

# Providing a long-term commitment to high levels of dividend cover

**Q** With the Board changes this year, how does the new structure offer the best opportunity for long-term creation of value for shareholders?

**A** Our new Non-executive Directors, Joanne Lake, Peter Mawson and Gerald Jennings, bring extensive corporate finance, planning, strategic land and commercial development experience to the Board.

Jamie Boot, as Chairman, will continue to apply his wealth of knowledge and skills to looking after shareholders' interests which he has done successfully for over 30 years. The appointees to the Board, who joined Jamie and James Sykes, are ideally suited to support our new Group Executive team of John Sutcliffe as Chief Executive Officer and Darren Littlewood as Group Finance Director. The Board as a cohesive unit will make a strong contribution to the delivery of our strategic goals in the future.



# GOVERNANCE

**Strong governance within Henry Boot keeps the Company true to its historic identity, safeguards and promotes the values of today, and identifies our vision for the future.**

By exhibiting leadership the Board motivates employees to achieve personal as well as team and Company goals. The Board also reassures stakeholders about how the Company is being managed in an effective and organised manner. Our Board of Directors demonstrates the right blend of skills, experiences and perspectives to lead the Company forward in a cohesive, consistent and confident manner. Strong governance is about people and how those people work together towards a shared vision.

**Jamie Boot**  
Chairman

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## Governance

# Board of Directors

### Jamie Boot Chairman

#### Current Role

Chairman since January 2016. Appointed an Executive Director in June 1985 and a Non-executive Director in January 2016.

#### Committees

Nomination, Audit and Remuneration.

#### Past Roles

Group Managing Director from July 1986 to December 2015. Managing Director at Henry Boot Developments Limited and Director at Henry Boot Homes Limited.

#### Brings to the Board

Jamie has over 30 years' experience as a director of Henry Boot PLC and has been a director of the Company's four principal operating subsidiaries. Jamie's role now sees him responsible for the leadership of the Henry Boot PLC Board and having overall responsibility for the management of the Audit, Remuneration and Nomination Committees.

### John Sutcliffe Chief Executive Officer

#### Current Role

Chief Executive Officer since January 2016. Appointed an Executive Director in October 2006.

#### Additional Roles Held

Chairman of the Company's four principal operating subsidiaries. Member of the CBI Yorkshire and the Humber Regional Council and a lay member of the Sheffield University Finance Committee.

#### Past Roles

Group Finance Director and Company Secretary at Town Centre Securities PLC and Finance Director of Abbeycrest plc.

#### Brings to the Board

John has responsibility for Group profitability and guides in the achievement of the highest level of return for a given level of risk. He is also responsible for communicating strategy and results to both private and institutional investors.

### Darren Littlewood Group Finance Director

#### Current Role

Group Finance Director and Executive Director since January 2016.

#### Additional roles held

Director of the Company's four principal operating subsidiaries.

#### Past Roles

Group Financial Controller from January 2008 to December 2015.

#### Brings to the Board

Darren qualified as a member of the Chartered Institute of Management Accountants in 2007 and is responsible to the Board for all financial and risk matters relating to the Henry Boot Group of Companies. He is heavily involved in investor communications and, along with John Sutcliffe, is also responsible for communicating strategy and results to both private and institutional investors.

### Joanne Lake Deputy Chairman

#### Current Role

Deputy Chairman since January 2016. Appointed a Non-executive Director in October 2015.

#### Committees

Nomination, Audit and Remuneration (Chairman).

#### Additional Roles Held

Deputy Chairman and Non-executive Director of Mattioli Woods plc, Non-executive Director of Gateley (Holdings) Plc, Trustee of The Hepworth Wakefield.

#### Brings to the Board

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

### James Sykes Non-Executive Director

#### Current Role

Non-executive non-independent Director since March 2011.

#### Committees

Nomination, Audit (Chairman) and Remuneration.

#### Additional Roles Held

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

#### Brings to the Board

James' experience as an audit partner is very important in his role as Chairman of the Audit Committee. 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 more especially to Hallam Land Management Limited.

### Peter Mawson Non-Executive Director

#### Current Role

Senior Independent Non-executive Director since January 2016.

Appointed a Non-executive Director in October 2015.

