environmental matters</b>                           | Board Stakeholder Policy  | Our Planet  | 64–65                   |

# 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 elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRSs") in conformity with the Companies Act 2006.

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. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules, group financial statements are required to be prepared in accordance with IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Parent Company financial position and financial performance;
- in respect of the Group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the Parent Company financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Parent Company and/ or the Group will not 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 comply with the Companies Act 2006.

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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that comply with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on 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:

- that the consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs adopted pursuant to Regulation(EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Parent Company and undertakings included in the consolidation taken as a whole; and
- that the Annual Report, including the Strategic Report, includes a fair review of the development and performance of the business and the position of the Parent Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board and signed on its behalf by

### Tim Roberts

Director

16 April 2021

### Darren Littlewood

Director

16 April 2021