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BOARD OF DIRECTORS



PETER MAWSON

Chair



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.

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.



TIM ROBERTS

Chief Executive Officer



Date of appointment

January 2020

Independent

No

Additional roles held

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

Brings to the Board

Key strengths:

- Strong strategic and corporate experience accumulated as past longstanding 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 the engagement with all the Company's stakeholders, including interaction with investors and our people. He is also the Director responsible for all health, safety and environmental matters.



DARREN LITTLEWOOD

Chief Financial Officer



Date of appointment

January 2016

Independent

No

Additional roles held

Director of the Company's six principal operating subsidiaries and Member of the CBI Yorkshire and Humber Regional Council.

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.



JOANNE LAKE

Senior Independent Director



Date of appointment

October 2015

Independent

Yes

Additional roles held

Non-executive Chair of Made Tech Group plc, Non-executive Director of Gateley (Holdings) Plc, Non-executive Director of Pollen Street PLC and Non-executive Director of Braemar PLC.

Brings to the Board

Key strengths:

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

Joanne has over 30 years' experience in accountancy and investment banking, including with Panmure Gordon, Evolution Securities, Williams de Broe and Pricewaterhouse. She is a Chartered Accountant and a Fellow of the Chartered Institute for Securities & Investment and of the ICAEW, and is a member of the ICAEW's Corporate Finance Faculty. Joanne became the Senior Independent Director on 26 May 2022.

Key

Committee Membership

Nomination Audit and Risk Remuneration Responsible Business Committee Chair



JAMES SYKES
Non-executive Director

(N) (B)

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.



GERALD JENNINGS
Non-executive Director and Designated Non-executive Director for Workforce Engagement

(N) (A) (R)

Date of appointment
October 2015

Independent
Yes

Additional roles held
Non-executive Chairman of Social Communications (Leeds) Limited, Chair of the Morley Town Deal Board 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.



SERENA LANG
Non-executive Director

(N) (A) (R) (B)

Date of appointment
August 2022

Independent
Yes

Additional roles held
Chairman of Eleco plc and Non-executive Director of Ainscough Crane Hire Ltd.

Brings to the Board
Key strengths:

- Extensive strategic leadership, growth and digital transformation experience
- Experience in industrial, engineering and construction environments and culturally diverse markets
- Strong sustainability credentials, specifically in the Built Environment
- Diversity of thought to the Board having worked across multiple industries

Prior to joining Eleco plc in 2014, she previously held executive roles as Enterprise Client Executive at Invensys (now Schneider Electric), Global VP of Transformation at BP plc and as an Executive Consultant at Capgemini Ernst & Young.



AMY STANBRIDGE
General Counsel and Company Secretary

Date of appointment
October 2018

Independent
No

Additional roles held
Trustee of St Luke's Hospice, Sheffield and 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 of 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



NICK DUCKWORTH

Hallam Land Management Limited

Date of appointment

Managing Director in 2016

Brings to the Executive Committee

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 and became Managing Director in 2016.



EDWARD HUTCHINSON

Henry Boot Developments Limited

Date of appointment

Managing Director in 2018

Brings to the Executive Committee

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, following which he assumed the position of Chair in January 2023.



TONY SHAW

Henry Boot Construction Limited

Date of appointment

Managing Director in 2021

Brings to the Executive Committee

Tony Shaw joined Henry Boot Construction Limited as a Trainee in 1985 and with a background in production planning and project management, he has held a number of positions in the business including Regional Manager and Operations Director. Tony is North East Regional Chair and a Director of the National Federation of Builders (NFB) and a Director of the Yorkshire Builders Federation (YBF). Tony took over as Managing Director in July 2021.



JONATHAN FISHER

Banner Plant Limited

Date of appointment

Managing Director in 2021

Brings to the Executive Committee

Jonathan Fisher joined the Henry Boot Group in 2021, bringing with him extensive experience in hospitality and facilities management. He began his career as a General Manager with Whitbread before transitioning into sales and management within facilities management. At the Algeco Group, Jonathan worked as an Account Director before being promoted to Regional Director, overseeing four production facilities. He also served as UK Sales Director before becoming Managing Director at Banner Plant. In addition to his professional achievements, Jonathan is a foundation governor at his local high school.



DARREN STUBBS
Stonebridge Homes Limited

Date of appointment
Chief Executive in 2010

Brings to the Executive Committee

Darren Stubbs has a wealth of experience in the housebuilding industry and a proven track record in delivering successful housing developments, spanning a 39-year career. Darren founded Stonebridge Homes in 2010, a jointly-owned company with Henry Boot PLC. Darren is the Chairman of The Yorkshire Children's Charity and Vice Chair of Zarach, a charity who provide beds to children living in poverty.



RACHEL WHITE
Henry Boot PLC

Date of appointment
HR Director in 2022

Brings to the Executive Committee

Rachel White joined Henry Boot PLC in 2001 as a graduate. She has held a number of roles in the HR team, before taking the role of HR Director in July 2022. Rachel leads the delivery of our People Strategy to meet the requirements of our internal stakeholders including employee relations, succession planning, talent management, diversity and inclusion, wellbeing, reward and recognition, employee benefits and employee engagement.

Rachel is also a Trustee Director for Henry Boot Pension Trustees Limited and is a member of the Governance Committee for the Henry Boot PLC Group Stakeholder Pension Plan. In 2022, Rachel became a Trustee of The Children's Hospital Charity and is also a volunteer befriender to lonely older people through b:Friend.

Additional Executive Committee Members



TIM ROBERTS
Chief Executive Officer



DARREN LITTLEWOOD
Chief Financial Officer



AMY STANBRIDGE
General Counsel and Company Secretary

CHAIR'S INTRODUCTION



Dear Shareholders,

This year has seen quite a change for us as a Board, most significantly with the retirement of Jamie Boot as our Chairman, my appointment to the role and the recruitment of a new Non-executive Director, Serena Lang. This represents a substantial shift for the Board, with us reflecting on the loss of Jamie's many years of experience and expertise in navigating the challenges faced by the business during his tenure, and we wish Jamie all the best in his well-deserved retirement. It has also presented us with the scope to progress our succession planning approach, and I am naturally delighted to have been given the opportunity to step into the role as the Chair. It is my intention to ensure that we carry on the great work we have had underway for many years under Jamie's direction in our approach to governance, and also make further progress on our journey towards greater diversity and inclusion throughout the business, whilst strengthening our succession and leadership support. We wholeheartedly welcome Serena to her position on the Board and also, from the beginning of 2023, as the Chair of the Responsible Business Committee, an area in which she brings a wealth of knowledge and expertise.

During 2022 we further developed our methodology for strategic planning and, during a year in which there has been a substantial degree of turbulence, this tested our adaptability to not only weather this challenging time to come but also used it as an opportunity to reflect on areas of the business in which we can progress some material programmes of modernisation. I believe this is a testament to how robust and aspirational our ambitions are. This is something that we have debated thoroughly as a Board and I am confident that, with the enhanced Executive Committee support and input that we now receive, we are set up well to move forwards.

Succession Planning and Diversity

As a Board, we have been carefully thinking about our wider succession planning approach and how we ensure a diverse representation of views on our Board, which you can read about in more detail in the Nomination Committee Report on pages 104 to 110. Further work on our recruitment ambitions will be delivered during 2023 and 2024, which I believe will bolster the resilience and expertise of the Board and we are mindful that whilst doing so we want to maintain the excellent working relationships we have always enjoyed as a team. To facilitate our future approach to recruitment, we have also rethought the ways in which we analyse the skills and expertise of our wider senior leadership team, which you can read more about on pages 107 to 108.

Strategy

The Company continues to enhance its methods of reviewing Company strategy, holding our Strategy Days in November 2022. We were not only joined by the Executive Committee but a range of other senior leaders from within the business, who presented on and debated key aspects of both subsidiary and the wider Group approach on issues such as people, marketing and IT. By restructuring these discussions, the Board had the ability to obtain greater insight of these key areas and fully analyse our resilience, ambition and focus. Whilst the main strategic direction of the Group has not changed, by being able to discuss issues directly with a range of senior leaders, it also gave a great opportunity to us to interact more widely and gave visibility to important members of the wider leadership team. More details on this can be found on page 91.

Leadership Development and Oversight

In a number of areas this year, the Board has overseen initiatives intended to reshape our approach to reward and recognition, leadership development and broader succession issues. The launch by the Group of an overarching Reward Strategy has been a major move forwards for us. Ensuring that this compliments the existing Remuneration Policy, as well as being rolled out thoughtfully, this has been overseen by the Board and Remuneration Committee. Thinking about how we communicate programmes such as this also touches on how we bring our leaders along with us on important initiatives and we have overseen a programme of development activity for our Executive Committee, as well as some other senior leadership upskilling sessions, to support this. The next phase of our leadership development is *Aspire*, our Management Development Programme, will launch in early 2023 and alongside this we are reviewing wider succession plans and talent grids to ensure that the oversight of this area is robust.



Responsible Business

Delivering on our Responsible Business goals remains a key focus for the Board and, as well as embedding our Responsible Business Committee activity in 2022, we welcomed a range of guest speakers to help us develop our thinking on key topics. Areas developed this year included our climate change framework, health and wellbeing approach as well as volunteering and charitable giving. You can read more about this in detail on pages 116 to 119. In addition, to strengthen our governance in this area, an ESG Steering Group, which feeds into the Responsible Business Committee, was formed. I look forward to working closely with Serena Lang as she assumes the role as the Chair of the Responsible Business Committee to continue refining its operations and ensuring that we support the business with its ambitions in this area.

The following report sets out our structure, governance processes and key activities undertaken by the Board and its Committees during 2022. We welcome feedback from our stakeholders and I would encourage you to get in touch with us on any governance matters. I hope to see many of you at our AGM on 25 May 2023 (see page 208 for full details).

PETER MAWSON
CHAIR

12 April 2023

Code Compliance

During 2022 the Board and its Committees have continued to keep their focus on ensuring 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 long 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.

	Division and responsibilities		Read more on pages 87 to 89
	Board leadership and Company purpose		Read more on pages 90 to 98
	Composition, success and evaluation		Read more on pages 99 to 110
	Audit, risk and internal control		Read more on pages 111 to 114
	Remuneration		Read more on pages 120 to 135

“I am delighted to have stepped into the role as Chair during 2022 and am confident about the direction of the Group, its resilience, ambition and focus, strengthened by our approach to governance.”

GOVERNANCE AT A GLANCE

HIGHLIGHTS

Promoting long-term success

- Against an uncertain economic backdrop, the Board has remained purposefully selective on new projects, with gearing remaining low at 12.3% (2021: 11.4%), allowing the Group to react to any opportunities available in the market.
- Key themes and actions arising from the Strategy Days in November centred around long-term vision and maintaining strategic ambition. This included the pursuit of high-quality projects, improving business processes, investment in technology and nurturing future talent.



Read more on page 91

“We have confidence in the long-term fundamentals of our markets, business model and have the operational and financial resources to continue to meet our strategic growth and return objectives.”

Tim Roberts

Responsible Business

- Recognising the rising pressures on the cost of living, the Board approved a £1,000 one-off payment in September 2022 for those in the lower paid grades 6-9 and we offered financial coaching to all our people. Alongside this, we also increased our community support through volunteering and donations to local food banks.
- ESG targets from the Responsible Business Strategy relating to scope 1 and 2 GHG emission reductions and improving gender balance across the Group have been introduced into the LTIPs for the Executive Directors and senior management. ESG-related objectives have already been incorporated into the Annual Bonus plan.
- Strong performance made against the Responsible Business Strategy medium-term targets for 2025.



Read more on pages 116 to 119

£1,000 Cost of Living payment made to 67% of the workforce in September 2022.

Board Succession

- A wholesale review of the skills matrix was undertaken at the end of 2022 as we look ahead to future Non-executive Director appointments and consider the future skills needed to maintain long-term success. For the first time, the Executive Committee members were included in the review to provide a wider coverage of the skills set available across the top layers of the Company.
- Serena Lang joined the Board in August 2022 and underwent a thorough and tailored induction programme, meeting all the Executive Committee members, the Chair of the Group Employee Forum and other key senior managers. She also undertook several site visits including Henry Boot Construction's Cocoa Works re-development in York and several Stonebridge Homes sites in Harrogate meeting employees and other stakeholders.
- The Nomination Committee updated the Board Diversity Policy to increase our target for female representation on the Board from 33% to 40%.



Read more on pages 104 to 110

As part of his transition into the Chair role, Peter Mawson has held 14 'Meet the Team' sessions across 10 office locations, and visited 7 plant hire depots and 8 project sites.

Stakeholder Engagement

- 2022 has seen increased engagement between the Board and the workforce on a number of matters. Board members attended the town hall meeting to discuss a potential move away from the existing head office and received all consultation feedback from employees before coming to a decision to relocate to Sheffield city centre. Regular feedback has been sought to gauge sentiment on the implementation of the workforce reward strategy and the new personal development review process.
- The Board met with the Group Employee Forum (GEF) in March and September. Gerald Jennings, who attends all the GEF meetings, provides updates to the Board on any key issues and ensures that there is a two-way dialogue between the two groups.
- Customers were identified as a stakeholder group that the Board wanted increased oversight of. New customer plans have been developed for each business and updates will be provided on a more regular basis at Board meetings.



Read more on pages 59 to 60

An improved customer insight programme will be rolled out during 2023 with increased reporting to the Board on customer feedback and priorities.

CORPORATE GOVERNANCE REPORT

DIVISION OF 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.

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 and a statement of Code compliance is presented on page 118.

The Board

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 80 and 81. Jamie Boot resigned as a Director and Chair on 26 May 2022, with Peter Mawson stepping into the Chair role. Serena Lang joined the Board as Non-executive Director on 1 August 2022. Biographies for each Director are shown on page 80 to 81 and roles and responsibilities can be viewed on the website.

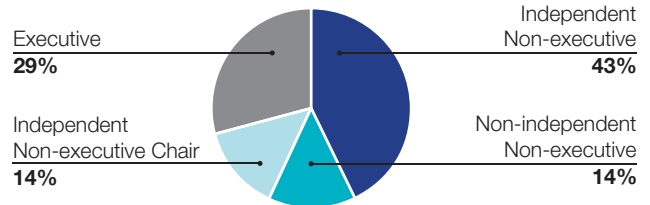
Peter Mawson	8	8
Non-executive Director		
Tim Roberts	8	8
Chief Executive Officer		
Darren Littlewood	8	8
Chief Financial Officer		
Joanne Lake	8	8
Senior Independent Director		
James Sykes	8	8
Non-executive Director		
Gerald Jennings	8	8
Non-executive Director		
Serena Lang	2	2
Non-executive Director		
Jamie Boot	4	4
Non-executive Director		

○ Meetings attended ● Eligible meetings

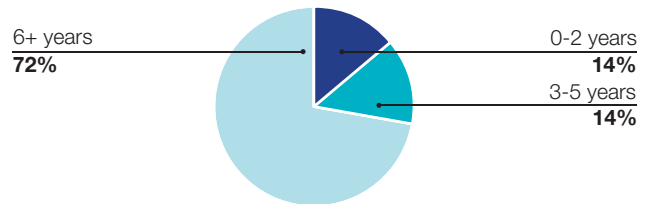
Throughout the year there have been six scheduled Board meetings attended by all Directors, and two separate Board meetings to approve one-off, urgent matters. In addition to the formal Board meetings, two Strategy Days were held in November with a selection of sessions attended by the Executive Committee and senior management.

The number of Committee meetings are reported in each Committee report.

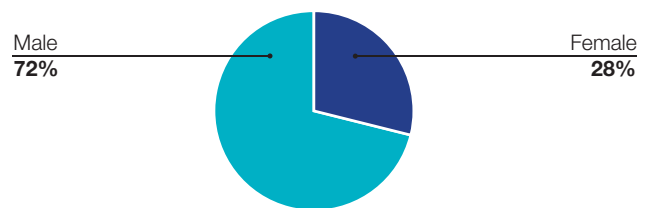
Board composition



Board tenure



Board gender



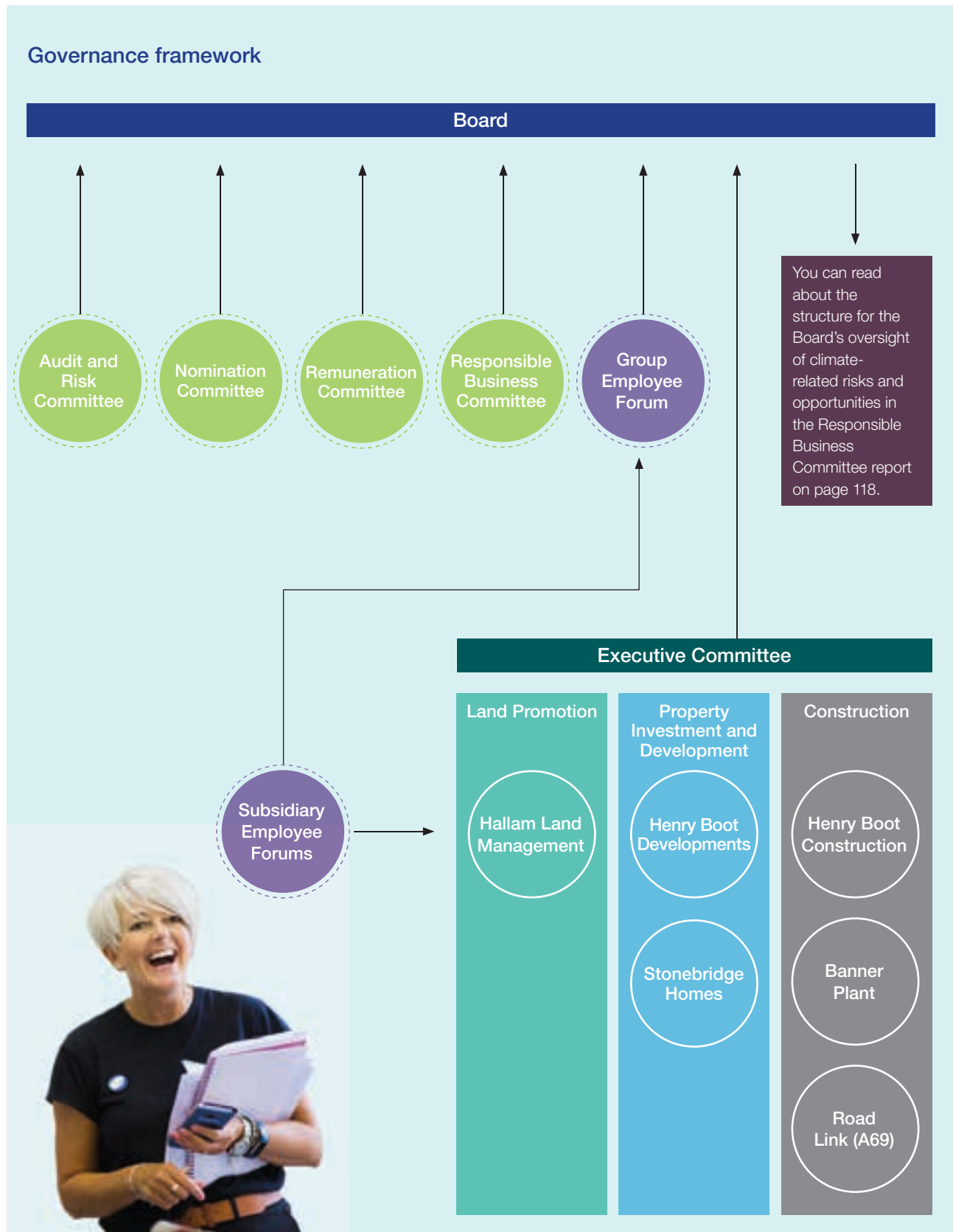
Board composition and independence

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. James Sykes is classed as non-independent, having been appointed to represent the substantial shareholdings of the Reis family interests (see page 139).