#### Committees

Nomination (Chairman), Audit and Remuneration.

#### Additional Roles Held

Chairman of Nexus Planning Limited, Non-executive Director of Infinite Spada Limited.

#### Past Roles

Chief Executive of Donaldsons LLP and Chief Executive of Urban Development Corporation.

#### Brings to the Board

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

### Gerald Jennings Non-Executive Director

#### Current Role

Non-executive Director since October 2015.

#### Committees

Nomination, Audit and Remuneration.

#### Additional Roles Held

Non-executive Director of the Ahead Partnership, Non-executive Director of West and North Yorkshire Chamber of Commerce, Trustee Director and Chair of PSL and Governor at Leeds City College, President of the Leeds Chamber of Commerce and Director of G R Jennings Properties Ltd.

#### Past Roles

Retail Portfolio Director at Land Securities PLC.

#### Brings to the Board

Gerald has over 25 years' experience in the retail and property industry. Most recently Gerald was responsible for the delivery of the one million sq ft Trinity Leeds retail scheme.

### Russell Deards Company Secretary

#### Current Role

Group General Counsel since 2014 and Company Secretary since September 2013.

#### Additional Roles Held

Responsible for Legal, Insurance, IT and secretariat matters.

#### Past Roles

Head of Legal Services for Barratt Developments in 2007 and Partner at Flint Bishop Barnett Solicitors in 2011.

# Senior Management

## David Anderson Henry Boot Developments Limited

**Appointment date**  
Managing Director in 2005.

**Brings to the role**  
David Anderson, BSc (Hons), MRICS, started his career in town planning consultancy and then joined Henry Boot Developments Limited in 1990 as an Assistant Development Surveyor, rapidly rising to the position of Senior Development Surveyor. He was appointed a Director in 1996.

## Giles Boot Banner Plant Limited

**Appointment date**  
Managing Director in 2000.

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

## Simon Carr Henry Boot Construction Limited

**Appointment date**  
Managing Director in 2009.

**Brings to the role**  
Simon Carr, BSc (Hons), FRICS, has been with Henry Boot for over 28 years. He has held a number of positions on the construction side of the business, including Partnering Manager and Operations Director. Simon is a private sector board member of the Sheffield City Region Local Enterprise Partnership and the Sheffield City Region Housing Executive Board. He is the current chair of the National Federation of Builders and also sits on the CBI Construction Council.

## Nick Duckworth Hallam Land Management Limited

**Appointment date**  
Managing Director in 2016.

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

## Darren Stubbs Stonebridge Projects Limited

**Appointment date**  
Managing Director (start of joint venture) in 2010.

**Brings to the role**  
Darren Stubbs started work at Tay Homes plc at the age of 16 and by the age of 25 he was Managing Director of his own small housebuilding company based in Leeds. Over the next 15 years he grew the business to achieve an annual turnover of £25 million. In 2010 he formed a new house builder and property company, Stonebridge Projects Limited, in a joint venture partnership with Henry Boot PLC.

## Trevor Walker Road Link (A69) Limited

**Appointment date**  
General Manager in 2005.

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



**Pictured** (from left to right): Russell Deards, John Brown, Peter Mawson, James Sykes, John Sutcliffe, Michael Gunston, Gerald Jennings, Joanne Lake, Jamie Boot, Simon Carr, Trevor Walker, Darren Littlewood, David Anderson, Giles Boot, Darren Stubbs.

**Inset:** Keran Power and Nick Duckworth.

For more information about our **Directors** and **Senior Management** please visit our website [www.henryboot.co.uk/about-us/board-senior-management](http://www.henryboot.co.uk/about-us/board-senior-management)

## Chairman's Introduction



"I am very pleased to introduce the reporting of our corporate governance arrangements for this year and to be able to explain their importance and how these arrangements work for the benefit of the Company and its shareholders."

**Henry Boot PLC, a premium listed company on the London Stock Exchange, is subject to the UK Corporate Governance Code (the Code). The Code encourages me, as Chairman, to report personally on how its principles relating to the role and to the effectiveness of the Board have been applied.**

The Board remains committed to ensuring that it provides effective leadership and demonstrates high ethical standards. This is one demonstration of my, and our, determination to add value to the Company. One of the ways in which we achieve this is by maintaining high standards of corporate governance principles and practices in order to facilitate the future success of the Company and sustain this over time.

I stepped down as Group Managing Director after 29 years in December 2015, and was appointed Chairman on 1 January 2016, at which date John Sutcliffe was appointed Chief Executive Officer. As Chairman, I am responsible for the leadership of the Board and ensuring that it operates effectively. The Board has clearly defined roles for each member, as described in the table on page 57. The Non-executive Directors challenge management and contribute to strategy. Board composition is extremely important and there are three main requirements: the balance of skills and experience, maintaining a strong level of independence and objectivity, and ensuring that all members have sufficient knowledge of the Company and the context in which we operate. When John Brown and Michael Gunston announced their decision to retire as Non-

executive Directors and I announced my decision to step down as Group Managing Director, the Board thought it right that I became Chairman due to my longevity of service and extensive knowledge and experience within Henry Boot thus enabling the Group to continue to be cohesive, consistent and confident. Clearly if I was to become Chairman, the Board also felt it right to appoint three new independent Non-executive Directors, Joanne Lake, Peter Mawson and Gerald Jennings, and to appoint one of these as Deputy Chairman, Joanne, to ensure independence and a clear separation from my old role to my new role. Appointments to the Board will always be made on merit against objective criteria and the Board strongly supports the principle of boardroom diversity. The Board, its Committees and individual Directors are subject to annual performance evaluation and, as we act in shareholders' interests, all Directors are now subject to re-election by shareholders annually.

The remainder of this report contains the narrative reporting variously required by the Code, the Listing Rules and the Disclosure Rules and Transparency Rules which I hope you will find of interest.

Yours faithfully

**Jamie Boot**  
Chairman  
22 April 2016

# Corporate Governance Statement

The Board reaffirms its commitment to achieving and maintaining a high standard of corporate governance. To be effective, it is felt that such governance must reflect the unique standing of the Company and the composition of both its institutional and individual shareholders, many of whom have strong family ties to the Company, as well as other stakeholders' interests and, above all, that governance must assist in the attainment of corporate objectives.

During the accounting period under review, the Company, as a premium listed company, was subject to the September 2014 edition of the UK Corporate Governance Code issued by the Financial Reporting Council (FRC). The UK Corporate Governance Code is available free of charge on the FRC website at [www.frc.org.uk/publications](http://www.frc.org.uk/publications).

The Code recognises that not all of its provisions are necessarily relevant to smaller listed companies and the Code states that departures from its provisions should not be automatically treated as breaches of the Code. The Directors believe that the Code is correctly applied as and where relevant to the Company and are satisfied that in areas of departure from the Code the departure is for good reason.

In applying the principles of good governance, including both the main principles and the supporting principles, the policies adopted by the Board therefore follow the Code's guidelines insofar that they assist the overall well-being of the Company and its shareholders' interests. The Board adopts a pragmatic approach where adoption of all the supporting principles of the Code is not an objective as such. Compliance with good reason and departure with good reason are discussed and agreed. Further explanations of how the main principles and the supporting principles have been applied are set out on pages 52 to 59.

## Retirements and appointments to the Board

As announced in August 2015, John Brown, Non-executive Chairman, and Michael Gunston, Senior Independent Non-executive Director, retired from the Board on 31 December 2015. A succession plan had been considered for some time and, therefore, also on 31 December 2015, Jamie Boot retired as Group Managing Director and replaced John Brown as Non-executive Chairman on 1 January 2016 and also from 1 January 2016, became a member of the Nomination, Audit and Remuneration Committees. John Sutcliffe, who had been Group Finance Director for the previous nine years, took over as Chief Executive Officer and Darren Littlewood, previously Group Financial Controller, took over as Group Finance Director, both from 1 January 2016.

On 1 October 2015, to work with this team, and to allow for a sensible handover period, the Company appointed three new independent Non-executive Directors, Joanne Lake, Peter Mawson and Gerald Jennings, who also became members of

the Nomination, Audit and Remuneration Committees, and their biographical summaries can be found on page 50. Following these appointments, on 1 January 2016, Joanne Lake commenced her roles as Deputy Chairman of the Company and Chairman of the Remuneration Committee, and Peter Mawson became the Senior Independent Non-executive Director of the Company and Chairman of the Nomination Committee.