The Company values the importance of its independent Non-executive Directors who provide objective advice and challenge the Executive Directors. Their diverse backgrounds in various sectors and knowledge of the wider business environment are critical when it comes to strategy development. The Non-executive Directors meet without the Executive Directors present, usually the evening before the Board meetings and on other occasions throughout the year.

CORPORATE GOVERNANCE REPORT

DIVISION OF RESPONSIBILITIES



Key features

Board	<ul style="list-style-type: none"> • The Board maintains a formal schedule of matters reserved for its decision that cannot be delegated elsewhere (available to view on the website) • This schedule is reviewed at least annually and includes: <ul style="list-style-type: none"> – establishing long-term strategy and objectives – overseeing culture and stakeholder engagement – approval of annual budgets, financial results and the dividend policy – approval of capital expenditure above an agreed amount – the determination and monitoring of the Company’s principal and emerging risks including the effectiveness of internal controls • When matters require Board approval, management is required to present a detailed paper which includes any input or feedback received from stakeholders, assessment of key risks and how the matter links to Group strategy
Board Committees	<ul style="list-style-type: none"> • Delegated authority from the Board to look after specific areas of responsibility • Each Committee operates under its own written Terms of Reference which are reviewed at least annually and are available on the website • Report to the Board and work alongside the other Committees eg the Responsible Business Committee works alongside the Audit and Risk Committee to fully consider the TCFD reporting requirements • Responsible Business Committee formed in 2021 – see page 116 for more information • Have access to external consultants where necessary • See pages 104 to 135 for more information on the work of each Committee
Executive Committee	<ul style="list-style-type: none"> • Members are set out on pages 82 to 83 • Re-formed in December 2020, the Board has reviewed and approved their updated Terms of Reference and delegated levels of authority • Meets ten times a year to debate strategic issues that affect the Group, to collaborate and share best practice and make recommendations to the Board • Appointments to the Executive Committee are overseen by the Nomination Committee and the Board. Members of the Executive Committee attend the Board meetings regularly and are part of the Board Strategy Days.
Subsidiary Boards	<ul style="list-style-type: none"> • Day-to-day operational management of the subsidiary companies sits with their respective boards and MDs • The CEO and CFO sit on all the principal subsidiary company boards • The MDs are invited to attend the Strategy Days and the Board meetings on a rotational basis to discuss business plans and strategy

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.



Board Leadership and Company Purpose

The Board has a rolling 12-month Forward Business Schedule which is regularly reviewed to check that there is appropriate balance across the year between forward-looking vs backward-looking discussion and between strategy, risk, operations and governance. It includes routine items that are included on every agenda such as health and safety and financial updates as well as one-off topical items or decisions for approval.

The schedule ensures that all stakeholder groups are discussed and, where appropriate, attendance from management and colleagues across the different businesses is encouraged.

Area	Stakeholders considered	Link to Strategy	What was reviewed and considered?
Contributing to the Group's Strategy Days	Sh E Cu	  	The Board held a productive session over two days joined by the Executive Committee and other senior management. Strategies for each of the subsidiary businesses were debated with a renewed focus on the types of opportunities we want to pursue and how to build upon existing relationships with customers. Alongside this, time was dedicated to ensuring that the strategies for some of the central support functions (IT, Marketing and People) were aligned and able to help the businesses deliver their long-term ambitions. The key themes, actions and decisions from the sessions were captured, shared with senior management and will be regularly reviewed.
History of managing gearing and the balance sheet effectively through the cycle	E Cu S Sh Co En	 	Throughout our 135-year history, Henry Boot has successfully navigated its way through many economic crises and cyclical downturns thanks to its sustainable business model. The Board monitors the level of gearing at every meeting ensuring that it remains within the agreed target range. More than ever, the Board has considered how best to employ capital to maximise returns and make progress against the agreed strategic objectives. Before coming to any investment decision, the Board considers gearing, the Group's positioning in each of its key three markets and the level of risk involved.
Consideration of the risk facing the businesses	E Cu Sh S	   	The Audit and Risk Committee and the Board review the Group's principal and emerging risks twice a year (see pages 50 to 56 for more information) but given the level of uncertainty in the market, the Board has taken a heightened approach to risk management. At the start of the year, the Board concentrated specifically on the risks posed to the business from the war in Ukraine and the measures that had been put in place to mitigate them, such as having 97% of the committed development programme as fixed cost. Risks relating to individual investment decisions are considered in detail before approval, particularly for speculative schemes where the Board actively manages the amount of speculative vs pre-sold or pre-let projects within the committed development programme.
Overseeing the health and safety arrangements in place	E S En Co Cu	 	As one of Henry Boot's core strategic objectives, safety remains a key priority at Board level. Health and Safety KPIs are discussed at every Board meeting alongside reporting on accidents and near misses. The Group Health & Safety Manager meets with the Board to present the annual Health and Safety reports for each of the principal businesses and outlines his recommendations for improvement.
Commitment to development and increasing our knowledge of the business and culture	E Cu S Sh En	   	In October, the Board held an interactive session with the Vice Chair of the TCFD to discuss his role on the TCFD steering group and good practice around reporting. Other development opportunities during 2022 included a discussion with a Sustainability Lead from Natwest Bank who specialised in the real estate and housing sector to explore key themes and trends and also a refresher course on Directors' statutory duties. An extensive programme of training and development has been prepared for 2023 with a focus on the ESG agenda. On an operational level during 2022, the Board visited the Setl and Neighbourhood sites in Birmingham, Phoenix 10 in Walsall and New Horizon in Nottingham. Informal lunches have been held with various teams and offices following Board meetings and most Non-executive Directors have also attended a sample of subsidiary board meetings across the 12 months providing opportunities to engage with talent throughout the organisation and give an insight into culture and health and safety practices.

Group strategic priorities



Stakeholders



CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

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 articulated a culture that reflected all. Since then, we have been on a journey to reflect 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 the need to ensure that the overall culture of the Group is embedded within its strategy and general approach to business. Over the course of 2023 and 2024, the Board along with the Executive Committee will be looking again at culture, how it is understood throughout the business and how it is monitored, alongside work on the brand value proposition and employee value proposition, which will be reported on in subsequent years.



How the Board monitored culture in 2022

	Action	Link to culture, and effectiveness of engagement method	Values upheld or impacted	Outcomes, development of culture and addressing culture issues
Engagement surveys	<p>The cycle of undertaking and reflecting on the outcomes of the main employee survey has now become well established by the Board, Executive Committee and subsidiary boards. To continue the process adopted in 2021, the Group Employee Forum (GEF) was asked to reflect on some of the areas identified as requiring further focus within the survey results, and attended a Board meeting to discuss their views and proposals for addressing the issues raised.</p> <p>During 2022 and in support of our revised Reward Strategy, we also engaged with our people to establish the value they placed on the various employment benefits offered by the Group and to establish if there were any gaps in our offer.</p>	<p>The outcomes of an engagement survey which can build a picture year on year regarding the shift of attitude by employees relating to culture are essential. It gives a good baseline for the Board to measure against, and as a method of engagement it ensures that it reaches all areas of the Group. In addition, being able to hear directly from GEF members on issues that impact them and their areas of the business enables the Board to understand directly whether those employees feel that the culture of the business is being upheld, and where it is not, what employees feel could be done to address this.</p> <p>During the cost of living crisis our people are looking to the Group for guidance and support more than ever in different ways, by engaging with our people to provide valued benefits we hope to have alleviated some of the pressure being felt.</p>	<p>Loyalty</p> <p>Integrity</p> <p>Collaboration</p>	<p>The Board reviewed the survey outcome as a whole and through the direct engagement with the GEF, focussed on areas that had not scored as well within the survey, such as ability to balance work with home life, and switch off from work. The Board and Responsible Business Committee have incorporated these suggestions within the Health and Wellbeing Strategy, launched in early 2023.</p> <p>We continue to say that our people are our greatest asset, and at times of challenge, we can provide stability and support in various guises. This goes to the heart of the culture of the Group, that we are nothing without the people who make our business a success.</p>
Health and Wellbeing	<p>The Health and Wellbeing Strategy, and the work that has been done to produce this (including substantial input by the Group Employee Forum) and launch it, is covered in more detail on page 65</p>	<p>The formulation of the Health and Wellbeing Strategy reflects the outcomes of our engagement surveys and issues that have particularly resonated with our employees, as set out above. Engagement methods in developing our Strategy included:</p> <ul style="list-style-type: none"> – GEF reflection and Board presentations (see more on page 96) – Health and Wellbeing Working Group – HR Management team – A range of other internal engagements 	<p>Respect</p> <p>Adaptability</p> <p>Integrity</p>	<p>The Health and Wellbeing Strategy discussed above aims to develop our culture as a progressive and proactive, supportive employer of choice.</p>

CORPORATE GOVERNANCE REPORT

BOARD LEADERSHIP AND COMPANY PURPOSE

	Action	Link to culture, and effectiveness of engagement method	Values upheld or impacted	Outcomes, development of culture and addressing culture issues
Employee forum	As well as the direct Board interaction outlined above, and as described on page 96, linkage to the Board is provided by the designated Non-executive Director appointed to liaise with the GEF, so that the entire Board can benefit from hearing the feedback and respond to issues as necessary.	The Group and Subsidiary Employee Forums provide a key method of employee engagement on several issues including cultural matters and perceptions throughout the Group. The designated NED feeds back on issues discussed by the GEF at every Board meeting, to ensure that relevant issues are taken into account in decision-making as well as the general view across the Group on matters impacting on culture. Bringing together interested members of the Group, who can speak directly to the designated NED, means that a cross section of views from around the Group can be heard.	Collaboration Respect	The Board, represented by the designated NED, attended all GEF meetings in the year and provided insight to the GEF around several matters, including the socialisation of our new reward strategy for our people. Other NEDs and the Executive Directors have also attended the GEF by invitation where relevant to the agenda. Views of the GEF have been taken into account when discussing those issues at the Board, as reported in more detail on pages 96 to 97.
Whistleblowing response	In 2022, a whistleblowing report was received in respect of cultural issues within Henry Boot Construction, in particular in relation to the position of and working practices impacting women within the business.	Following receipt of the whistleblowing report, immediate action was taken by the CEO supported by the HR Director to implement an investigation into the allegations made. This was overseen by a director from one of our other subsidiaries, and took the form of interviews and data gathering to create a robust assessment. The report was shared and accepted by the board of HBC and formed a basis on which a cultural action plan has been developed and is being implemented during 2023.	Integrity Loyalty Respect	We have always encouraged our people to speak up if there is something that is causing concern, recognising that this may not always be possible through overt routes, so a whistleblowing line is in place for those times where a direct report might not be possible. Our ongoing engagement with our people through various routes means that the use of our whistleblowing line is minimal and that any perceived issues can be dealt with openly. This matter has also received Board oversight and guidance to the subsidiary affected, ensuring that the culture issues identified are addressed.

	Action	Link to culture, and effectiveness of engagement method	Values upheld or impacted	Outcomes, development of culture and addressing culture issues
Head office proposals	As explored in detail within our section 172 statement on pages 58 to 61, the broad and deep consultation process undertaken as part of the Board's decision to relocate its head office in Sheffield resulted in a number of engagements across the Group.	<p>A number of methods of communication and feedback were employed during the consultation exercise on the proposed head office move, such as:</p> <ul style="list-style-type: none"> – Webinars – Town hall meetings – Feedback channels via both email and confidential portals – The establishment of Group-wide Working Groups on particular areas of interest <p>Further outlines of these methods of engagement are contained at page 61</p>	Adaptability Delivery	In order to take our people with us on this change journey, we adopted a structure of Working Groups to focus on specific aspects of the project which were highlighted by our people as being important to them, with a remit to develop their thinking into broader Group wide policies. It was therefore key that there was cross Group representation on these working groups, who feedback their views into the project Steering Group, Executive Committee and the Board to shape the ultimate proposals. We are immensely proud of our culture and our heritage, it was therefore fitting that these two aspects were the sole focus of one of the Working Groups.
Strategy Days	The Group's People Strategy, alongside the wider strategy of the operational businesses, was discussed at the 2022 Strategy Days with the Board and Executive Committee.	The culture of the business and how this can be influenced by the senior leadership teams, including the Board, was a key part of the People Strategy and also an underlying element of the Marketing and Communications Strategy, focusing on the offer to our people through its employee value proposition.	Delivery Integrity	The Board and Executive Committee recognise that culture is the key to success, and that without a positive and engaging culture even the best formulated strategies will struggle. We have placed our people at the heart of all we do and therefore the focus that the Board and Executive Committee are giving to the People Strategy as a key lever of change and also a shared priority will be more meaningful to our wider internal stakeholders.
Responsible Business Committee	The Responsible Business Committee (see page 116 for the work of the Committee during the year) is a further strand of connection to the wider workforce as well as to the Group's customers, suppliers, professional service providers, professional associations and community, charity and education partners.	The Committee focusses on a number of issues that relate to culture in practice across the Group, and how the culture of the business is also perceived by external stakeholders and as employees, as well as the embedding of the Values within our Responsible Business Strategy.	Respect Integrity Delivery	The view of employees and external stakeholders influenced the shaping of a number of policies and strategies supporting the delivery of our overall Responsible Business Strategy, including elements such as health and wellbeing (as discussed above), EDI Strategy, charitable giving, community partnerships and volunteering. These are intrinsic to delivering the established culture of Henry Boot as a business that cares about its links with the wider community and its people.

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. The Board has established two key methods of direct Board employee engagement, also demonstrating compliance with Provision 5 of the Code:

- the founding of a network of employee forums across the Group; and
- the appointment of a designated Non-executive Director of the Board to liaise with the Group Employee Forum.

In addition, there are a number of ways that employee engagement is addressed in our Responsible Business report on page 117, and in this section, we outline the ways in which that engagement has specifically taken place with the Board.

Employee forum

Our Group and subsidiary Employee Forums, launched in 2019 and have continued to meet to discuss a range of key Group issues during 2022. Each main wholly-owned subsidiary

(and Henry Boot PLC) have their own 'Subsidiary Employee Forum' (SEF), the Chair of each of which meets to form the 'Group Employee Forum' (GEF).

The Group is constantly looking to develop and strengthen its approach to employee engagement, and recognises the Employee Forums as a pivotal route to hearing the voice of employees. Subsidiary Employee Forums have been asked to strengthen their offering in a number of ways, by recruiting new members, and refreshing those holding the role as Chair of each SEF. SEF Chairs have also appointed a Deputy Chair, who has been able to shadow them at certain meetings, and have been invited to subsidiary board meetings to represent their views directly to their respective boards. The GEF has worked with the Marketing and Communications team to ensure that the outcomes of their work and engagements are more widely publicised to the Group.

Outcomes

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

What employees requested or were consulted on	Method and outline of engagement	How the Board responded
<p>Employee engagement survey results</p>	<p>As referred to in Our Culture (page 92), in 2022 the GEF were tasked by the PLC Board to undertake a research project focused on the lowest scoring questions in the 2021 Employee Engagement Survey. These were:</p> <p>"I am able to quickly switch off and reenergise when not at work" and</p> <p>"Over the last 12 months my workload has felt manageable."</p> <p>As an increased workload is likely to result in an inability to switch-off from work, they decided to address both topics together under a "wellbeing" umbrella. The GEF undertook extensive engagement with people from across each of the subsidiary businesses and shared their proposals with the Board in September 2022.</p>	<p>The outcomes of the GEF's work consolidated the responses into a series of proposals including:</p> <ul style="list-style-type: none"> • The provision of guidance and training for line managers on how to manage agile working and working from home • Raising awareness of the need for individuals to create self-imposed boundaries between work and home, including rest breaks • Providing education around available technology • Reviewing resourcing levels in locations that had an upturn in turnover. <p>Following their initial presentation to the Board, their proposals were incorporated into the Health and Wellbeing Strategy considered by the Executive Committee and Responsible Business Committee, detailed further in the Responsible Business Committee Report on pages 116 to 119.</p>

What employees requested or were consulted on	Method and outline of engagement	How the Board responded
Reward strategy	As outlined in our 2021 Report, the GEF were instrumental in bringing forward priorities in relation to transparency in reward and also promotion and performance management. Throughout the latter part of 2021 and into early 2022 the Executive Committee, with external guidance and internal resource, worked collaboratively to create a Reward Strategy that would be relevant to all our subsidiaries despite their market differences. Our people, through the GEF and other networks, were consulted and involved in the development of several key aspects of the Reward Strategy and the subsequent roll out. This has been undertaken on a phased basis to ensure adequate socialisation of what is a significant step for the Group towards total reward transparency.	The Board and management through the Executive Committee supported the development of a significantly different approach to reward in the Group. Engagement with the GEF will continue in order to refine and add to the communication as we continue with our journey towards reward transparency.
Head office relocation	Following the decision to relocate our Head Office, the Group consulted widely with all those individuals directly affected by the decision to allow the dialogue to be relevant and also to take into account the views of our people. The formation of several Working Groups which included colleagues from other parts of the Group not directly affected by the decision has been of importance to ensure that the cultural shift that will ensue from the relocation (agile working, collaboration, more visibility) is not just limited to those in the Isaacs Building but also has influence Group wide and informs Group protocols. Due to the expansive nature of this remit, the GEF has been engaged in the process albeit on a more peripheral basis than other projects. More detail on this can be found on page 61.	The Board and management, through regular updates from the Isaacs Steering Group, have had oversight of the direction of travel being proposed on a number of key initiatives. Through extensive consultation, which has included externally supported stakeholder interviews with the design team, it is anticipated that the move to Isaacs Building will be pivotal to the next phases of our modernisation and transformation agenda.
Induction	Our Group induction programme was relaunched in 2022 for the first time since the Covid pandemic. An initial proposal was shared with the GEF for feedback from our people before a final solution was delivered. The first in-person session was piloted in November 2022. Feedback from participants and stakeholders was positive, highlighting the collaboration and networking benefits, plus opportunities to learn about other subsidiaries, with minimal enhancements required. Phase two is underway with an eLearning module created to give the history of the Group and services offered by subsidiaries, allowing the in-person event to focus on the here and now. While the eLearning module content will remain stable, we expect the in-person event to continuously be updated to reflect participant feedback and changing projects.	Engagement with the GEF in relation to induction and onboarding will continue in order to refine and ensure relevance of the programme.