The additional independent Non-executive Directors were considered necessary to ensure independence and good governance.

The Board believes these changes ensure that the Board and the Company can continue to act in a cohesive, consistent and confident manner, in accordance with the Company's values.

## The Board

The Company is led and controlled by a Board of Directors which is collectively responsible for the continued success of the Company and our key objective is to maximise long-term shareholder value.

In December 2015, the Board consisted of eight Directors, two of whom were Executive Directors and the remaining six, including the Chairman, were Non-executive Directors. From 1 January 2016, the Board comprises seven Directors; two are Executive Directors and five are Non-executive Directors. Director biographical summaries appear on page 50.

The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls that enables risk to be assessed and appropriately managed. It sets the Company's strategic aims, reviews management performance and ensures that the necessary financial and human resources are in place, and will continue to be in place for the Company to meet its objectives, recognising the importance of safety, environmental and social factors. The Board also sets the Company's aims and values and ensures that its obligations to its shareholders and others are understood and met. Day-to-day management of the Company's subsidiaries sits with each respective board of directors, led by a Managing Director. The Executive Directors of the Company are also directors of each subsidiary.

The Board retains a Schedule of Reserved Matters which is reviewed annually to ensure that strategy and key elements that might affect the implementation of corporate goals are adhered to. The Board is responsible for:

- strategy and objective setting;
- capital structure and ensuring funding adequacy; and
- effective internal controls.

## Corporate Governance Statement continued

At its regular Board meetings there is a series of matters that are dealt with, including a health and safety review, a finance review, including pensions, operational reviews on all the main trading subsidiaries and a secretarial review encompassing corporate governance, risk, shareholder matters, legal, insurance and IT. HR reports are also provided to the Board for review and comment. The Board also reviews strategy, budgets and matters relating to internal controls as appropriate. The subsidiary board meetings are attended by the two main Board Executives, as directors of those subsidiaries, accompanied by the Group General Counsel & Company Secretary. Operational decisions affecting each subsidiary are taken by the individual subsidiary boards at their meetings.

All Directors have access to the Group General Counsel & Company Secretary and there is in place a written procedure for all Directors to take independent professional advice.

The Group General Counsel & Company Secretary is responsible for information flows between the Board, its Committees and the boards of subsidiary companies. Formal inductions for new Directors have been developed, along with continued professional development training. The Group General Counsel & Company Secretary also ensures procedures, regulations and law are followed and advises the Board on governance issues. The question of conflicts of interest is raised at every Board meeting of the Company and its subsidiaries.

### Board effectiveness

The roles of John Brown until 31 December 2015 and Jamie Boot from 1 January 2016, and the Group Managing Director Jamie Boot until 31 December 2015 and the Chief Executive Officer John Sutcliffe from 1 January 2016, are clearly defined and they act in accordance with the main and supporting principles of the Code.

The division of responsibilities of the Board of Directors is summarised on page 57.

The Chairman is responsible for leadership of the Board and ensuring it operates in an effective manner. It is considered that the Directors possess an appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities so as to be effective.

The Chairman is in regular contact with the Chief Executive Officer to discuss current matters and has visited Group operations outside the scheduled Board meeting calendar, to meet subsidiary company directors, managers and stakeholders.

### Board balance and independence

For the purposes of the accounting period under review, John Brown, Michael Gunston, Joanne Lake, Peter Mawson and Gerald Jennings are the independent Non-executive Directors. Although John Brown had served for more than nine years, he continued to demonstrate his independence from the Company and objective approach in the way he challenged the Executive Directors and accordingly, notwithstanding the length of his service, John Brown remained independent as determined by the Board. Michael Gunston was the Senior Independent Director of the Company. James Sykes was appointed to represent the substantial shareholdings of the Reis family interests (see page 75) and is not regarded as an independent Non-executive Director.

A key principle of the Group's Equality and Diversity Policy is that the Nomination Committee of the Board will always appoint on merit.

The Board recognises the benefits of diversity and we consider that diversity includes (but is not limited to) personal attributes, gender, ethnicity, age, disability and religious beliefs. Our aim is to promote equality, respect and understanding, and to avoid discrimination.

Whilst we value the recommendations of the Davies Report, we do not have a specific objective for the number of female directors. However, on 1 October 2015, Joanne Lake became our first appointed female main Board independent Non-executive Director and from 1 January 2016 was appointed Deputy Chairman of the Company. We are committed to ensuring that appointments made to the Board, and at senior management level, are made on merit.

The Nomination Committee will ensure that it only uses executive search firms which have signed up to the voluntary Code of Conduct addressing gender diversity and best practice, that females are given the same consideration and opportunity as male applicants, and that gender diversity is considered, specifically when drawing up a list of potential candidates.

## Conflicts of interest

Under the Companies Act 2006 a director must avoid a situation where they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The Act allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Company's Articles of Association enable the Board to authorise Directors' conflicts of interest. In order to address this issue, conflicts of interest are reported by Directors to the Group General Counsel & Company Secretary and in turn through the Board meeting processes. The Board considers a register of interests and potential conflicts of Directors and gives, when appropriate, any necessary approvals. There have been no conflicts of interest reported to the Board during the year.

## How we assess and refresh the Board and its Committees

There are three ways in which we ensure that Directors continue to provide suitable leadership and direction to the Company: performance evaluation, succession planning, and annual re-election by shareholders.

### Performance evaluation

The Executive Directors' performance is reviewed annually by the Remuneration Committee to ensure that they continue to contribute effectively to the Group's overall objectives. The Non-executive Directors' performance and commitment is kept under review throughout the year by the Executive Directors. The Non-executive Directors meet without the Chairman to discuss the performance of the Chairman at least twice a year.

A performance evaluation of individual Directors was carried out and there was a formal evaluation of the Board and its Committees in 2015.

## Succession planning

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and ensuring that the balance of knowledge, skills and experience are right for the Group. The Committee is also responsible for long-term succession planning at both Board and key senior management level. The Board also recognises the importance of diversity and is comprised of members with a wide range of experience from a variety of business backgrounds. Leadership training for the leaders of today and tomorrow has been developed and was launched in 2015 as part of the process of succession planning. Further leadership training is now being developed and rolled out.

## Annual re-election by shareholders

The Company's Articles of Association (Articles) require Directors to be re-elected at intervals of no more than three years and newly appointed Directors are subject to election at the Annual General Meeting (AGM) following their appointment. In addition, the UK Corporate Governance Code includes a proposal that all directors of FTSE 350 companies should be subject to annual re-election. The Board has decided that all of the Directors will retire from the Board and offer themselves for re-election at the forthcoming AGM. The Nomination Committee has conducted formal performance evaluations of all the Directors seeking re-election and has concluded that their performance continues to be effective and that they demonstrate commitment to the role. The Committee is also satisfied that the backgrounds, skills, experience and knowledge of the Company of the Directors collectively enables the Board and its Committees to discharge their respective duties and responsibilities effectively. The Directors' biographies are shown on page 50.

## Training and development

The Board receives appropriate training and updates on various matters as part of the regular Board meetings. All Directors are offered the opportunity and are encouraged to continue their professional development and update their commercial and Company knowledge as required.

Governance

# Corporate Governance Statement continued

## Board and committee meetings

Throughout the year, there were seven Board meetings. In addition, the Board also delegates some of its duties and powers to committees to deal with specific business needs and also holds a meeting at least once a year dedicated almost entirely to strategy. The Board has formally constituted Nomination, Audit and Remuneration Committees. Each Committee and its members are provided with accurate, timely and clear information and sufficient resources to enable them to undertake their duties. Two Audit Committee meetings, two Nomination Committee meetings, four Remuneration Committee meetings and the AGM were held in 2015. Attendance at the Board meetings and Committee meetings held during 2015 is set out in the table below. The Non-executive Directors meet without the Executive Directors being present, usually just prior to Board meetings. The Board considers that the Non-executive Directors constructively challenge both the Executive Directors and subsidiary company management at Board meetings and through ad hoc discussions including the Strategy Day. Subsidiary company Managing Directors attend Board meetings on a rotational basis to present their operational business plans and strategy to the Board. Further details of each of the above Committees can be found on pages 60 to 73.