CORPORATE GOVERNANCE REPORT

CASE STUDY

Peter Mawson – Chair engagement visits

Since his appointment as the Chair in May 2022, Peter has undertaken a programme of visits and engagements with employees across the Group, a summary of these are set out below:

Banner Plant

- Visits from June 2022 into 2023 to: Leicester Plant depot; Rotherham Access & Tools depot; Derby Plant & Tool Hire depot; Leeds Tool Hire depot; Leicester Tool Hire depot; and Chesterfield Tool Hire depot. Also carried out a 'Meet the Team' event at the Dronfield Headquarters, Plant Depot & Accommodation Depot in October 2022.

Hallam Land Management

- Visits to Northampton team and Bristol team in June/July 2022 followed by local site visits. Leeds team engagement in August 2022, as well as with the management team in Sheffield and the London and Glasgow teams in November 2022.

Henry Boot Construction

- Site visits to Block H, Block G & Kangaroo Works in Sheffield in July 2022, to Cocoa Works in York in August 2022, and a 'Meet the Team' at the Dronfield Headquarters in October 2022.

PLC

- 'Meet the Team' events from July to September 2022, including: finance team; legal, company secretarial and insurance teams; HR team; IT department and Responsible Business Manager.



Stonebridge Homes

- Meetings with various leaders within the business from August to November 2022.

HBD

- 'Meet the Team' events in Leeds in August 2022, and in Manchester, Glasgow and London offices in November 2022, as well as the management team in Sheffield.

Roadlink

- Visit to the Road Link team at Stocksfield in August 2022.

This has enabled Peter to hold one-to-one meetings with teams and individuals across the business, to provide visibility of his role as Chair and to get to know as many of our people as possible, facilitating meaningful discussions on issues relevant to each of the businesses.

"It was really important to me that, having become the Chair, I was able to commit time to have some quality discussions with our people across the businesses, to introduce myself and get to know people on a personal level. I believe this helps to open up vital conversations and enable me to also get to know what the priorities are for our Group, and how I can help to facilitate these."

Peter Mawson, Chair

Q&A WITH RECENTLY JOINED GEF MEMBERS

Matt Pruce, the Chair of the Hallam Land Management SEF, is a Senior Development Planner. Lee Pratt is the Depot Manager of Banner Plant's Leicester Depot, and Chair of the Banner Plant SEF. As both of them have joined the Group Employee Forum within the past 18 months, we asked them for their views on their roles on the GEF.

Q: How have you found it being part of the GEF this year?

Lee: I have really enjoyed it. I joined the GEF as Chair in December 2021, and since then it has been a bit of a whirlwind, as the first meeting with the GEF was to discuss our proposal on Health and Wellbeing to be raised with the Board in March 2022. However, I have loved every minute and really feel as a group the GEF has made a change in the business.

Matt: I have found being part of the GEF a very rewarding experience, it's been great to work with my fellow forum members to understand views from across the business and have such positive dialogue with Executive Committee and the Board about our approach and feedback.

Q: Is the GEF supporting the culture of the business and the work of the Board?

Matt: The GEF continually strives to engage with and listen to our colleagues to understand the key matters within the

workplace. Each year we focus on one key topic area which we have identified through this engagement and make a set of recommendations to the Board on how we can improve the business which will ultimately influence its culture and priorities.

Lee: We discuss with all our subsidiaries ways to improve the business. Using ideas from our employees creates a massive buy in, and with that and the PLC Board taking on all the ideas we can all build a better future for the business as one.

Q: In what ways do you feel that having a seat at the GEF helps people within your subsidiary to be heard?

Lee: I feel that by having a seat, I am the voice of Banner Plant, speaking for all the employees and making sure all their views are heard as a collective. The Banner Subsidiary Employee Forum team are collecting lots of views that we then discuss, and it is then my responsibility to make sure that their opinions are understood by a wider audience. It helps in a massive way as we are making changes as a business as a result of their views.

Matt: Although all of the Henry Boot subsidiaries work within the property and construction industry, our working practices differ from company to company, and therefore our lived working experiences differ. Being Hallam's representative means I can relay and make sure the key issues of my colleagues are heard by ExCo and the Board.

COMPOSITION, SUCCESSION AND EVALUATION

Board performance review

Although Henry Boot is not required to conduct an externally facilitated performance review, as it sits outside the FTSE 350, the Nomination Committee did seriously consider whether to engage an external provider for 2022. Whilst the value of such a process was fully appreciated, the Committee concluded that it was not the right time to conduct such an exercise and would review the decision again in 2023.

A formal and rigorous internal performance review was undertaken for the Board, its Committees, the Chair and each individual Director. Attendees at Board meetings were again asked to complete an anonymous questionnaire seeking their thoughts on preparing for, attending and receiving feedback after the meetings. This step offered an additional layer of rigour to the evaluation process.

The process and results are set out below.

Process



CORPORATE GOVERNANCE REPORT

COMPOSITION, SUCCESSION AND EVALUATION

BOARD			
2022 action areas		Progress during 2022	
Customer			
Regular updates to the Board on the development of the customer feedback processes for each business and review where direct Board involvement would be beneficial		<ul style="list-style-type: none"> Following an initial conversation in December 2021, an update on the approach to customer engagement and the wider communications and marketing strategy was discussed at the July 2022 meeting Group Marketing and Communications Director presented an update at the November Strategy Days An approach for 2023 was agreed at the December 2022 meeting 	
Agenda			
Review the Forward Business Schedule in H2 with the aim of reassessing agenda structure and priorities		<ul style="list-style-type: none"> Forward Business Schedule brought to the Board in January and July 2022 More streamlined and harmonised reporting approach agreed with ExCo members More papers have been moved out of the main Board pack into an additional reading shelf to prioritise other items on the agenda and/or provide simpler updates 	
Key Project Oversight			
Introduce a more structured process for monitoring projects that have received Board approval and increased focus to be given to capturing lessons learned		<ul style="list-style-type: none"> Post completion report for all reserved matter projects (and any other exceptional projects) to be brought back to the Board for review 	
Board Visibility			
Continue to seek additional opportunities to increase interaction between the Board and the wider business, including informal meetings and presence within offices, particularly to familiarise Peter with the Group and its people upon him taking up the role as Chair		<ul style="list-style-type: none"> Lunch with HBC senior management in February 2022 and Birmingham office in July 2022 GEF invited to the Board for the March and September meetings and also to the AGM Board attendance at the town hall meeting to discuss the future of the Head Office Visits around Birmingham to meet site-based staff in July 2022 Video from Peter sent to all employees in May 2022 Peter has visited every regional office, seven Banner depots and a number of construction sites, as well as meeting each of the teams at Banner Cross Hall and Dronfield (see page 98 for more details) 	
Action areas for 2023			
Brand	Innovation	Culture	
Oversee the marketing, branding and communications strategy as it develops and is rolled out	Build time into the Forward Business Schedule to concentrate on innovation, idea generation and opportunity identification	Formulate an approach to understanding and assessing culture within the business	
AUDIT AND RISK			
2022 action areas		Progress during 2022	
Internal controls			
Monitor and implement (as required) the new requirements arising from the BEIS consultation		<ul style="list-style-type: none"> KPMG internal audit of financial controls undertaken to the standards anticipated by the audit reform requirements, to identify current gaps and requirements Further updates to be provided when confirmation is provided on the full detail of the requirements 	
Climate-related risks			
Evolve our approach to the assessment of climate-related risks and climate scenario planning in line with TCFD recommendations		<ul style="list-style-type: none"> Discussion held at July Responsible Business Committee regarding direction of travel on scenario planning work, to be progressed alongside Scope 3 emissions work Benchmarking exercise ongoing to look at disclosures and reporting by other companies on TCFD to inform discussions on approach and budgeting for 2023 TCFD report for 2022 ARA has been reviewed in line with all best practice guidance from a number of regulatory and big 4 sources to improve disclosures. More work on incorporating risk and opportunities into scenario planning to be undertaken in 2023 	
Independence Policy			
Refine Company policy and protocols for maintaining independence from the external auditors		<ul style="list-style-type: none"> New policy approved and in place 	
Action areas for 2023			
Training	New Audit Reform Processes	Risk Review	Cyber & IT approach
Provide specialist training for the Committee on the new audit reform when the guidance is finalised	Begin internal preparations to our systems and processes to be in the best position to adapt to the new audit reform	Agree new risk review procedures to be implemented and rolled out in 2023 (supported by Board and ExCo training)	Oversee a wholesale review of the Group's cyber and IT security approach, receiving updates arising from the cyber internal audit of 2022 but placing these into a broader perspective of the overall risk management for IT and cyber

NOMINATION

2022 action areas

Progress during 2022

Executive Succession

Review succession plans for each ExCo member and those prepared by the MDs of each business

- Detailed discussions on formalisation of succession plans deferred until March 2023 following the 2022 performance review process when the talent grids were updated
- Further work on the talent grids to be undertaken in 2023

Skills Matrix

Re-evaluate the approach to the skills mix on the Board, ensuring that skills required to deliver the Group's future strategy are fully considered

- Skills matrix reviewed and revised approach taken to also include ExCo
- Skills carefully considered for the role description for Board recruitment and will be considered for future recruitment to address skills gaps so far as possible
- Use of Facet5 for Board members considered

Diversity

Work with recruitment partners to ensure that the long list and short list for Board appointment is adequately diverse to find the best possible candidate for the role

- Women on Boards (WoB) co-appointed to recruit new Non-executive Director with a view to improve diversity on the Board
- Diverse long and shortlist provided by Norman Broadbent as lead recruiter, including WoB candidate
- Improved diversity of skills and gender balance due to changes on the Board
- Further improvements planned for future recruitment activities

EDI

Continue to monitor and support EDI initiatives across the Group with the corresponding link that this represents in providing progress against diversity targets in the Board Diversity Policy

- EDI training rolled out across whole Group during 2022
- Directors supported People targets included in the Responsible Business Strategy through work with Responsible Business Committee (exceeded 2022 Group gender targets)
- Inclusion of diversity related objectives within executive remuneration in conjunction with the Remuneration Committee
- EDI Steering Group meeting in September attended by Joanne Lake
- Board Diversity Policy refreshed with updated FCA targets

Action areas for 2023

Diversity & Inclusion

Hold a session with the EDI Steering Group to gain insight into barriers to recruitment / progression and understand how this could be improved

Diversity Reporting

Oversee the development of wider diversity reporting in categories other than gender (eg ethnicity, disability)

Reverse Mentoring

Oversee a reverse mentoring programme with ExCo members and Board members

Talent Grids

Continue to develop succession planning and talent grids for ExCo and other senior leaders within the business



CORPORATE GOVERNANCE REPORT

COMPOSITION, SUCCESSION AND EVALUATION

REMUNERATION		
2022 action areas	Progress during 2022	
<p>Executive Committee pay Review the salaries and structure of the Executive Committee members' variable pay to ensure a consistent approach and alignment with the Executive Directors and the wider workforce</p>	<ul style="list-style-type: none"> ExCo salaries were benchmarked as part of the reward strategy project and information included in the September 2022 papers. Further benchmarking carried out throughout the year where needed ExCo Bonus and LTIP structure discussed in early 2022 and revised in September 2022 to bring ExCo members in line with the Executive Directors and the wider workforce strategy LTIP award increased and 25% of Annual Bonus now deferred into shares 	
<p>Workforce remuneration Monitor the roll out of the new workforce strategy, seeking feedback from the Group Employee Forum at various stages</p>	<ul style="list-style-type: none"> Meeting held between the Group Employee Forum and Gerald Jennings and Tim Roberts in February 2022 to discuss alignment of reward between Executive Directors and the new workforce reward strategy Board approval for the new reward strategy was given in July 2022 Update on reward strategy implementation and employee communications in September 2022 and December 2022 Opportunity for all directors to meet the GEF twice a year informally in March and September 	
Action areas for 2023		
<p>Workforce communications Oversee improved communications between the Committee, ExCo and employees particularly with regards to the roll out of the workforce reward strategy and Performance review process, seeking feedback from the GEF at various stages</p>	<p>Target setting Ensure targets for Executive Directors are sufficiently stretching at the time of setting and seek advice from advisors on best practice and market expectations</p>	<p>Workforce reward Check for consistency across workforce benefits, particularly with regards to pension contribution</p>



RESPONSIBLE BUSINESS

2022 action areas

Progress during 2022

Specialist speakers

To engage with a series of specialist guest speakers who will inform the Committee on a variety of ESG topics including the regulatory and legislative framework

- Marcos Navarro of Natwest Bank joined the Committee and Executive Committee in June 2022 to discuss ESG approaches, particularly in relation to the housing market and key themes and trends.
- In addition, Graeme Pitkethly of Unilever met with the Committee and Executive Committee in November 2022 to discuss his role on the TCFD Steering Group and the expectations of the market regarding good practice in TCFD reporting.

Training

Working with the Responsible Business Manager and Company Secretary, to identify and commission specialist third parties to provide training and/or updates on the ESG regulatory and legislative framework to the Committee and the workforce

- The Committee has liaised closely with the Company Secretary and Responsible Business Manager to identify focus areas where training and upskilling could provide improved knowledge and performance.
- A Training Programme is currently under development for implementation in 2023. This will include training and guidance on the ESG regulatory framework, climate change, and health and wellbeing.

Engagement

To engage with all Henry Boot working groups, including the Group Employee Forum, focusing on responsible business throughout the year to understand their roles, opinions, and aspirations

- Committee Members have been appointed as Sponsors of the Group's responsible business focus areas. Joanne Lake (EDI Sponsor) attended the EDI Steering Group in September 2022 to engage them in a discussion on performance and focus. Gerald Jennings continued to liaise closely with the Group Employee Forum with a particular focus on community engagement.

Best practice

To identify peers (in our sector and beyond) that are performing well on ESG and continually work with the Responsible Business Manager to benchmark Henry Boot's performance

- The Committee continued to proactively engage with the Responsible Business Manager to identify peers (both within our sector and the broader market) who perform strongly on ESG. This information has been used to continually benchmark Henry Boot's approach and performance against competitors and peers.

Action areas for 2023

Materiality Assessment

To support the development and delivery of the materiality assessment to be undertaken with key stakeholders

Specialist speakers

To continue to engage with a series of specialist guest speakers who will inform the Committee on a variety of ESG topics including the regulatory and legislative framework

Training

Work with the Responsible Business Manager and Company Secretary, to identify and commission specialist third parties to provide training and/or updates on the ESG regulatory and legislative framework

Engagement

To engage with Henry Boot working groups focusing on responsible business throughout the year to understand their roles, opinions, and aspirations

Best practice






To identify peers (in our sector and beyond) that are performing well on ESG and continually work with the Responsible Business Manager to benchmark Henry Boot's performance

CORPORATE GOVERNANCE REPORT

COMPOSITION, SUCCESSION AND EVALUATION



NOMINATION COMMITTEE REPORT

 JAMES SYKES COMMITTEE MEMBER 4 5	 JOANNE LAKE COMMITTEE MEMBER 4 4	 GERALD JENNINGS COMMITTEE MEMBER 5 5
 JAMIE BOOT COMMITTEE MEMBER 3 3	 SERENA LANG COMMITTEE MEMBER 1 1	

Nomination Committee attendance key
 ○ Meetings attended ● Eligible meetings

Following a review of Committee memberships, Joanne stepped down as a member of the Nomination Committee with effect from September 2022

Jamie retired in May 2022

Serena joined the Committee with effect from her appointment on the 1 August 2022

Review of the year

In order to evolve a number of key initiatives this year, the Nomination Committee (Committee) met five times during 2022 to review and discuss matters such as succession planning, leadership development and talent management, diversity and inclusion, and skills. You can read an in-depth review of the approach we have taken to the Board Chair and Non-executive Director recruitment, how we have taken steps during this process to support greater diversity and inclusion within our Board, and thought carefully about the appropriate ways of undertaking our recruitment activity to constantly strive to balance on our Board in as many areas as possible including in relation to the mix of skills and experience.

We have also continued to broaden our understanding of the talent below the Board level, and have monitored the Senior Leadership Development Programme and the Leadership Development Programme, to provide practical skills to our managers. This has helped to inform the Committee's oversight of wider talent grids for the entire business to ensure that succession planning throughout the business, not just at Board level, is more developed.

Time has been spent reviewing the skills, knowledge and overall effectiveness of the Board and its Committees, as well as rationalising the memberships of our Committees for Code compliance and time commitment purposes, the results of which are set out in this report.

Those serving as members of the Committee for 2022 were myself, Joanne Lake, Gerald Jennings, Jamie Boot and James Sykes. Within the year Serena Lang was welcomed to the Committee following her appointment to the Board, with Joanne Lake stepping down as a Committee member, and Jamie Boot also stepping down, having retired in May 2022.

On behalf of the Board and the Committee, I am pleased to present the Directors' Nomination Report for the year ended 31 December 2022.

“This year we have seen a lot of exciting developments in our approach to succession planning, development, diversity and skills.”



External recruitment partners were selected by the Committee to assist with the recruitment process for a new independent Non-executive Director to the Board. The Committee's appointed partner was Norman Broadbent, who was used in conjunction with Women on Boards, to help the Committee shape its requirements for the role and to propose strategies to achieve greater diversity on the Board.



Board Succession Planning and Chair Appointment

The Committee continued the work commenced in 2021 regarding succession planning for Board, reviewing its proposed activity for 2023/2024 alongside its ambitions in relation to diversity and inclusion, as well as the need to plan for the future and also to consider appropriate methods of addressing outcomes of its skills evaluation.