An additional meeting of the Board of Directors was held in August 2015 to approve the appointments of Joanne Lake, Peter Mawson and Gerald Jennings, the appointment of Jamie Boot as Chairman, the promotion of John Sutcliffe to Chief Executive Officer and the promotion of Darren Littlewood to Group Finance Director, following the recommendation of the Nomination Committee. Full details can be found on page 60.

Director	Board	Audit	Remuneration	Nomination
John Brown <sup>1</sup>	7/7	2/2	4/4	2/2
Jamie Boot <sup>2</sup>	7/7	—	—	—
John Sutcliffe <sup>3</sup>	7/7	—	—	—
Joanne Lake <sup>4</sup>	2/7	—	—	—
Michael Gunston <sup>5</sup>	6/7	2/2	4/4	2/2
Gerald Jennings <sup>6</sup>	2/7	—	—	—
Peter Mawson <sup>7</sup>	2/7	—	—	—
James Sykes	7/7	2/2	4/4	2/2

<sup>1</sup> John Brown retired from his position as Non-executive Chairman of the Company on 31 December 2015.

<sup>2</sup> Jamie Boot retired from his position as Group Managing Director of the Company on 31 December 2015 and replaced John Brown as Non-executive Chairman of the Company on 1 January 2016.

<sup>3</sup> John Sutcliffe relinquished his position as Group Finance Director of the Company on 31 December 2015 and commenced his position as Chief Executive Officer of the Company on 1 January 2016.

<sup>4</sup> Joanne Lake commenced her appointment as Non-executive Director of the Company and member of the Nomination, Audit and Remuneration Committees on 1 October 2015. Joanne then became Deputy Chairman of the Company and Chairman of the Remuneration Committee on 1 January 2016.

<sup>5</sup> Michael Gunston was unable to attend a meeting due to illness, but reviewed the papers and provided his comments to the Chairman prior to the meeting. Michael resigned from his position as Senior Independent Non-executive Director of the Company on 31 December 2015.

<sup>6</sup> Gerald Jennings commenced his appointment as Non-executive Director of the Company and member of the Audit, Nomination and Remuneration Committees on 1 October 2015.

<sup>7</sup> Peter Mawson commenced his appointment as Non-executive Director of the Company and member of the Nomination, Audit and Remuneration Committees on 1 October 2015. Peter then became Senior Independent Non-executive Director of the Company and Chairman of the Nomination Committee on 1 January 2016.

## Board composition

Non-Executive Chairman

14%



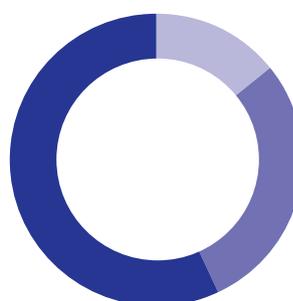
Executive

29%



Non-Executive

57%



	Non-Executive Chairman	14%
	Executive	29%
	Non-Executive	57%

## How the responsibilities of the Board are divided

### The Chairman

- Leads the Board in determining strategy and in the achievement of its objectives;
- Facilitates the effective contribution of the Non-executive Directors and constructive relations between Executive and Non-executive Directors;
- Ensures that the continued development needs of the Directors are identified and addressed;
- Has an oversight role and is available to all shareholders; and
- Has overall responsibility for the Committees.

### Group Finance Director

- Responsible for devising and implementing the Group's financial strategy, policies and risk; and
- Acts as Director of the subsidiaries and attends the subsidiary board meetings.

### Deputy Chairman & Independent Non-Executive Director

- Deputises for the Chairman;
- Constructively challenges the Executive Directors;
- Considers proposals on strategy;
- Ensures Board independence; and
- Monitors the implementation of the Group's strategy within its risk and control framework.

### Independent Non-Executive Director

- Constructively challenges the Executive Directors;
- Considers proposals on strategy;
- Ensures Board independence; and
- Monitors the implementation of the Group's strategy within its risk and control framework.

### Non-independent Non-Executive Director

- Represents the interests of major shareholders;
- Constructively challenges the Executive Directors; and
- Considers proposals on strategy.

### Chief Executive

- Has overall responsibility for the implementation of strategy, annual budgets, interaction with the City and market forecasts;
- Recommends Group strategy to the Board;
- Responsible for the day-to-day leadership and management of the operational activities of the Group in accordance with overall strategy and policy as determined by the Board;
- Runs the Company and its subsidiaries;
- Acts as Chairman of the subsidiaries and attends the subsidiary board meetings;
- Director responsible for Group health and safety matters;
- Allocates responsibilities for the running of subsidiary companies, finance, company secretarial, legal, insurance, communications, HR and IT to the department heads or subsidiary Managing Directors as applicable; and
- Day-to-day operational management is devolved to management within each subsidiary business.

### Senior Independent Non-Executive Director

- Constructively challenges the Executive Directors;
- Considers proposals on strategy;
- Ensures Board independence;
- Monitors the implementation of the Group's strategy within its risk and control framework;
- Acts as a sounding board for the Chairman and an intermediary for other directors; and
- Available to shareholders if they have concerns where contact through the normal channels (the Chairman or the Chief Executive Officer) has failed to resolve or for which contact is inappropriate.

### Group General Counsel & Company Secretary

- Supports the Chairman and Chief Executive Officer in fulfilling their duties;
- Available to all directors for advice and support;
- Keeps the Board regularly updated on governance matters;
- Ensures Group policies and procedures are maintained and updated on a regular basis;
- Attends and maintains a record of the matters discussed and approved at Board and Committee meetings; and
- Company Secretary of the subsidiaries and attends at the subsidiary board meetings.

# Corporate Governance Statement continued

## Risk management and internal controls

The Board is responsible for the Company's internal controls and operates and maintains a system of internal controls which is reviewed regularly for its effectiveness and which broadly accords with the Turnbull Committee guidance thereon. Whilst the system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Company's business objectives, it can only provide reasonable, not absolute, assurance against material misstatement or loss. The Board is satisfied with the system in place but will keep it under review. The system is, and has been, an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. It has been in place for the period under review and up to the date of the approval of the Annual Report and Financial Statements. No material weaknesses have been identified by the system in the year.

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

- **the business organisation and structured reporting framework** — each of the Company's activities is monitored through bi-monthly management meetings and formal bi-monthly subsidiary company board meetings. The latter are attended by the Board's Executive Directors and chaired by John Sutcliffe. Formal lines of responsibility and levels of authority are in place within each subsidiary company. Annual plans, budgets (with two out-post years) and performance criteria for each business are set by the Executive Directors and performance against these targets is reviewed monthly by the Board. Annual profit forecasts and 15-month cash flow forecasts are produced on a monthly basis. The Board monitors the risks and associated controls over financial reporting processes, including the consolidation process. The financial reporting controls are monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards. Operations on the ground are also monitored frequently by way of visits to sites, depots, properties and regional offices by the Executive Directors; and
- **centralised operations** — specific risks and compliance issues associated with health and safety, treasury and banking operations, company secretarial, pensions, legal, human resources and training, public and investor relations, information communication technology and insurance are managed centrally and report functionally to the appropriate Company officer (either an Executive Director or the Group General Counsel & Company Secretary) responsible for that particular operation.

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

- **business procurement** — development appraisals, land purchases, options and construction contracts above a set value require the authority of the Executive Directors to proceed. A strict routine covering the authorisation of capital expenditure is in place and Board approval is required for any corporate acquisition or disposal; and
- **day-to-day operations** — responsibility for running the day-to-day operations and for reviewing the associated systems of control is devolved to each subsidiary company Managing Director. Policy and procedure manuals cover major areas of their operations, including safety, purchasing, estimating, marketing, production and quality. The subsidiary company Managing Directors review and report to the Audit Committee on the effectiveness of the systems of internal controls in place and any matters of concern are raised at Board meetings; the Board is satisfied with current arrangements, which will, however, be kept under review.

Every review comprises a balanced, comprehensive and understandable analysis of:

- the development and performance of the Company's business during the financial year; and
- the position of the Company's business at the end of the financial year, consistent with the size and complexity of the business.

The reviews include:

- analysis using financial key performance indicators; and
- where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.

## Whistleblowing arrangements

The Company has operated a 'whistleblowing' arrangement throughout the year whereby all employees of the Group are able, via an independent external third party, to confidentially report any malpractice or matters of concern they have regarding the actions of employees, management and Directors and any breaches of the Company's Anti-Bribery and Corruption Policy.