Recruitment of Non-executive Director

Q&A with Serena Lang

Q: What attracted you to a role as a Non-executive at Henry Boot PLC?

A: The core themes that attracted me to Henry Boot are:

1. A really robust business that thinks long term and has the ability to ride the economic waves with its portfolio across the Built Environment;
2. A strong focus on sustainability;
3. A clear sense of purpose; and
4. A strong leadership team with a great culture from Board level down

Q: What were your thoughts about the recruitment and induction process?

A: The recruiters were able to clearly articulate the business and its strategy, and had been well briefed. There was clarity around the skillsets required from the appointment that would be additive to the existing Board. As a result of the above I was quickly able to determine that this was a business I was interested in and could add value to. After the initial research call, there were 3 interviews which allowed for the appropriate due diligence on both sides. The induction was extensive and really beneficial and I was able to join a strategy meeting 3 months in with an understanding of each of the businesses.

Q: What do you anticipate will be your areas of focus within your Board and Committee roles?

A: There is significant expertise on the Board, particularly in relation to sector and financial knowledge. I anticipate being able to specifically add value in the areas of sustainability, digitising the built environment, strategy and marketing.

Chair Appointment

Q & A with Peter Mawson

Q: What are your thoughts about the Chair recruitment process?

A: Having taken soundings from across the Board, from key stakeholders and from the Executive team, there was universal agreement that an appointment from within the existing group of Non-executive Directors would be in the best interests of the Group. The CEO, in consultation with the HR Director, ensured a rigorous assessment and review process for those of us who were prospective candidates, ultimately leading to a formal interview involving both Executive and Non-executive Directors. I am, of course, delighted to have been invited to take on the role but, more importantly, I do feel that the Board had confidence in the robust approach to Chair selection.

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Q: What steps did you think were important to take in relation to the handover from Jamie Boot as the previous Chairman?

A: Jamie was always going to be a hard act to follow! I cannot ever hope to have his intimate knowledge of the business, but I have felt it important to become visible within the business, meet with as many of our people as possible and be available to all of our stakeholders. I am conscious that I and the Board have responsibility for a business which has a long and successful history, with a strong legacy of continuity and family ownership. At the same time, we are a Group which is constantly evolving and modernising in this ever more complex and uncertain world, and we continue to attract major institutional and private investors who recognise our commercial strength built on that legacy. I feel it is important to strive to maintain that balance as we drive successfully forwards.

Q: What do you believe will be your key areas of focus as the Chair of the Board in 2023?

A: I believe we have a clear and well-expressed strategy but maintaining strategic oversight will continue to be a focus for me. We need to further develop Board succession planning and achieve greater diversity as a part of that succession plan. Meanwhile, despite our commercial strength, our excellent pool of committed, talented people and a unified, inclusive culture we have a way to go in projecting our brand and market position effectively across our markets. This will be a key focus for me. Primarily, though, my core role will be to support our people across the Group. It is their committed contribution that makes Henry Boot a great business and allows us successfully to deliver on behalf of all of our stakeholders.

The Committee took the informed decision not to appoint an external recruitment partner to select a new Chair, considering instead that maintaining continuity of experience was vital to ensure a smooth transition to a new Chair. However, the Committee considers it to be a major step to have an independent Non-executive Director taking the Chair role, and that the approach taken ensures a good balance of independence alongside maintenance of the knowledge acquired from a Director who has been on the Board for a number of years.

Other matters of note and next steps

As a consequence of me having taken up the role as Chair of the Board, the Senior Independent Director position has been assumed by Joanne Lake. The Board took the decision to retire the role of Deputy Chair, which was previously held by Joanne, as it is not considered to be usual for a company of this nature.

Further independent Non-executive Directors will be appointed during 2023 and 2024, replacing those approaching their 9-year tenure, to ensure that Board membership is progressively refreshed. These recruitments will take into account the need to ensure sufficient time for new Non-executive Directors to be assimilated into their roles, particularly where it is anticipated that they will be assuming a Chair role for one of the Board Committees. We are conscious that with the retirement of Joanne Lake in 2024, one of the recruitment activities will need to ensure that a successor has recent and relevant financial

experience in order to be able to fulfil the Code requirements for Audit and Risk Committee Chair. In addition, there is anticipated to be a further period during which the flexibility permitted by Provision 19 of the Code, will be utilised to allow me to remain in my role as Chair past the nine-year period of tenure. This is to ensure that all new Non-executive Directors who have been recruited have had the opportunity to develop detailed knowledge of the business, before becoming eligible to be considered for the Chair role.

The anticipated timeline for future Non-executive Director recruitment is as follows:

First appointment (future ARC Chair)

March 2023	sign off preferred approach
April 2023	finalise person specification and role profile as well as preferred recruitment partner
May 2023	preferred recruitment partner to commence seeking candidates for long list
August 2023	shortlisting
September 2023	Committee members meet shortlisted candidates informally
October 2023	formal interview of preferred shortlisted candidates to select appointee, for recommendation to the Committee
January 2024	appointee commences role as Non-executive Director, enabling a period to shadow Joanne as Audit and Risk Committee Chair until September 2024 at which point they will assume the role

Second appointment

January 2024	finalise person specification and role profile as well as preferred recruitment partner, with refreshed look at any required skills or experience
March 2024	preferred recruitment partner to commence seeking candidates for long list
May 2024	shortlisting
June 2024	Committee members meet shortlisted candidates informally
July 2024	formal interview of candidates to select appointee, for recommendation to the Committee
August 2024	appointee commences role as Non-executive Director.

The Committee fully recognises the commitments within its Board Diversity Policy (see page 108) to achieving greater diversity and inclusion within its members and will be seeking to meet these objectives within these recruitment activities, whilst acknowledging that it will take time to be able to put these objectives fully into action through this succession approach. In addition, the Committee will be considering the extent to which it can address any outcomes from its skills assessment in the recruitment activities, whilst acknowledging that it will also need to fulfil any other regulatory requirements in relation to Committee Chair requirements and Committee membership.

Committee membership

Given that membership of the Committees increasingly requires greater time commitments than previously (for meeting attendance and pack reading), the memberships were reviewed by the Committee and refined. In order to enable a complete induction experience for Serena Lang as our newest Non-executive Director, membership of all Committees for her has currently been allocated, though at a later point this could be reviewed if required. As a result, Committee membership from September 2022 was revised as follows:

	Joanne	James	Gerald	Peter	Serena	Tim	Darren
Audit and Risk	C		M		M		
Remuneration	M		C	M	M		
Nomination		M	M	C	M		
Responsible Business	M	M		M	C	M	M

C= Chair M= Member

Those Non-executive Directors who are not formal members of any given Committee are very welcome to attend if their time commitments allow, and all Board members still have access to all the relevant papers and packs on our Board portal, as well as the Board reviewing and ratifying any necessary decisions of the Committees.

Leadership succession planning

Succession planning at all levels within the Group is an area of significant interest and the Board has continued to support the development of our people through a variety of mechanisms including formalised Leadership Development Programmes, coaching and mentoring.

For Executive Directors and Executive Committee, the Committee regularly reviews the talent grids which are overseen by our HR Director with input, where appropriate, from Executive Directors, Executive Committee and external partners who have gained insight into our people through the delivery of our suite of development opportunities. The aim of the regular review is to identify suitable internal talent who are capable of taking on senior roles within the Group in the future and to ensure that we nurture and address any identified development needs to support success.

The Committee has oversight of the Company's Senior Leadership Development Programme (SLDP) through which we have given development opportunities to a significant number of senior management. In 2020, we developed the Leadership Development Programme (LDP) which was delivered remotely and in person during the pandemic and addressed development in our next levels of management. The SLDP and LDP will continue to be available for our people as required and identified by the business as being a priority.

In 2022, the Company piloted Aspire, a Management Development Programme which aims over a period of nine months to develop junior managers and aspiring managers to develop both themselves personally and professionally to become more effective in their roles and drive performance in their teams.

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

The Committee will continue to oversee the leadership development opportunities in the business and monitor the ongoing impact on succession planning and talent pipelines throughout the Group.

Board evaluation and skills assessment

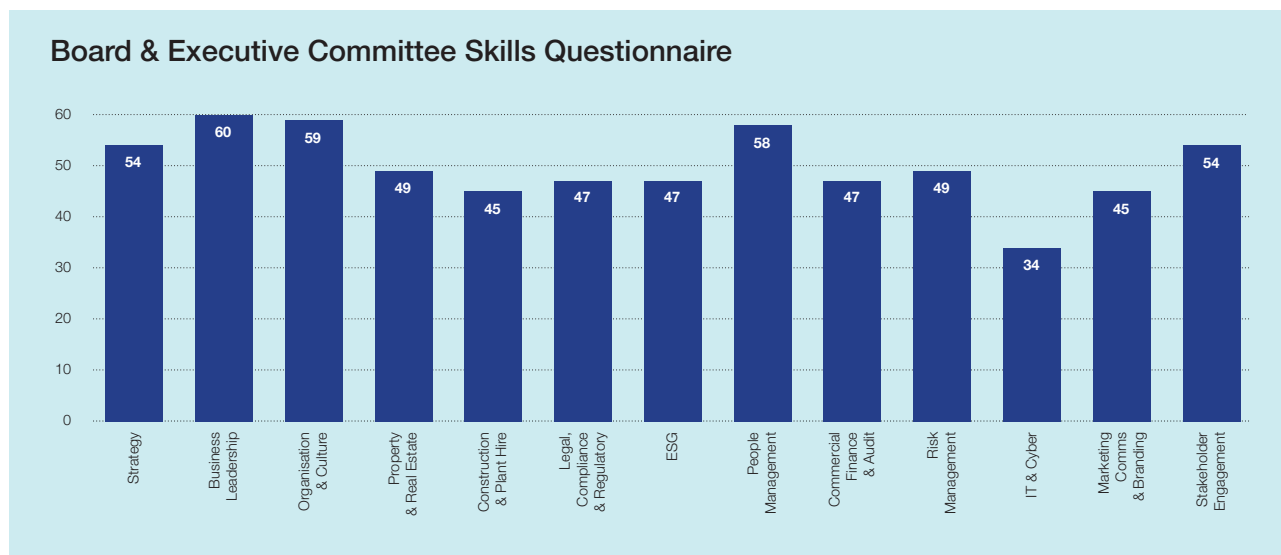
Formal performance reviews were carried out at the end of 2022 and you can read about the process and results on pages 99 to 103.

In addition to the performance reviews outlined on page, the Committee reviewed the assessment of the Board's key skills and experience. We have streamlined the skills evaluation activity to align more with the core expertise required, to ensure strong links between the skills evaluated and the core strategic objectives, and focus on those areas most relevant to an effective overall governance structure. In addition, given the closer ways of working and inputs received from the Executive Committee in relation to a number of key strategic areas, the assessment of skills has been extended to all Executive Committee members.

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Nomination Committee Report



The Skills Matrix will be key to determining the role profile for recruiting new Board members as it aims to address any areas in which skills could be usefully supplemented.

Board Diversity Policy

The Committee reviewed and approved an updated Board Diversity Policy during the year, which is aligned to the recommendations of the Hampton Alexander Review regarding gender diversity on boards, and the Parker Review on ethnic minority board representation, as well as reflecting the amended targets introduced by the updated Listing Rules. The full policy is available to view at www.henryboot.co.uk/our-responsibility. The Committee ensured that the objectives set out within the Board Diversity Policy were fully incorporated within the recruitment activity undertaken during 2022, and will also ensure that our ambitions in this area are captured in forthcoming rounds of recruitment. As such, we anticipate being able to make progress towards achievement of those objectives through this further period of Board refresh.

Our key strategic priorities, which are centred around safety, people, growth and delivery can only be enhanced by seeking diversity of opinion which is achieved through having a varied Board membership. One of the four pillars of our Responsible Business Strategy, launched in January 2022, is dedicated to Our People. This pillar aligns with our goal to champion diversity and incorporates the strategic objectives of our Group-wide People Strategy and Responsible Business Strategy (see page 33 for more information). We are committed to improving our position on Board diversity when appropriate opportunities arise. It is recognised that there will be periods of change on the Board and that these objectives may be reliant upon the Board being refreshed, however, it is our longer-term intention to achieve these objectives. The Board and Nomination Committee will also take into account the prevailing skills and diversity of the Board and the wider Group as and when seeking to appoint a new Director to the Board.

Objective	Progress against objective	Status
1 The Board will 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.	Detailed review of effectiveness undertaken confirming that the Board is adequately resourced and performing well.	●
2 The Board has set a target to meet the objective of the Hampton Alexander Review, in that at least 40% of our Board members are women.	At least 40% female representation remains our goal but currently stands at 28% (2 out of 7). We will continue to ensure that our recruitment processes maximise the diversity included in our long and short lists. We are fully committed to achieving and exceeding this goal with our Non-executive Director succession planning and Group-wide diversity initiatives.	●
3 In addition, the Board shall have as its objective that at least one of the four senior board positions (Chair, Chief Executive Officer (CEO), Chief Financial Officer (CFO) or Senior Independent Director (SID)) shall be a woman, as per the Listing Rules objective.	The role of Senior Independent Director is held by Joanne Lake, who is female.	●
4 The Board has set a target to meet the objectives of the Parker Review for at least one Board member to be from an ethnic minority background excluding white ethnic groups (as set out in categories used by the Office for National Statistics).	We currently have no members on the Board from an ethnic minority background. It is our ambition to achieve this objective over the next rounds of recruitment and internal progression.	●
5 The Board will consider candidates for appointment as Non-executive Directors from a wider pool including those with little or no previous FTSE Board experience.	We have consciously worked with our recruitment partners to ensure that our briefs for Non-executive Director appointments encouraged diverse candidates, and a number of those on our long list had no previous FTSE experience. We will continue to ensure that previous FTSE experience is not a specified requirement in future recruitment rounds in order to attract a broad pool of applicants.	●
6 The Board will work with external recruitment consultants to provide support for Board appointments and will ensure that Non-executive Director 'long lists' include both women and candidates from an ethnic minority background excluding white ethnic groups.	In 2022, we appointed external recruitment partners to work with us on our recruitment exercise, and ensured that the long list for the candidates provided a wealth of individuals from diverse backgrounds. We will continue this approach for successive appointments during 2023 and 2024. As previously discussed on page 106, we did not engage an external recruiter for the appointment of the new Chair. This was a considered decision to prioritise the continuity of the leadership of the Board after Jamie Boot, a major shareholder and Boot family member, retired as a Director after 40 years' service.	●

CORPORATE GOVERNANCE REPORT

COMPOSITION, SUCCESSION AND EVALUATION

Nomination Committee Report

Objective	Progress against objective	Status
<p>7 The Board (in conjunction with the Committee and the Responsible Business Committee) will support and monitor Group activities to increase the percentage of senior management roles held by women and other under-represented groups across the Group. Activities may include, but not be limited to, the hiring of diverse external senior managers and internal promotion activity but also continued emphasis on diverse pipeline, graduate and apprentice recruitment to support this objective long term.</p>	<p>Through a series of peer sharing forums and information exchanges, led by our HR team, we have worked to elevate the built environment and real estate as a positive career option for women and under-represented groups. Whilst there is still more to do in this area, the intent to develop a pipeline of talent for the Group which meets our diversity aspirations is crucial.</p> <p>During the year, the Committees have approved improved maternity and paternity policies, as well as the introduction of new policies aimed at improving the experience for women at work, such as the Menopause Policy.</p>	●
<p>8 The Committee (together with the Responsible Business Committee), on behalf of the Board, will monitor, challenge and support internally set targets for diversity and inclusion at all levels across the organisation.</p>	<p>Phase 2 of the Responsible Business Strategy launched in January 2022 includes People-related targets. The Strategy was reviewed by the Responsible Business Committee and approved by the Board.</p> <p>ESG-related targets now also form 25% of the personal objective element of the Annual Bonus award for Executive Directors (equating to 10% of salary). These include quantitative targets for improving the gender mix and reducing the gender pay gap.</p>	●
<p>9 The Committee (together with the Responsible Business Committee), on behalf of the Board, will report annually against these objectives and other initiatives taking place within the Company which promote gender and other forms of diversity.</p>	<p>We have improved disclosure of progress against our targets for this year. Whilst we have not achieved all our targets yet, we remain determined to drive improvements and hope to have made further progress during 2023.</p>	●

Key: ● Objective achieved ● Objective achieved in part ● Objective remains a work in progress

The gender balance of those in senior management positions and their direct reports is shown on page 66. You can read more about our EDI Strategy and workforce diversity initiatives on page 33.

Terms of reference

In September 2022, 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 were proposed and approved, and the full terms of reference is available to view on the Company's website.

Board effectiveness and time commitment

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. Further to a review by the Committee 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. A detailed succession plan for the Non-executive Directors, as set out within this report will address any gaps needed to achieve our strategic objectives.

The Committee discussed the skills, independence, length of tenure and time commitments of all the Directors and reviewed the results of the 2022 performance reviews (see pages 99 to 103 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 chair person role at Made Tech Group plc. Joanne's time spent at her other directorships now equates to, on average, 10 days a month and therefore the Committee agreed that this leaves sufficient time to carry out her duties. Among other things, her experience from other listed businesses provides helpful insight into governance matters and best practice and we value her input. We do not see any indication that these other directorships negatively impact her contribution to the Group and remain wholly satisfied with her time commitments and performance.

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. All Directors will seek re-election at the upcoming AGM, biographies are shown on pages 80 to 81, and a further summary of Board roles and responsibilities can be found on our website at henryboot.co.uk.

PETER MAWSON
CHAIR OF THE NOMINATION COMMITTEE

12 April 2023

AUDIT, RISK AND INTERNAL CONTROL

JOANNE LAKE
CHAIR OF THE AUDIT
AND RISK COMMITTEE

4 4



AUDIT AND RISK COMMITTEE

		
PETER MAWSON COMMITTEE MEMBER	GERALD JENNINGS COMMITTEE MEMBER	SERENA LANG COMMITTEE MEMBER
3 3	4 4	1 1

Audit and Risk attendance key
○ Meetings attended ● Eligible meetings

Following his appointment as Chair of the Board, Peter stepped down as a member of the Audit and Risk Committee with effect from September 2022

Serena joined the Committee with effect from her appointment on the 1 August 2022

“Through embedding our external and internal auditor resource further this year, the Committee has set itself up well to ensure a systematic and thorough approach to our audit and risk practices.”

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 2022.

This year, the Audit and Risk Committee has commenced its first year of internal audit work with KPMG as the internal audit partner, appointed during the latter part of 2021, approving their annual plan and overseeing the outcomes of their review. Alongside the Responsible Business Committee, we also reviewed the approach to assessing climate related risks and opportunities and the reporting around this as it relates to the TCFD disclosures, integrating this approach with our general risk review procedures. We continued to develop the relationship with EY as the external auditor of the Group, overseeing all external and internal audit activity and internal controls regarding risk. The Committee is also aware of the impending introduction of the audit reforms relating to internal controls, which is discussed in more detail on page 113, and which will be the subject of further work during 2023.

Those serving as members of the Committee were myself (Committee Chair) and Gerald Jennings, with Peter Mawson stepping down from the Committee during the year in compliance with Corporate Governance Code requirements, and being replaced by Serena Lang.

Internal audit

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

From early 2022 onwards, our internal audit partner has been KPMG LLP (KPMG). During 2022, the following internal audit reviews were carried out by KPMG:

CORPORATE GOVERNANCE REPORT

AUDIT, RISK AND INTERNAL CONTROL

Topic	Outline
Cyber Security	The objective of this audit was to provide a risk-based assessment of the Group's Cyber Security capabilities and to highlight gaps or areas requiring control improvement. This work has focused predominantly on the Group's Cyber Security maturity but also included consideration of Stonebridge Homes. The Internal Audit was conducted using KPMG's Cyber Security Framework, consisting of nine different domains, which comprise: Leadership and Governance; Information Risk Management; Human Factors; Third Parties; Resilience; Compliance; Technical Security; Security Architecture; and Security Operation.
Financial Controls Gap Analysis	This audit performed a gap analysis, to understand and document the flow of information within each in-scope process, identify the various controls in place to mitigate key risks and identify and document the control gaps that exist within each process, where risks are currently not being adequately remediated. The scope of the internal audit focused on understanding and covering the following key areas: Record to Report (R2R) – accounting and financial reporting procedures including journals, balance sheet reconciliations and month end closing; Order to Cash (O2C) – end to end cycle from contracting with customers through to receipt of payment for goods and services; and Purchase to Pay (P2P) – end to end cycle from selection of supplier through to processing of payment for goods and services.
Construction Contracts - Supply Chain Resilience	The scope of this audit focused on understanding and covering the following key areas: Pre-construction governance - procedures undertaken prior to contracting, including governance and approval processes for tender submission and contract award; Project controls - a high-level assessment of the structure around the management of capital projects; and Supply chain due diligence and monitoring - processes for compiling the approved supply chain and ongoing monitoring of subcontractors, as well as the processes in place for maintaining due diligence over, and monitoring subcontractors who are not part of the approved supply chain.

The results of this internal audit activity were reviewed by the Committee during the year, and will continue to be monitored on an ongoing basis, including implementation of any recommendations and the overall status of the audit result.



Audit and Risk Committee Report

Internal audit effectiveness review

The Committee determined that an assessment of the effectiveness of the internal auditor was not appropriate for 2022 due to the fact that the internal auditor had only commenced its activities in early 2022, and had been tested through the tendering exercise and appointment process. A review of the first full year of internal auditing activities will be carried out during 2023 and reported on in the following year.

In determining their initial testing plan for 2022, KPMG reviewed the Group's risk reporting materials, previous internal audit report and met with all senior stakeholders in the business. Their plan was presented and approved by the Committee in February 2022.

Cyber Security

As highlighted above and in previous Committee reports, as well as in the risk report at pages 50 to 56, cyber security continues to be an area of focus, to ensure that appropriate procedures and systems are in place. The Group has not been subject to an information security breach within the previous three years (the last incident having occurred in 2018), and is accredited by Cyber Essentials Plus, an externally audited certification. Cyber risk is an area where we continue to review the appropriateness of relevant mitigation factors, such as information security insurance products, but it is not currently felt that such products offer value for money in relation to the risk that would be insured. The Group continues to mitigate the risks in other ways, through the biannual provision of detailed eLearning, supplemented by phishing email campaigns – with failures being dealt with by targeted user training, as well as having a suite of information security policies and protocols being updated in line with ISO27001 recommendations. Following the recommendations of KPMG as a result of the internal audit activity highlighted on the previous page, the Group has put additional measures in place, including: USB disablement; multi-factor authentication on all users and cloud systems; procurement of new backup products; and data migrated from local storage to cloud storage to help visibility.

Audit Reform

As a Committee, we are keenly aware that the audit-related corporate governance reforms led by the FRC have been in progress and that measures will need to be put in place to ensure full compliance with the requirements when finalised. Policies and protocols will be reviewed under the supervision of the Committee, and a gap analysis carried out. The Committee has been advised on the details of this by both our external and internal auditors, and will continue to review how to use those resources to shape our approach over the coming year.

External audit effectiveness review

The Committee oversaw a full review of the effectiveness of the external auditor in July 2022, which collated feedback from the Committee, finance teams, Managing Directors and other key stakeholders within the Group. Within the scope of the review, the following were considered:

- Planning and half year work performed August to September 2021
- Interim audit carried out November 2021
- Year end audit carried out January to April 2022

Overall, the review concluded that EY conducted a thorough and comprehensive audit providing robust and independent challenge where needed. The strong working relationships with the external audit team, the collaborative nature of the work carried out on the going concern evaluation, and the level of challenge being fair and balanced were reflected upon. Constructive discussions were held with EY around ways of refining the flow of information between internal teams and the audit team, to ensure continuous improvements in methods of engagement. It was also noted that many of these areas would continue to improve with the embedding of those internal protocols around information sharing, which did not impact on the quality of audit work or audit opinion, and so were not considered to be matters of any significant concern.

Extent to which external auditor challenged management

The external auditor has provided robust challenge, particularly around areas of complexity or judgement, including contract, property and inventory valuations, as well as going concern and viability. Its procedures and findings are detailed in its 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 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.

In addition, an External Auditor Independence Policy has been developed to supplement our approach on external auditor independence, which was approved in early 2023.

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. Deloitte will provide the Group's corporation taxation services for the year ended 31 December 2022.

In accordance with best practice, the Company will require its external audit partner to rotate every five years, this being the second year to which this relates. The statutory auditor signing the Audit Report for 2022 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 issues 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 reviews 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

Audit and Risk Committee Report

Effectiveness of risk management and internal controls

Risk assessment and risk management reporting across the Group has continued to be monitored during the year. Details of the key risks which the Group faces, the key controls in place to manage and mitigate those risks and the enhanced system of risk management adopted by the Company are set out in more detail on pages 50 to 56. 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 page 146 discusses other key audit matters which were also considered by the Committee.

Focus	Matters considered	Committee outcome
Valuation of investment properties	<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 held 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>	<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.</p>
Valuation of housebuilder inventory	<p>Inventories are stated at the lower of cost or 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>	<p>During the year, the Committee 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.</p>
Construction accounting estimates	<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>	<p>During the year, the Committee examined the judgements and methodologies applied to uncertainties and were in agreement with the position adopted.</p>

Terms of Reference

During 2022, 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 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

12 April 2023

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

Compliance statement

During 2022, 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 2022 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.

To provide further clarification, we will shortly be uploading details of our position against every principle and provision to the Company’s website.

Provisions 9 and 19

As previously disclosed, the former Chair of the Board (Jamie Boot) was not independent on appointment, having served as Group Managing Director and a member of the Board for 30 years. In May 2022, Peter Mawson, an independent Non-executive Director of the Company, was appointed as the new Chair and the Company is now compliant with provisions 9 and 19.

We foresee that there is likely to be a period of non-compliance with provision 19 from 1 October 2024 when Peter Mawson will remain as Chair, despite his nine-year tenure, for a period of time to allow the Non-executive Directors recently recruited to the Board to have the opportunity to develop detailed knowledge of the business, before becoming eligible to be considered for the Chair role.

Provision 11

As previously foreseen, following the retirement of Jamie Boot from the Board in May 2022, there was a short period of non-compliance with provision 11 in relation to the number of independent and non-independent Directors on the Board, with only two independent Non-executive Directors (excluding the Chair) being in place, versus three non-independent Directors (Tim Roberts, Darren Littlewood, and James Sykes). This position was resolved when Serena Lang joined as an independent Non-executive Director in August 2022 and the Company is now compliant.

Provision 20

During the succession planning for the Chair role, the Board determined that its strong preference was not to appoint an external recruitment agency to source a new Chair for the Board, but to ensure continuity of experience within the Chair role by appointing one of its existing independent Non-executive Directors as the Chair. Within the longer-term succession plan, provision is made for a further Chair appointment process to commence within the next 5 years, which will once again enable all Non-executive Directors in post at that time to apply for the role as Chair. The Board feels strongly that it is important for its Chair to have had some knowledge and experience of the business prior to assuming the role as Chair, and accordingly has planned for this approach to maintain that continuity. An external recruitment agency was appointed to carry out the search for Serena Lang and will be used for future Non-executive Director appointments, as reported on page 106.

Provision 24

Peter Mawson became Chair on 26 May 2022 and remained a member of the Audit and Risk Committee until 16 September 2022. The Committee composition is now in line with provision 24.

20% vote against – AGM

At the AGM in 2022, no resolution proposed received more than 20% of the vote against it.

AMY STANBRIDGE COMPANY SECRETARY

12 April 2023

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT



PETER MAWSON
CHAIR OF THE
RESPONSIBLE
BUSINESS COMMITTEE

3 3

RESPONSIBLE BUSINESS COMMITTEE

<p>JAMES SYKES COMMITTEE MEMBER</p>	<p>JOANNE LAKE COMMITTEE MEMBER</p>	<p>GERALD JENNINGS COMMITTEE MEMBER</p>
<p>3 3</p>	<p>3 3</p>	<p>2 2</p>
<p>SERENA LANG COMMITTEE MEMBER</p>	<p>DARREN LITTLEWOOD COMMITTEE MEMBER</p>	<p>TIM ROBERTS COMMITTEE MEMBER</p>
<p>1 1</p>	<p>3 3</p>	<p>3 3</p>

Responsible Business Committee attendance key
○ Meetings attended ● Eligible meetings

Following a review of Committee memberships, Gerald stepped down as a member of the Responsible Business Committee with effect from September 2022

Serena joined the Committee with effect from her appointment on the 1 August 2022

Review of the year

The Responsible Business Committee (the Committee) met three times during the year, as well as attending two additional engagement sessions with guest speakers to provide insight on some key areas of practice. The responsibilities of the Committee are to provide oversight and leadership on the Company's strategic approach to, and performance on, all responsible business practices. It provides an independent review and oversight of the development and delivery of the Group's Responsible Business Strategy, which guides the Company's approach to delivery of long term ESG activity and objectives.

During the year the Committee has been responsible for overseeing the approval and delivery of the Group's Responsible Business Strategy, which was launched in early 2022. The Committee is also alive to the interactions required in relation to incorporation of ESG-related targets into executive remuneration (in conjunction with the Remuneration Committee) and oversight of climate-related risks (along with the Audit and Risk Committee).

Those serving as members of the Committee during the year were myself, Joanne Lake, Gerald Jennings, James Sykes, Tim Roberts and Darren Littlewood. Within the year Serena Lang was welcomed to the Committee following her appointment to the Board, with Gerald stepping down as a Committee member, and it is my pleasure to hand over the reins of the Committee to Serena as Chair with effect from 1 January 2023.

On behalf of the Board and the Responsible Business Committee (the Committee), as Chair of the Committee, I am pleased to present the Directors' Responsible Business Committee Report for the year ended 31 December 2022.

“In the last year, we have launched our progressive Strategy for Responsible Business and this Committee continues to focus on making sure that the business delivers against its commitments as well as ensuring it has the right governance in place to manage the broad spectrum of activities this entails.”

Henry Boot PLC Board Responsible Business Committee - key responsibilities

- Oversight of the setting of, and achievement of the objectives within, the Responsible Business Strategy;
- Review of all sustainability and ESG reporting, including implementation of the recommendations of the TCFD and all associated governance arrangements (see more on pages 68 to 77);
- Ensuring that the Board maintains up to date awareness of the Company's impact on the communities it serves, the environment it operates within and the charitable support it is able to give;
- Monitoring culture and alignment with the Company's Purpose, Vision and Values; and
- Monitoring and supporting the development of employee diversity and inclusion across the Company and its leadership.

Responsible Business Strategy

Throughout 2022, the Committee approved and then monitored the delivery of the Responsible Business Strategy, which was launched in January 2022. This included periodic assessment of the progress of the Group against the targets and metrics set within the Strategy. Individual Non-executive Directors were assigned to represent key areas of the Strategy – with myself being sponsor of the NZC Framework, Joanne Lake sponsoring our EDI Strategy and Gerald Jennings sponsoring the Community Partnership Plan.

Given the changes in Committee membership, we will be undertaking a review of the Committee Sponsorship roles in early 2023.

Throughout 2022, the Committee regularly monitored delivery of the Responsible Business Strategy targets and considered how the development of new initiatives (including the Reward Strategy – see page 65) took into account ESG factors and aligned with existing responsible business initiatives.

Other significant issues considered

Focus	Matters considered	Committee outcome
TCFD and Scope 3 GHG Emissions approach	Throughout the year, TCFD reporting in relation to certain specific elements of quantitative scenario modelling, and the development of the Group's approach to Scope 3 GHG Emissions evaluation, has been assessed. As noted in the TCFD report within this Annual Report and Accounts, further progress in these areas is required, and the Committee has been reviewing the approaches to addressing this.	The TCFD Steering Group has been tasked with compiling an approach to TCFD and Scope 3 reporting, including use of external consultants, with proposals to be approved by the Committee during the year.
Climate Change Framework (CCF)	Linked to the subject above, in December 2022 the Committee reviewed a consolidated framework developed by the ESG Steering Group and TCFD Steering Group, which brought together the proposed approach on NZC, TCFD, Biodiversity, Nature Stewardship and Carbon Offsetting. The purpose of the CCF is to provide an internal reporting mechanism that aligns the existing and forthcoming strategies, reporting requirements, and initiatives focused on how the Group is responding to climate change. This approach intends to provide a clearer strategic structure and more clarity for monitoring progress and impact.	The Committee noted the interactions with the Audit and Risk Committee in relation to assessment of risk, and felt that having an overarching Framework to bring together all of the elements relating to climate change was beneficial. The individual strands within the CCF will continue to be developed and overseen by the Committee during the year.
Health and Wellbeing	Following a round of review by the Executive Committee, and having been contributed to by the GEF (see pages 65 to 96), the Health and Wellbeing Strategy was considered by the Committee in December 2022.	The Committee agreed that the Strategy, which was an evolution of the current approach, was an appropriate response to provide a more collaborative and proactive support for our people. Alignment with other initiatives, such as the Agile Working approach and employee value proposition work, was noted.
EDI Action Plan	Whilst the overall EDI Strategy has been subsumed within the Group's overall Responsible Business Strategy, the Group's EDI Steering Group continues to operate and had explored ways in which targets for 2022 could be defined and achieved. The 2022 Action Plan contained a range of measures including a revision of parental leave policies to provide greater support to parents throughout the Group, and also a menopause and pregnancy loss policy being introduced.	Discussing these important initiatives, the Committee supported the work done to date and approved the amended policies. The proposed actions for 2023, and for the remaining years of the Responsible Business Strategy, will address encouraging greater levels of diversity throughout the workforce and management, reducing the gender pay gap, reporting on the ethnicity pay gap and other training and initiatives to increase awareness of EDI matters.








CORPORATE GOVERNANCE REPORT

Focus	Matters considered	Committee outcome
Engagement sessions with guest speakers	<p>Marcos Navarro of Natwest Bank joined the Committee and Executive Committee in June 2022 to discuss ESG approaches, particularly in relation to the housing market and key themes and trends.</p> <p>In addition, Graeme Pitkethly of Unilever met with the Committee and Executive Committee in November 2022 to discuss his role on the TCFD Steering Group and the expectations of the market regarding good practice in TCFD reporting.</p>	<p>These sessions have provided greater engagement of the Committee members with peers and subject matter experts, and upskilling in key areas relating to current topics of debate.</p> <p>The Committee, in conjunction with the Board and Nomination Committee, will continue to identify further areas for development through these engagement sessions.</p>

Oversight of climate related disclosures and governance

Set out below is a summary of the approach that has been developed within the Group to ensure that key stakeholders are involved in, and providing relevant reporting on, ESG-related activities throughout the business. These governance structures enable specialists and subject matter experts, as well as our people from throughout the various parts of the Group, to get involved in areas that are closest to them, and ensure that the input to our Committee comes from as broad a range of employee stakeholders as possible.

Responsibilities of senior leaders and management

Senior Leader	Membership	Summary of Role
Chief Executive Officer 	Board Responsible Business Committee ESG Steering Group Executive Committee	The Chief Executive Officer assumes overall responsibility for the delivery of the Group's Responsible Business Strategy and responsible business performance.
Chief Financial Officer 	Board Responsible Business Committee ESG Steering Group Executive Committee	The Chief Financial Officer supports the Chief Executive Officer to monitor and lead the Group's responsible business performance and to embed ESG within commercial decision making.
Responsible Business Manager 	Responsible Business Committee (attendee) ESG Steering Group Executive Committee (attendee) Responsible Business Steering Group EDI Steering Group Climate Change Forum Charity Committee	The Responsible Business Manager: <ul style="list-style-type: none"> is responsible for monitoring the Group's performance against the Responsible Business Strategy and routinely updating Executive Committee and the Responsible Business Committee fulfils the secretary role for the Responsible Business Committee assumes responsibility for the management and objectives of the Climate Change Forum and EDI Steering Group assists with preparation of the Group's TCFD disclosures
Finance Director 	Responsible Business Committee (attendee) ESG Steering Group TCFD Steering Group	The Finance Director: <ul style="list-style-type: none"> collaborates with the Responsible Business Manager to monitor and measure progress against quantitative targets within the Responsible Business Strategy provides advice on alignment with the Group's risk framework and commercial opportunities assists with preparation of the Group's TCFD disclosures
General Counsel and Company Secretary 	Board (attendee) Responsible Business Committee (attendee) ESG Steering Group Executive Committee EDI Steering Group TCFD Steering Group	The Company Secretary is the Group's executive ESG Lead and assumes responsibility to inform strategic direction on ESG and alignment with the expectations of shareholders and the market, as well as assisting with preparation of the Group's TCFD disclosures.
HR Director 	Executive Committee EDI Steering Group ESG Steering Group Responsible Business Committee (attendee)	The HR Director assumes responsibility for overseeing the alignment of the Responsible Business Strategy with the People Strategy and leads the EDI Steering Group.
Managing Directors 	Executive Committee	The Managing Directors all advise on the Group's strategic approach to ESG and assume responsibility for the responsible business performance for their respective businesses.

ESG Governance Structure



Terms of reference

During 2022, the Committee reviewed its terms of reference in line with the scope of its operations and key areas of focus to ensure that they remained appropriate. Some minor amendments were proposed and adopted as part of that review and the Terms of Reference were reapproved, and are available on the Company's website.

PETER MAWSON
FORMER CHAIR OF THE RESPONSIBLE BUSINESS COMMITTEE

12 April 2023

SERENA LANG
CHAIR OF THE RESPONSIBLE BUSINESS COMMITTEE

12 April 2023

CORPORATE GOVERNANCE REPORT

REMUNERATION



GERALD JENNINGS
CHAIR OF THE
REMUNERATION
COMMITTEE

4 4

DIRECTORS' REMUNERATION REPORT

JOANNE LAKE COMMITTEE MEMBER	PETER MAWSON COMMITTEE MEMBER	SERENA LANG COMMITTEE MEMBER
4 4	4 4	2 2

Remuneration Committee attendance key
 ○ Meetings attended ● Eligible meetings

Company performance

Henry Boot performed well in 2022, achieving the Group's best ever underlying profit, whilst continuing to make good progress against our strategic objectives.

The key highlights are listed below:

- Record underlying profit of £56.1m driven by residential land and property development sales
- Profit before tax increased by 30% to £45.6m
- Increased ROCE of 12.0%, up 240 bps, within our medium-term strategic target of 10–15%
- EPS grew to 25.0p, up 17.9%
- Dividend increased by 10% to 6.66p with dividend cover increased to 3.8x
- Sold 3,869 plots at an average gross profit of £6.1k per plot
- Completed on £83m (HBD Share) of developments with 92% let/sold
- Maintained a strong average selling price for private homes of £503k
- 2023 construction order book 68% secured – 94% of costs are fixed

“We have delivered strong operational performance resulting in our best ever underlying profit and increased the dividend by 10%. We believe this is reflected in the incentive payouts during the year. We are pleased to introduce a measure based on our Responsible Business Strategy into the LTIP grant in 2023 to drive a reduction in GHG and improve equality”

Annual Statement from the Chair of the Remuneration Committee

On behalf of the Board and the Remuneration Committee (the Committee), I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2022.

This report is divided into three sections:

- This Annual Statement, which summarises the work of the Committee and our approach to Directors' remuneration.
- The Remuneration Policy section, which provides a summary of the policy approved at the 2021 AGM. The full Remuneration Policy can be found on pages 111 to 118 of the 2020 Annual Report (and is also available on the Company website).
- The Annual Report on Remuneration, which sets out the remuneration outcomes for the financial year ended 31 December 2022 and the proposed implementation of the Remuneration Policy for the upcoming year.

Remuneration outcomes

Annual Bonus

The 2022 annual bonus was based on PBT (66.7%) and personal objectives (33.3%). Operating performance of the business was excellent, having benefited from strong sales within our property development and strategic land businesses, driving the Group's best ever financial results on an underlying profit basis. Our non-financial operational performance was also excellent with significant progress made against our business strategy.

In line with the fall of UK commercial property values in the second half of 2022, the investment portfolio reduced in value, with the result that the 2022 underlying profitability from operations was negatively impacted by £10.5m. As the bonus is designed to reward strong operational performance within management's control, this negative impact is not included in the formulaic outcome of the bonus (in contrast to the LTIP which includes EPS and ROCE, which are both impacted by movements in property values). On this basis, this would have led to a maximum 66.7% pay out against the stretching PBT target range set at the start of the year. However, the Committee reviewed this outcome and determined that downward discretion should be exercised to reduce the pay out to a target level for this element (so 33.3% rather than 66.7% of the total bonus opportunity), recognising that the reduction in property values had led to a reduction of statutory PBT and weakening of the share price in the final quarter of 2022.

Management performance was strong against the strategic objectives that were set, with a pay-out of 28.3% and 28.8% of 33.3% for the CEO and CFO, respectively. As a result, the formulaic outcome of the bonus is 61.6% of maximum for the CEO and 62.1% of maximum for the CFO.

The Committee is comfortable that the bonus outcome reflects the wider business performance of the Company over the year. As part of the process for approving Executive Director bonuses, the Committee also considered the bonus awards payable to less senior management and employees more widely. The pay-out is considered proportionate and is broadly consistent with wider workforce bonuses.

One third of the bonus is deferred in to shares and held for three years.

LTIP award for performance period FY20–22

The three-year performance period for the 2020 LTIP award ended on 31 December 2022. Performance was based on EPS (33.3%), ROCE (33.3%) and TSR (33.4%). The EPS and ROCE targets were set before the impact of the COVID pandemic and have not been adjusted to reflect the significant detrimental impact this had on our financial performance. ROCE was measured on an average basis across all three years (including a very low ROCE in 2020 caused by significant business disruption) and the 2022 EPS had not recovered sufficiently compared to the 2019 EPS, which was a pre COVID high point for measuring the growth targets. This meant that the minimum performance threshold was not achieved in either case. The Total Shareholder Return performance element achieved partial vesting based on our stock market performance relative to the companies in the FTSE Small Cap Index over the performance period. Overall, 15.1% of the LTIP will vest. The Committee believes that this outcome is appropriate and chose not to apply discretion on the incentive outcome.

The Committee is aware of investor and proxy agency concerns regarding LTIP "windfall gains" and has considered whether market movements risk creating a windfall gain for Executive Directors on the vesting of the 2020 LTIP. The award was granted in June 2020 when the share price was 256p, having recovered from the sharp market drop in March 2020. As this is higher than the share price at the time of writing (223p on 31 March 2023), there is currently no windfall gain.

The Committee is comfortable that actions taken on pay during the year across the Company were appropriate and balanced the interests of all stakeholders and that the Remuneration Policy operated as intended.

Board Changes

Jamie Boot retired from his role as Chairman on 26 May 2022, following the Company's AGM. After undertaking a considered selection process to determine succession, the Group was delighted to announce that Peter Mawson would succeed Jamie as Chair. As a consequence of Peter's changing role, the Senior Independent Director position was assumed by Joanne Lake. The Board has taken the decision to retire the role of Deputy Chair, which was previously held by Joanne. As a part of the work undertaken in the search for a successor to Jamie Boot, the Chair fee was reviewed. The market data suggested that the current fees payable were below market. Taking into account the market positioning and the time commitment for the role, the Chair fee for Peter was set at £105,000 effective 26 May 2022.

Later in the year, Serena Lang was appointed as a Non-executive Director with effect from 1 August 2022. Serena took over as Chair of the Responsible Business Committee on 1 January 2023.

Application of the Directors' Remuneration Policy for 2023

The key decisions for 2023 are set out below.

Salary and fees

The Committee reviewed the out of cycle salary increases that had been made in 2022 and the one-off cost of living payment for the lowest paid employees. Building on this support for the lower paid employees, for 2023 the Committee determined that there should be a tiered approach to salary increases, favouring the lowest paid. On this basis the lowest paid cohort of employees will receive a standard salary increase of between 5-7%, the next lowest paid 4-6%, the Executive Committee 3-5% and the Executive Directors 3%. The average overall salary increase, excluding the Executive Directors and Executive Committee, is 6.24%.

The Non-executive Director and Chair's fees have been increased by 4% for 2023.

Annual Bonus

The maximum annual bonus for Executive Directors will remain at 120% of salary. The annual bonus will again be based two-thirds on financial measures and one-third on strategic objectives, of which a quarter are related to ESG targets. One third of the bonus is deferred in to shares and held for three years.

CORPORATE GOVERNANCE REPORT

REMUNERATION

Directors' Remuneration Report

LTIP

The 2023 LTIP awards will be granted at the normal maximum grant level, 125% of salary for the CEO and 100% of salary for the CFO. The 2023 LTIP awards will again be based on EPS, ROCE and TSR (30% of the award each) and, for the first time, we are pleased to introduce a measure based on our Responsible Business Strategy, for the remaining 10%. This year's award will be based on achievement against two targets from our Responsible Business Strategy; a reduction to our scope 1 and Scope 2 emissions by 2025, reflecting our ambition to be net zero for such emissions by 2030 (5%), and a stretching target to improve our gender balance across the workforce (5%). In future years we may evolve these measures to reflect other aspects of our broader ESG agenda.

The ranges for the EPS and ROCE targets have been set to be equivalently challenging to prior years, taking into account internal business plans and current market conditions.

Wider workforce considerations

Salary levels across the workforce were reviewed during the year, taking into account the unusually high levels of inflation and cost of living challenges, including a spike in energy costs. This resulted in out of cycle salary increases for over 100 employees (22.8% of the workforce). Also, in September, we made a one-off payment of £1,000 to the lowest paid two thirds of the workforce.

The Committee also has oversight of the annual bonus and the long-term incentive schemes across the business and ensures that a consistent approach is taken between executive schemes and those applying to the workforce generally.

As a part of the Policy review in the upcoming year, the Committee will review the cascade of the Remuneration Policy below Board to ensure our approach is competitive and aligns with the strategy of the business.

In my dual capacity as Committee Chair and designated Non-executive Director for workforce engagement, I meet regularly with the Group Employee Forum. We dedicate one entire session to discuss how executive remuneration aligns with the workforce reward strategy. Feedback has been positive with the Group Employee Forum appreciating the link between the strategy, company performance and reward with the corporate objectives feeding down through the business from the Executive Directors to all our people. Executive remuneration and the implementation of the Remuneration Policy were not raised as issues during the engagement and so no amendments were required to the proposed implementation of the Remuneration Policy in 2023 as a result of the engagement.

Shareholder engagement

The Committee consults with its larger shareholders on executive pay matters, where considered appropriate. As there are no significant changes in the implementation of the Remuneration Policy, we have not carried out a further formal consultation with shareholders in relation to the policy or its operation in 2023. However, I am always happy to make myself available to shareholders to discuss any concerns or feedback they may have. We will consult with larger shareholders during the Remuneration Policy review process ahead of the 2024 AGM.

Closing remarks

Should you have any queries or comments, please do not hesitate to contact me or the Company Secretary, as we value engaging with our shareholders.

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

GERALD JENNINGS
CHAIR OF THE REMUNERATION COMMITTEE

12 April 2023



Remuneration at a glance

Performance snapshot

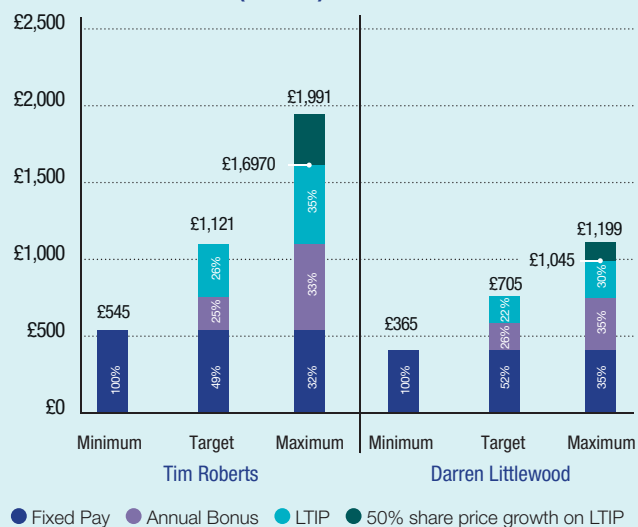
Annual bonus performance

Measure	Performance	Achievement (% of max)
Underlying PBT (66.7%)	£56.1m	50%
Individual/Strategic objectives (33.3%)	See pages 129 to 130	85%

LTIP performance

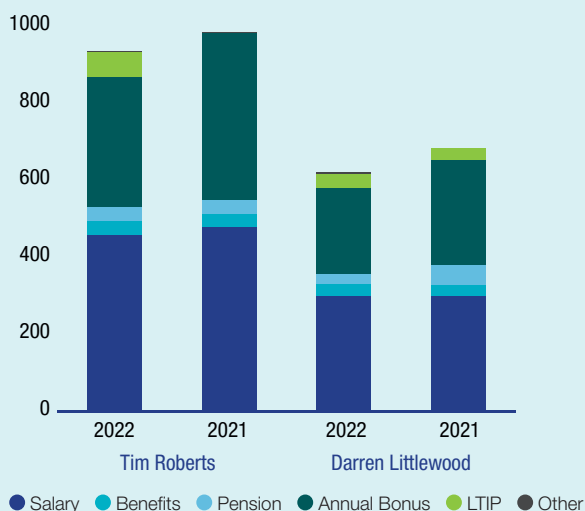
Measure	Performance	Achievement (% of max)
Relative TSR vs FTSE Small Cap	Between median and upper quartile	45%
EPS	-4% pa	0%
ROCE	8.98%	0%

Scenario Charts (£'000)



Executive pay

Total Remuneration (£'000)



Implementation for 2023

Base salary	3% increase for all Executive Directors <ul style="list-style-type: none"> CEO – £470,200 CFO – £309,000
Benefits	No change
Pension	8% of salary (in line with the wider workforce)
Annual Bonus	<ul style="list-style-type: none"> Maximum opportunity: 120% of salary Subject to underlying profit and strategic objectives
LTIP	<ul style="list-style-type: none"> CEO – 125% of salary CFO – 100% of salary Subject to EPS, ROCE, TSR and ESG targets Two year holding period applies
Shareholding guidelines	200% of salary (to be held for 2 years post-employment)

¹ The 2021 figure includes a salary repayment during the year of £43,046 for Tim Roberts and £25,000 for Darren Littlewood relating to FY2020 – see page 128 for more details.

CORPORATE GOVERNANCE REPORT

REMUNERATION

Remuneration policy

This part of the Directors' Remuneration Report sets out a summary of the Remuneration Policy approved by shareholders at the 2021 AGM on 20 May 2021.

The Company's 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 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 and to the workforce during the engagement with the Group Employee Forum.
- **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 at target performance 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 was 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.



Summary of the Directors' Remuneration Policy and its implementation in 2023

Below is a summarised version of the Policy you can read the full Policy on our website:
<http://www.henryboot.co.uk/investors/governance/remuneration-policy/>

Element	Purpose and link to strategy	Key features	2023 implementation
Salary	Core element of fixed remuneration reflecting role, experience and market rates. Assists in recruitment and retention	<ul style="list-style-type: none"> Reviewed annually Increases generally awarded in line with the workforce average unless compelling reasons for a higher rise 	<ul style="list-style-type: none"> Average workforce increase: 6.24% Tim Roberts: £470,200 (3% increase) Darren Littlewood: £309,000 (3% increase)
Benefits	Provided on a market competitive basis and assists in recruitment and retention	<ul style="list-style-type: none"> Level of benefits reviewed to reflect market practice Include car allowance, private health insurance, permanent health insurance, death in service cover and participation in SAYE scheme 	<ul style="list-style-type: none"> No change from last year
Pension	Contribution towards retirement income	<ul style="list-style-type: none"> Choice of participating in defined contribution scheme or cash in lieu Aligned to the rate applying to the majority of the workforce (8%) 	<ul style="list-style-type: none"> Tim Roberts and Darren Littlewood receive cash in lieu of pension contribution at a level of 8% of base salary in line with the majority of employees
Annual bonus	To incentivise the delivery of financial performance, operational targets and individual objectives over the financial year	<ul style="list-style-type: none"> Targets set annually, majority of which will be financial Maximum bonus opportunity of 120% of salary No more than 10% pay-out for threshold performance and 50% pay-out for target performance Two thirds paid in cash and one third invested in shares and deferred for three years Committee discretion and malus clawback provision apply 	<ul style="list-style-type: none"> Stretching PBT target set for two thirds of the opportunity Personal objectives set for one third of the opportunity. 25% of this element will be based on ESG targets
LTIP	Provides a clear and strong link between Executive Director remuneration and value creation for shareholders for achieving longer term strategic objectives	<ul style="list-style-type: none"> Performance conditions and targets set annually linked to strategy / TSR Normal levels are 125% of salary for CEO and 100% salary for CFO (Maximum level is 175% of salary – above normal levels require major shareholder consultation) No more than 25% vests for threshold performance Three-year award with two-year holding period Committee discretion and malus clawback provision apply 	<ul style="list-style-type: none"> Expected grant in FY23 is 125% of salary for Tim Roberts and 100% salary for Darren Littlewood Mixture of EPS, ROCE, TSR and ESG targets performance criteria
Shareholding guidelines	Aligns their long-term interests to those of shareholders	<ul style="list-style-type: none"> Requirement to build and maintain equivalent to 200% of base salary for Executive Directors Executive Directors are expected to retain at least 50% of any LTIP awards or deferred bonus awards until holdings reach the required level. Post-cessation requirement to hold lower of shares held or 200% of salary for at least two years (market purchased shares excluded) 	<ul style="list-style-type: none"> Current holdings for Executive Directors shown on page 132

CORPORATE GOVERNANCE REPORT

REMUNERATION

Element	Purpose and link to strategy	Key features	2023 implementation
Non-executive Director fees	Fee levels set to assist recruitment and retention of high calibre Non-executive Directors	<ul style="list-style-type: none"> Chair fee set by the Committee Non-executive fees set by the Board (excluding the Non-executive Directors) Increases aligned generally to the workforce rate Non-executive Directors not involved in share schemes or pension arrangements 	<ul style="list-style-type: none"> Non-executive Director fees will be increased by 4%, lower than the increase for the wider workforce of 6.24%

Service contracts and letters of appointment

The Executive Directors have a service contract requiring twelve months' notice of termination from either party as shown below:

Executive Director	Date of appointment	Date of current contract	Notice from the Company	Notice from the individual	Unexpired period of service contract
Tim Roberts	1 January 2020	1 August 2019	12 months	12 months	Rolling
Darren Littlewood	1 January 2016	1 January 2016	12 months	12 months	Rolling

The table below details the letters of appointment for each Non-executive Director.

Non-executive Directors	Date of appointment	Date of current letter of appointment	Notice from the Company	Notice from the individual
Peter Mawson	1 October 2015	30 July 2015	3 months	3 months
James Sykes	22 March 2011	21 August 2019	3 months	3 months
Joanne Lake	1 October 2015	30 July 2015	3 months	3 months
Gerald Jennings	1 October 2015	30 July 2015	3 months	3 months
Serena Lang	1 August 2022	28 July 2022	3 months	3 months

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 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.

The members of the Committee and their attendance at Committee meetings is set out page on 120. The key activities of the Committee during the year are set out below:

- Oversight of Remuneration Policy and its implementation.
- Reviewed and approved salaries for the Executive Directors and senior management.
- Reviewed formulaic incentive outcomes for the Executive Directors, senior management and the wider workforce. Considered whether they were aligned to Company performance over the short and long term.
- Reviewed the LTIP awards for the Executive Directors and senior management.
- Engaged with the wider workforce on the alignment between executive pay and the wider workforce.

External Advisers

Following a formal and robust tender 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 who are a member of the Remuneration Consultants Group and adhere to its Code of Conduct which requires its advice to be objective and impartial. Korn Ferry provided advice on market practice updates, benchmarking and supported management with undertakings such as producing the Directors' remuneration report to the extent this did not impact the independence of its advice. The fees paid to Korn Ferry for providing advice to the Committee in relation to Directors' remuneration was £47,100.

Korn Ferry provided other human capital related services during the year, but these services were carried out by a team separate to the remuneration advisory team. As a result, the Committee is satisfied that the advice received was objective and independent.

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

At the 2022 AGM, shareholders were asked to approve the 2021 Annual Report on Remuneration. The Directors' Remuneration Policy was approved by shareholders at the 2021 AGM. The votes received are set out below:

2022 AGM (26 May 2022)	Nature of vote	Votes for	%	Votes against	%	Votes total	Votes withheld
Approve the 2021 Directors' Remuneration report (excluding the Remuneration Policy)	Advisory	83,537,884	94.99	4,407,409	5.01	87,945,293	12,669
2021 AGM (20 May 2021)	Nature of vote	Votes for	%	Votes against	%	Votes total	Votes withheld
Approve the 2021 Directors' Remuneration report (excluding the Remuneration Policy)	Binding	87,300,759	98.03	1,754,384	1.97	89,055,143	9,626

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	Salary and fees ¹	Taxable benefits	Pension-related benefits	Other ²	Total fixed	Annual bonus	Long-term incentives ³	Total Variable	Total Remuneration
31 December 2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Tim Roberts	457	37	37	4	535	338	65	403	938
Darren Littlewood	300	31	24	4	359	224	38	262	621
Jamie Boot	40	1	0	0	41	0	0	0	41
James Sykes	51	0	0	0	51	0	0	0	51
Joanne Lake	58	0	0	0	58	0	0	0	58
Gerald Jennings	58	0	0	0	58	0	0	0	58
Peter Mawson	89	0	0	0	89	0	0	0	89
Serena Lang	21	0	0	0	21	0	0	0	21

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Year ended	Salary and fees ^{1,4} £'000	Taxable benefits £'000	Pension-related benefits £'000	Other ² £'000	Total fixed £'000	Annual bonus £'000	Long-term incentives ⁵ £'000	Total Variable £'000	Total Remuneration £'000
31 December 2021									
Tim Roberts	478	35	35	0	548	435	–	435	983
Darren Littlewood	300	28	51	0	379	275	29	304	683
Jamie Boot	91	1	–	–	92	–	–	–	92
James Sykes	48	–	–	–	48	–	–	–	48
Joanne Lake	48	–	–	–	48	–	–	–	48
Gerald Jennings	48	–	–	–	48	–	–	–	48
Peter Mawson	48	–	–	–	48	–	–	–	48

¹ Salary includes the value subject to salary sacrifice.

² Tim Roberts and Darren Littlewood participated in the SAYE all employee plan, further details are set out on page 132.

³ Value of shares based on a three-month average share price of £2.38 to 31 December 2022. This value will be restated next year based on the actual share price on the date of vesting.

⁴ As stated in the 2021 annual report, 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 £43,046 for the CEO and £25,000 for the CFO. These salary reductions for Tim Roberts and Darren Littlewood were repaid in 2021, to mirror the experience of the wider workforce. The Chairman's fee and the Non-executive Director's fees were reduced by 20%. The fee reductions were not reinstated.

⁵ The 2019 LTIP award vested on 30 April 2022, the value included in the table is based on the value of the award on vesting and includes dividend equivalents of 496 shares. The value is based on the share price on the date of vesting.

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 127 is derived from the following:

Salary or fees	The amount of salary or fees received in the year
Taxable benefits	The taxable benefits received in the year by Executive Directors.
Annual bonus	The value of bonus payable and the calculations underlying this are disclosed on pages 128 and 129.
Long-term incentives	The value of LTIP awards 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.
Pension-related benefits	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 both Tim Roberts and Darren Littlewood.
Other	SAYE awards granted to Executive Directors during the year

Individual elements of remuneration

Pension entitlement

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

2022 bonus

The maximum annual bonus opportunity for the Executive Directors was 120% of salary. Two thirds of the bonus was subject to stretching PBT targets and one third personal strategic objectives. Performance against the targets is set out in the table below.

Measure	Weighting (% of maximum)	Threshold 10% of maximum	Target 50% of maximum	Stretch 100% of maximum	Actual result	Outcome (% of maximum)	
						Tim Roberts	Darren Littlewood
Financial							
Underlying PBT	66.7%	£45.2m	£50.3m	£52.8m	£56.1m	66.7%	66.7%
Non-financial							
Personal objectives	33.3%		See below			28.3%	28.8%
Formulaic outcome			See below			95.0%	95.5%
Outcome following Committee discretion						61.6%	62.1%

Operating performance of the business was excellent, having benefited from strong sales within our property development and strategic land businesses, driving the Group's best ever financial results on an underlying profit basis. Our non-financial operational performance was also excellent with significant progress made against our business strategy.

In line with the fall of UK commercial property values in the second half of 2022, the investment portfolio reduced in value, with the result that the 2022 underlying profitability from operations was negatively impacted by £10.5m. As the bonus is designed to reward strong operational performance within management's control, this negative impact is not included in the formulaic outcome of the bonus (in contrast to the LTIP which includes EPS and ROCE, which are both impacted by movements in property values). On this basis, this would have led to a maximum 66.7% pay out against the stretching PBT target range set at the start of the year. However, the Committee reviewed this outcome and determined that downward discretion should be exercised to reduce the pay out to a target level for this element (so 33.3% rather than 66.7% of the total bonus opportunity), recognising that the reduction in property values had led to a reduction of statutory PBT and weakening of the share price in the final quarter of 2022.

The Committee also evaluated the performance of the Executive Directors against their 2022 personal strategic objectives. The proportion of objectives achieved was assessed as follows:

2022 personal objectives – Tim Roberts

Objective	Details	Weighting (% of salary)	Performance against objective	Outcome (% of salary)
1	Implement Group strategy, identifying strategic smart objectives, taking account of risk	15%	Strong: Continued prudent deployment of capital with a more thorough approach to the cascade of strategic objectives throughout ExCo and to wider management teams aligned to Corporate objectives.	12%
2	Communicating the Group's strategy, vision and values both internally and externally	4%	Strong: Key appointment of Communications and Marketing Director and a more strategic focus on the messages shared with all stakeholders to ensure consistency of narrative.	3%
3	Develop senior leadership team and review Group remuneration	4%	Strong: Continued development of Executive Committee with focus on collaboration and customer. Supported the implementation of a Group wide reward strategy to provide clarity and transparency.	3%
4	Lead good Health and Safety practices around the Group to avoid any major Health and Safety incidents	4%	Excellent: All major KPIs have been achieved and continue to be monitored closely.	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	3%	Strong: Continued refinement of our equity narrative. Attracted 1 major new investor to the register.	2.5%
6	Implement Environment Social and Governance (ESG) Policy, and promote an open, diverse and progressive organisation	10%	Excellent: Successful policy launch and development of ESG targets for all parts of the business. We achieved our gender target for the year and a reduction in our gender pay gap aligned to our longer term goals.	9.5%
Total out of max 40%		40%		34%

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2022 personal objectives – Darren Littlewood

Objective	Details	Weighting (% of salary)	Performance against objective	Outcome (% of salary)
1	Implement Group strategy, identifying strategic smart objectives, taking account of risk	10%	Strong: Continued prudent deployment of capital across all activities with focus on alignment to the refreshed Group strategy and implementation of technology solutions. Continued management of the pension liabilities.	8.5%
2	Implement IT strategy with a focus on identifying business process improvements, efficiencies and systems	8%	Strong: Appointment of IT Director to deploy the IT strategy and align to the requirements of the Group and continued focus on cyber security. Group wide process mapping has been implemented and has identified a number of areas of efficiency and where technology solutions can be deployed.	6.5%
3	Developing strategic influence within the business and profile within the wider industry	3%	Excellent: Continued commitment to ExCo development with focus on customer and collaboration. Positive feedback from stakeholders in relation to profile raising and representation on wider trade bodies and forums.	3%
4	Developing the Finance/IT/Comms team's profile and skillsets, developing their integration across the Group and encouraging the departments to become more pro-active business partners	3%	Excellent: Development of wider skills within the Group to strengthen delivery to internal stakeholders.	2.5%
5	Management and development of financial reporting within each business, to the Board and to the investor community	3%	Excellent: Continued to develop compelling equity narrative supported by relevant and consistent financial reporting.	2.5%
6	Undertake a review of internal and external audit and tender the Group's provision of tax services	3%	Good: Reviewed external audit with feedback to ARC; tax services were successfully tendered with Deloitte being appointed. Internal audit review will be carried over into 2023.	2%
7	Support the implementation of the Group's ESG Policy	10%	Excellent: Successful policy launch and implementation of appropriate ESG targets in all parts of the business. Success has been achieved in increasing female representation and reducing the gender pay gap.	9.5%
Total out of max 40%		40%		34.5%

Based on performance to 31 December 2022 and downward discretion used by the Committee, the adjusted annual bonus outcome for Executive Directors during the year are shown below.

Executive	Annual Bonus outcome		
	% of maximum	% of salary	Bonus outcome (£)
Tim Roberts	61.6%	74%	£337,812
Darren Littlewood	62.1%	74.5%	£223,500

Two thirds of the bonus will be payable in cash. The remaining one third will be invested in shares and deferred for three years. No further performance conditions or service requirements apply.

Long-Term Incentive Plan (LTIP)

LTIP Awards were granted to Tim Roberts and Darren Littlewood on 22 June 2020. The LTIP shares in this award were subject to the performance criteria set out in the table below.

Performance condition	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual performance	Pay-out of element (% of max)
EPS growth	33.3%	RPI+3% p.a.	RPI+7% p.a.	-4% p.a	0%
ROCE	33.3%	10%	13%	8.97%	0%
TSR ¹	33.4%	Median	Upper quartile	Rank 56 out of 128	15.1%
		TSR: -11%	TSR: 24%	TSR: -5.2%	
Total vesting (out of 100%)					15.1%

¹ The TSR comparator group was comprised of the FTSE Small Companies Index (excluding investment trusts).

The Committee is comfortable that the level of vesting is in line with underlying performance and shareholder experience over the performance period and that no discretion would apply. As a result, the following shares will vest.

Executive Director	Number of shares granted	Number of shares due to vest	Estimated Number of shares for dividend equivalents	Total
Tim Roberts	168,039	25,369	1,941	£64,998
Darren Littlewood	97,592	14,733	1,127	£37,747

- ¹ The share price was £2.56 at the time of grant, compared to the three-month average share price of £2.38 to 31 December 2022. Therefore, No part of the award is currently attributable to share price appreciation. No discretion was applied.
- ² After awards vest, subject to selling sufficient shares to pay tax, shares must be held for a further two years.
- ³ Dividend equivalent shares will be awarded on the shares that vest and will be valued on an average share price for the three business days before the vest date of 22 June 2023. For the purpose of the table above, the estimated number of dividend equivalents has been based on the three-month average share price up to 31 December 2022. For the FY23 Annual Report, this figure will be restated.
- ⁴ The total value above has been calculated based on the three-month average share price up to 31 December 2022.

LTIP awards granted in the year (audited)

LTIP awards were granted during the year to Tim Roberts and Darren Littlewood on 29 April 2022.

	Type of award	% of salary	Number of shares	Face value of grant at 324.33p per share ¹	% of award vesting at threshold
Tim Roberts	LTIP – nil cost options	125%	175,938	£570,620	25%
Darren Littlewood	LTIP – nil cost options	100%	92,497	£299,996	25%

- ¹ The share price is calculated based on the average share price for the three days preceding the grant.

The awards are subject to the following performance conditions which will be measured over the three-year period ending 31 December 2024:

Measure	Weighting	Threshold (25% of max)	Maximum (100% of max)
EPS in 2024	33.3%	28p	35p
Return on Capital Employed (average over three years)	33.3%	11%	14%
TSR relative to the FTSE Small Cap Index (excluding investment trusts)	33.4%	Median performance	Upper quartile

Sharesave options granted during the year (audited)

During the year Tim Roberts and Darren Littlewood were granted options under the Company's Sharesave scheme. The details are set out below:

Name	Number of options granted ¹	Exercise price ²	Face value at grant ¹	% of award vesting at threshold	Date on which exercisable
Tim Roberts	9,090	198p	£22,437	N/A	1 December 2025
Darren Littlewood	9,090	198p	£22,437	N/A	1 December 2025

- ¹ Both Directors opted to save £500 a month over the 3-year savings period equating to 9,090 shares based on the exercise price.
- ² The exercise price is calculated based on the average share price for the three days preceding the grant (246.83p). The Board then applied a 20% discount on the price for all participants in line with HMRC rules.

Payments to past Directors

The only payment to a past Director during the year, in respect of services provided to the Company as a Director, was in relation to LTIPs granted to John Sutcliffe in 2019. As a good leaver, the number of shares available to vest was 5,797 shares, having been prorated for his time in employment. This equated to a market valuation on exercise of £18,782.

Payments made for loss of office

Jamie Boot stepped down from the Board on 26 May 2022 and received fees to that date (£40k). There were no additional payments.

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Statement of Directors' shareholdings and share interests (Audited)

The following table sets out the shareholdings and share interests in ordinary shares of the Directors and connected persons in the Company as at 31 December 2022. The Executive Directors are subject to a shareholding requirement of 200% of salary under the Remuneration Policy. Executive Directors are expected to retain at least 50% of any LTIP awards or deferred bonus awards until holdings reach the required level. There are no holding requirements for Non-executive Directors.

Director	At 31 December 2022						Shareholding as a % of salary or fees
	Beneficially owned at 1 January 2022	Beneficially owned	Unvested Options with performance conditions	Unvested Options without performance conditions	Vested unexercised options	Total interests	
Tim Roberts	279,067	303,258	550,876	9,090	–	863,224	152%
Darren Littlewood	205,404	225,380	294,784	9,090	–	529,254	171%
Peter Mawson	13,200	13,200	–	–	–	13,200	28%
James Sykes	20,000	20,000	–	–	–	20,000	89%
Joanne Lake	10,710	10,710	–	–	–	10,710	41%
Gerald Jennings	19,900	19,900	–	–	–	19,900	77%
Serena Lang	N/A	–	–	–	–	–	0%
Jamie Boot ⁴	5,665,002	5,665,002	–	–	–	5,665,002	13,921%

¹ All outstanding scheme interests are in the form of options.

² The table above includes the holdings of persons connected with each of the Directors.

³ The shareholding as a percentage shown above is based on the share price at 31 December 2022 (235p). The salary used for this calculation is that which commences on 1 January 2023.

⁴ Shareholding for Jamie Boot is shown at 26 May 2022 when he stepped down from the Board in relation to his fee at that time.

Tim Roberts increased his holding by 42,000 shares to 345,258 on 26 January 2023. There have been no other transactions between 31 December 2022 and 31 March 2023.

LTIP

	Date of grant	Market price at date of grant	At 1 January 2022	Grant during the year	Exercised during the year	Lapsed during the year	At 31 December 2022	Actual exercise
								date/earliest vesting date
Tim Roberts	22/06/2020	256.17p	168,039	–	–	–	168,039	22/06/2023
	23/06/2021	262.67p	206,899	–	–	–	206,899	23/06/2024
	29/04/2022	324.33p	–	175,938	–	–	175,938	29/04/2025
			374,938	175,938	–	–	550,876	
Darren Littlewood	30/04/2019	272.3p	82,619	–	9,094 ^{1,2}	74,021	–	30/04/2022
	22/06/2020	256.17p	97,592	–	–	–	97,592	22/06/2023
	23/06/2021	262.67p	104,695	–	–	–	104,695	23/06/2024
	29/04/2022	324.33p	–	92,497	–	–	92,497	29/04/2025
			284,906	92,497	9,094	74,021	294,784	

¹ Shares exercised under the LTIP includes 496 dividend equivalent shares.

² Darren Littlewood exercised 9,094 options during the year under the LTIP. The aggregate gain on exercise was £29,465 based on a share price on the date of exercise of 324p.

Sharesave plan

	Date of grant	At 1 January 2022	Granted during the year	Exercised during the year	Lapsed during the year ¹	At 31 December 2022	Exercise price	Date from which exercisable	Expiry date
Tim Roberts	15/10/2021	8,000	–	–	8,000	–	225p	–	–
	21/10/2022	–	9,090	–	–	9,090	198p	01/12/2025	01/06/2026
Darren Littlewood	15/10/2021	8,000	–	–	8,000	–	225p	–	–
	21/10/2022	–	9,090	–	–	9,090	198p	01/12/2025	01/06/2026

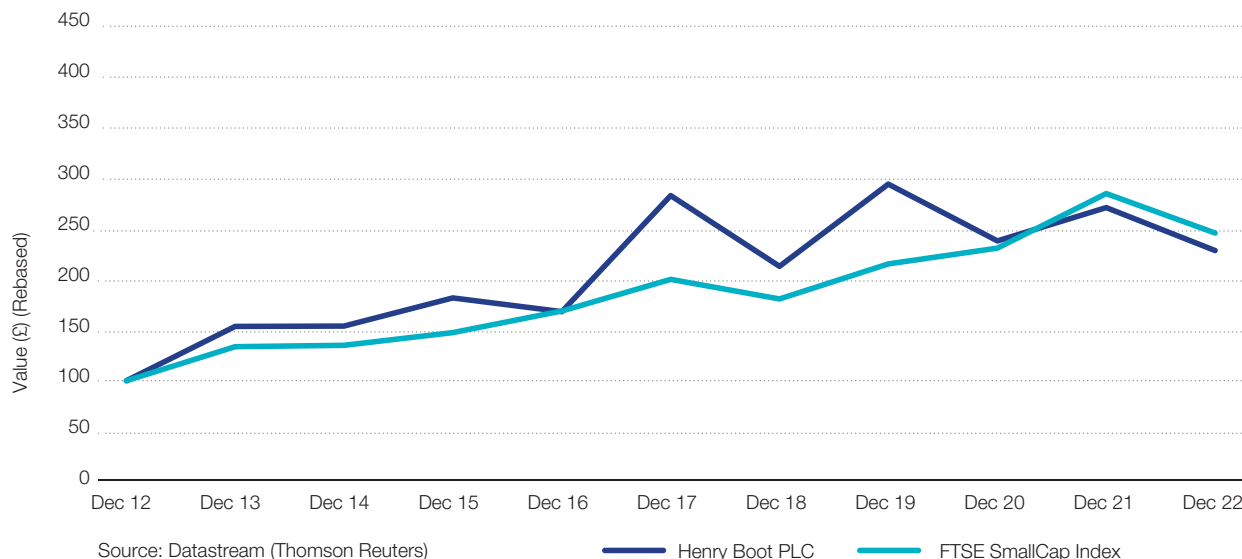
¹ Both Tim Roberts and Darren Littlewood pulled out of the 2021 Sharesave plan and opted to join the 2022 Sharesave plan instead.

Share price

The middle market price for the Company's shares at 31 December 2022 was 235p and the range of prices during the year was 227p to 345p.

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		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Name		Jamie Boot	Jamie Boot	Jamie Boot	Jamie Boot	John Sutcliffe	John Sutcliffe	John Sutcliffe	John Sutcliffe	Tim Roberts	Tim Roberts	Tim Roberts
Total Remuneration	(£'000)	962	1,054	1,000	981	1,118	1,277	1,250	912	715	982	938
Annual bonus	(% of max)	58.3	83.3	94.5	87.8	91.1	99.2	76.8	64.8	50.0	83.3	61.6
LTIP	(% of max)	40	50	25	25	67	100	87	65	nil	nil	15.1

Percentage change in Directors remuneration

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.

	Average percentage change 2021/22			Average percentage change 2020/21			Average percentage change 2019/20		
	Salary/fees	Taxable benefits	Annual bonus	Salary/fees	Taxable benefits	Annual bonus	Salary/fees	Taxable benefits	Annual bonus
Chief Executive Officer ¹	-5%	6%	-22%	5%	0%	68%	0%	0%	N/A
Chief Financial Officer ¹	0%	11%	-19%	9%	0%	87%	11%	0%	-51.10%
Jamie Boot ²	N/A	N/A	N/A	5%	N/A	N/A	3%	N/A	N/A
James Sykes ³	6%	N/A	N/A	5%	N/A	N/A	3%	N/A	N/A
Joanne Lake ³	21%	N/A	N/A	15.36%	N/A	N/A	3%	N/A	N/A
Gerald Jennings ³	21%	N/A	N/A	20.55%	N/A	N/A	3%	N/A	N/A
Peter Mawson ⁴	85%	N/A	N/A	27.81%	N/A	N/A	3%	N/A	N/A
Serena Lang ⁵	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Workforce	6.24%	0%	54.89%	9.55%	0%	0%	3.99%	0%	-40.81%

¹ As stated in the 2021 annual report, 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 £43,046 for the CEO and £25,000 for the CFO. These salary reductions for Tim Roberts and Darren Littlewood were repaid in 2021, to mirror the experience of the wider workforce. The Chairman's fee and the Non-executive Director's fees were reduced by 20%.

² Jamie Boot stepped down from the Board on 26 May 2022. As he did not serve a full year in 2022, the change has not been included as it would not be representative.

³ In line with general market practice, additional fees were introduced for FY22 onwards for those Directors with additional responsibilities to reflect the increased time commitment required to effectively undertake these roles.

⁴ Peter Mawson succeeded Jamie Boot as Chair on 26 May 2022, as a result, his fees increased year on year.

⁵ Serena Lang was appointed as a Non-executive Director on 1 August 2022. As a result no year-on-year change can be provided.

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CEO pay ratio

The CEO pay ratio comparing the CEO single total figure of remuneration to the equivalent pay for the lower quartile, median and upper quartile of UK employees (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Regulations.

	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option A	28:1	20:1	12:1
2021	Option A	31:1	22:1	14:1
2020	Option A	26:1	18:1	11:1
2019	Option A	41:1	27:1	17:1

The Committee selected Option A as the method of calculation as it is generally recognised as the most statistically robust and is consistent with approach used historically. The pay and benefits for UK employees was calculated on 24 March 2023 using the same method as used for the single total figure. No estimates or adjustments have been made.

Each employee's pay and benefits were calculated using each element of remuneration on a full-time basis, consistent with the CEO. No adjustments (other than the approximate up-rating of pay elements to achieve full-time equivalent rates) were made, with the exception of annual bonuses for Stonebridge and Road Link where the amount paid during 2021 was used as the FY22 bonus figures had not yet been determined at the time this report was produced. No components of pay have been omitted.

	25th percentile	50th percentile	75th percentile
Salary/wages	£28,000	£38,600	£48,783
Total remuneration	£33,227	£45,629	£74,060

In 2022, the CEO pay ratio is broadly in line with previous years but has reduced slightly in comparison to 2021. This is in part due to lower annual bonus payments than 2021 and higher remuneration for employees due to the increase in base pay and higher bonus pay-outs.

The Committee is satisfied that the median pay ratio reported this year is consistent with our wider pay, reward and progression policies for employees.

Relative importance of the spend on pay

The following table sets out the percentage change in dividends, and the overall spend on pay across our whole organisation:

	2022 £'000	2021 £'000	Change %
Ordinary dividends	8,840	8,016	10.0%
Overall expenditure on pay	39,444	38,144	3.4%

Implementation of Remuneration Policy in 2023

The section below sets out the implementation of the Remuneration Policy in 2023. Other than the introduction of an ESG performance condition into the LTIP, there are no significant changes.

Executive Directors

Base salary and fees

The salary increase for 2023 is set out below:

	Salaries effective from		
	1 January 2023 £	1 January 2022 £	Change %
Tim Roberts	£470,200	456,503	3%
Darren Littlewood	£309,000	300,000	3%

Pension

The Executive Directors will continue to receive cash in lieu of pension contribution at a level of 8% of base salary in line with the majority of employees.

2023 bonus

The maximum bonus opportunity for Executive Directors is 120% of salary. The 2023 bonus will be based two thirds on financial measures and one third on strategic personal objectives of which a quarter are related to ESG targets. In line with the Policy, 10% of the bonus will pay out 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 personal objectives for each Executive Director is set out below.

2023 strategic personal objectives – Tim Roberts

	Objective	Weighting (% of salary)
1	Evaluate and oversee implementation of Group strategy	15%
2	Enhance the Henry Boot profile through effective communication of our strategy, purpose, vision and values	4%
3	Oversee and drive culture of high performance through enhancing leadership capabilities and developing strategic capacity	4%
4	Oversee and direct Group wide Health and Safety practices to avoid any major Health and Safety incidents	4%
5	Create and share compelling narrative to engage with our shareholders and encourage new investors	3%
6	Oversee implementation of ESG Policy and influence the modernisation agenda with oversight of nurturing our culture and embracing new ways of working	10%

2023 strategic personal objectives – Darren Littlewood

	Objective	Weighting (% of salary)
1	With CEO, support the implementation of the Group Strategy	10%
2	Oversee the implementation of the IT Strategy to encourage business improvement and efficiencies	10%
3	Encourage strategic development of talent in group and continue to develop own profile amongst peers	2%
4	Support modernisation agenda and key internal changes across Group support functions to achieve a more aligned business partner model	4%
5	Oversee and develop financial reporting to support compelling equity narrative to encourage development of the shareholder register	4%
6	Support implementation of ESG Policy and influence our modernisation agenda	10%

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.

2023 LTIP Awards

LTIP awards will be granted at 125% of base salary to the CEO and 100% of salary for the CFO. The 2023 LTIP awards will again be based on EPS, ROCE and TSR (30% of the award each) and, for the first time, we are pleased to introduce a measure based on our ESG strategy, for the remaining 10%. This year's award will be based on achievement against two targets from our Responsible Business Strategy; a reduction to our Scope 1 and Scope 2 emissions by 2025, reflecting our ambition to be net zero for such emissions by 2030 (5%), and a desire to improve our gender balance across the workforce (5%). In future years we may evolve these measures to reflect our broader ESG agenda.

The detailed performance metrics, which will be measured over the three-year period to 31 December 2025, is as follows:

EPS (30% weighting)	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.
Return on Average Capital Employed (30% weighting)	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.
Total Shareholder Return (TSR) relative to constituent companies of the FTSE Small Companies Index (30% weighting)	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 Executive Directors.
ESG – Scope 1 and 2 GHG reductions (5% weighting) Workforce Gender Balance (5% weighting)	We strive to ensure that our business decisions create sustainable and long-term value for all our stakeholders. We want to deliver our commercial purpose whilst leaving a lasting positive legacy.

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REMUNERATION

These four performance criteria provide a good balance between financial and stock market performance and broader stakeholder interests.

The range of the financial targets for the 2023 awards have been set to be equivalently challenging to prior years' awards, taking into account internal business plans and current market conditions.

For the new ESG related targets, the Scope 1 and 2 emissions targets represent, approximately a 10% reduction from the 2022 figure of 2,930 tonnes. This is considered a stretching goal and is in line with the Responsible Business Strategy target for 2025. The performance target has been determined based on the current size of the business and will adjust based on growth or contraction of the business, to ensure that it remains equivalently challenging irrespective of the size of the business in three years' time. Our current gender balance is 74.5:25.5, male : female and 70:30 represents a clear and simple goal for the business.

We considered whether there should be sliding scales set, but determined that this was unnecessary as each represents just 5% of the overall LTIP opportunity and the target in each case is sufficiently stretching.

	Weighting	Threshold target (25% of maximum)	Maximum target (100% of maximum)
EPS in 2025	30%	20p	28p
Return on Average Capital Employed (average over 3 years)	30%	9.5%	12%
TSR relative to the FTSE Small Cap Index (excluding Investment Trusts)	30%	Median performance	Upper quartile performance
Scope 1 and 2 GHG reduction	5%		2,650 tonnes
Workforce Gender Balance by 2025	5%		70 male : 30 female*

*Individuals identifying as male or female

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

Non-executive Directors

Non-executive Director and Chair's fees have been increased by 4% for FY23, lower than the average increase for the workforce of 6.24%.

	Fees effective from		
	1 January 2023 £	1 January 2022 £	Change %
Chair fee ¹	109,200	105,000 ²	4%
Base Non-executive Director fee	52,654	50,629	4%
Remuneration & Audit and Risk Committee Chair fee	5,200	5,000	4%
Responsible Business Committee Chair	2,600	2,500	4%
Non-executive Director designated to workforce engagement	2,600	2,500	4%
Senior Independent Director	3,640	3,500	4%

¹ Fee includes role as Chair of Nomination Committee.

² Peter Mawson was appointed as Chair on 26 May 2022. The fee for the Chair represents his fee on appointment.

Approved by the Board and signed on its behalf by

GERALD JENNINGS

CHAIR OF THE REMUNERATION COMMITTEE

12 April 2023

DIRECTORS' REPORT

The Directors' Report for the financial year ended 31 December 2022 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 2022 is set out on pages 02 to 77.

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 84 to 143, 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 155. The companies affecting the profit or net assets of the Group in the year are listed in note 35 to the Financial Statements.

The Directors recommend that a final dividend of 4.00p per ordinary share be paid on 2 June 2023, subject to shareholder approval at the 2023 AGM to be held on 25 May 2023, to ordinary shareholders on the register at the close of business on 5 May 2023. If approved, this, together with the interim dividend of 2.66p per ordinary share paid on 14 October 2022, will make a total dividend of 6.66p per ordinary share for the year ended 31 December 2022. Further details are disclosed in note 10 to the Financial Statements on page 174.

Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 166 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 18, 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 56 to 57.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 143. The Independent Auditors' Report is given on pages 146 to 154.

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 143.

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 2022 and as at the date of this Annual Report and Financial Statements can be found on pages 80 and 81. 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 2022, are disclosed in the Directors' Remuneration Report on page 132. Between 31 December 2022 and 31 March 2023, being a date not more than one month prior to the date of the Notice of the AGM, Tim Roberts purchased 42,000 ordinary shares. There were no other changes in the beneficial interests of any of the current Directors during this period.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 130 to 132.

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 25 May 2023 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 Chair, 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 full 2022 Directors' Remuneration Policy can be viewed on the website, with a summary set out on pages 125 to 126.

Training and development

Formal and tailored inductions are arranged for all new Directors and continued development is monitored by the Chair as part of the evaluation process. The programme of induction includes attendance at PLC Board and subsidiary meetings, meetings with key internal

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

and external stakeholders, training on director duties and other developments to ensure a seamless integration into the business. You can read more about the induction for Serena Lang on page 105 and Peter Mawson's transition to the Chair role on pages 106.

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. You can read more about training during 2023 on page 91 and engagement with employees and other stakeholders on pages 96 to 98.

Specific training requirements were considered as part of the Board's performance review, details of which can be found on pages 107 to 108. General updates on regulations and best practice are provided through a mixture of briefings, Board papers and email updates.

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 in the people section on pages 63 to 67, the employee engagement report on pages 96 to 98 and Nomination Committee Report on pages 104 to 110.

Employee engagement

Details of our employee engagement activities can be found on pages 96 to 98.

Employee communications

Employee communications has become a focus during 2022 with the creation of a new role and the subsequent appointment of a Group Marketing & Communications Director. We are undertaking a review of how we communicate with our people and have issued a survey to understand employee preferences on the regularity, nature and medium of our interactions. The results will be analysed and discussed with the Group Employee Forum and will feed into a revised strategy that will be rolled out in 2023.

During the year, we have had regular communications and interactions with employees and directors through townhalls, email, live webinars and recorded video messages from the CEO. Collaboration and inclusion is encouraged; live webinars are recorded so that they can be watched on demand and Q&A sessions are included where possible.

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, eligible employees have been invited to participate in Sharesave and either the Company Share Option Plan or the Long Term Incentive Plan based on their role on an annual basis. Details of employee share schemes are set out in note 29 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

fining 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 People section on page 67.

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 58 to 61.

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 brokers or through written reports. 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, 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 GHG emissions disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included within the Strategic Report on pages 76 to 77. 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 2023, being a date not more than one month prior to the date of the Notice of the AGM, the information in the table below had been disclosed to the Company in accordance with the requirements in the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

	Voting rights over ordinary shares	
	Number	% of issued
Rysaffe Nominees and J J Sykes (joint holding) ¹	20,532,155	15.40
David John Gladman	11,319,548	8.48
The London & Amsterdam Trust Company Limited	8,487,371	6.37
The Fulmer Charitable Trust ²	5,739,580	4.40
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 at the date of notification to the company.

Details of Directors' holdings can be found on page 132.

Shares held by the Henry Boot PLC Employee Trust

The Company has an established Employee Trust (the Trust) for the benefit of the Group's employees to satisfy existing grants by the Company under various share-based payment arrangements. Details of the Company's share-based payment arrangements are provided in note 29 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout 2022 were Tim Roberts, Darren Littlewood and Amy Stanbridge (Jamie Boot resigned as a Director on 1 July 2022), 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 2022, the Trust has waived the right to receive from the Company all dividends (if any) in respect of the shares held within the Trust.

There were no purchases during 2022 by the Trust who makes purchases of ordinary shares in the Company from time to time in order to satisfy upcoming grants. Further details are provided in note 31 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 18 to 77 and in note 34 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 external auditors, Ernst & Young LLP, have carried out the audit of the 2022 financial results. Resolutions re-appointing Ernst and Young LLP as auditors (Resolution 11) and authorising the Audit and Risk Committee to fix their remuneration (Resolution 12) will be proposed at the AGM.

Annual General Meeting (AGM)

The Notice of the AGM can be found on pages 208 to 211, which also details methods of shareholder engagement to take place in conjunction with the AGM. It is also available at 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 29 to the Financial Statements. As at 31 March 2023, the ordinary shares represent 97.10% of the total issued share capital of the Company by nominal value and the preference shares represent 2.90% 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 maintained by the Financial Conduct Authority.

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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 208 to 211 includes the following resolutions:

- An ordinary resolution (Resolution 13) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,457,727 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 31 March 2023. The authority will expire on 24 August 2024 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 14) 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 £668,659 (approximately 5% of the Company's issued ordinary share capital at 31 March 2023). The authority will expire on 24 August 2024 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 15) to renew the authority of the Company to make market purchases of up to 13,373,182 of its own issued ordinary shares (10% of the Company's issued ordinary share capital at 31 March 2023). 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

For 2023, the Company has determined that voting on each resolution will be conducted by way of a poll. The Company believes that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of votes held and all votes tendered are taken into account. The results of the poll will be announced to the London Stock Exchange and will be made available on the Company's website at www.henryboot.co.uk as soon as practicable following the conclusion of the AGM. 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 25 May 2023 are set out in the Notice of AGM on pages 208 to 211.

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.

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.

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

Powers of the Directors

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

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

Takeovers and significant agreements

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

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

Information rights

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

Approved by the Board and signed by its order by

AMY STANBRIDGE
COMPANY SECRETARY

12 April 2023

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
Business Model		Business Model	20 to 23
Principal risks and impact of business activity		Risks and Uncertainties Audit and Risk Committee Report	50 to 57 111 to 114
Non-financial KPIs		Strategy Key Performance Indicators	28 to 31
Employee Engagement	Board Diversity Policy Board Stakeholder Policy	Our People Section 172 Employee Engagement	63 to 67 59 to 60 96 to 98
Human Rights	Modern slavery statement & Policy Rights to Work Whistleblowing	Our People	63 to 67
Social matters	Board Stakeholder Policy	Our Responsible Business Section 172	32 to 36 59 to 60
Anti-bribery and corruption	Anti-bribery and Corruption Policy	Our People	63 to 67
Environmental matters	Board Stakeholder Policy	Our Planet TCFD Section 172 Employee Engagement	35 68 to 77 59 to 60 96 to 98

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

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 UK-adopted international accounting standards ("IFRSs"). 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 the company and of the profit or loss of the group and the company for that period.

In preparing these 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 company financial position and financial performance;
- in respect of the group financial statements, state whether UK-adopted international accounting standards 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 UK-adopted international accounting standards, 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 inappropriate to presume that the company and/ or the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group 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 company's website.

The directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards 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;
- 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 company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Approved by the Board and signed on its behalf by

TIM ROBERTS
DIRECTOR

12 April 2023

DARREN LITTLEWOOD
DIRECTOR

12 April 2023