## Anti-Bribery and Corruption Policy

The Company values its long-standing reputation for ethical behaviour and integrity. Conducting its business with a zero tolerance approach to all forms of corruption is central to these values, the Group's image and reputation. The Company policy sets out the standards expected of all Group employees in relation to anti-bribery and corruption and the Board has overall responsibility for ensuring this policy complies with the Group's legal and ethical obligations and that everyone in our organisation complies with it.

This policy is also relevant for third parties who perform services for or on behalf of the Group. The Group expects those persons to adhere to this policy or have in place equivalent policies and procedures to combat bribery and corruption.

The Company's policy was updated and reissued in 2014. On-site and internet-based training for all staff is arranged. In addition, new or updated policies have been issued covering competition law, gifts and hospitality and staff purchases and an overarching Ethics Policy put in place. All policies reflect and refer to the Group's Values and further training is being delivered on all relevant topics.

## Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 79. The Independent Auditors' Report is given on pages 82 to 87.

The Directors' statement in respect of the business as a 'going concern' is provided in the Directors' Report on page 74.

## Shareholder accountability

The Company actively communicates with its institutional and private shareholders and likewise receives feedback from them. It is this close relationship with shareholders that is seen as one of the particular strengths and characteristics of the Company.

During the year a number of formal presentations were made by members of the Board to institutional shareholders; feedback from visits to institutional shareholders is provided to the Board by our stockbrokers. The Company uses the Investor Relations section of its website, www.henryboot.co.uk, to publish statutory documents and communications to shareholders, such as the Annual Report and Financial Statements, as its default method of publication. The website is designed to be a two-way communication process with both present and potential investors and includes all London Stock Exchange announcements, presentations to analysts and press releases over the last 12 months and also links to the websites of our

four principal operating subsidiaries. Shareholders may choose to receive the Annual Report and Financial Statements in paper form but the Board believes that by utilising electronic communication, it delivers savings to the Company and has environmental benefits through reduced consumption of paper and inks, as well as speeding up the provision of information to shareholders in the future.

The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2015, proxies were received representing 70.54% of the number of shares in issue, and is a demonstration of shareholders' active involvement in the affairs of the Company.

Further information for shareholders can be found in the Director's Report on page 76.

## Compliance Statement

The Company has complied with the vast majority of the provisions of the September 2014 edition of the UK Corporate Governance Code that are applicable to it for the year ended 31 December 2015. The following provisions are those where the Company is not strictly in compliance with the Code. For the reasons stated, the Directors believe that the Company's stance is justified in this respect.

### A.4.2, B.6.3

The performance of the Chairman is appraised by the Executive Directors, as is the performance of the other Non-executive Directors. As Henry Boot PLC is a smaller listed company, it is felt that this is the most appropriate approach.

### D.2.2, D.2.3

In 2015, the then Chairman and two other Non-executive Directors, and from 1 October 2015, the three other Non-executive Directors, were members of the Remuneration Committee. The remuneration of the Non-executive Directors, including the Chairman, is set by the Executive Directors. As Henry Boot PLC is a smaller listed company, it is felt that this is the most appropriate approach.

Approved by the Board and signed on its behalf by

### Russell Deards

Group General Counsel & Company Secretary  
22 April 2016

Governance

# Nomination Committee Report

Statement from the Chairman of the Nomination Committee



Those serving as members of the Nomination Committee (the Committee) for the whole of 2015 were John Brown (Committee Chairman), Michael Gunston and James Sykes. From 1 October 2015, additional serving members were Gerald Jennings, Joanne Lake and Peter Mawson. Jamie Boot was appointed a member of the Committee on 1 January 2016. Biographies of the current members of the Committee are shown on page 50.

**I was appointed Chairman of the Nomination Committee with effect from 1 January 2016.**

## Terms of reference

The terms of reference for this Committee fully incorporate the UK Corporate Governance Code's provisions in relation to its roles and responsibilities and are available for inspection at the Company's registered office.

## Role of the Committee

The principal responsibility of the Committee is to consider succession planning and appropriate appointments to the Board and to senior management, so as to maintain an appropriate balance of skills, knowledge, experience, independence and diversity within the Company, and its duties include:

- overseeing the identification, selection and appointment of Directors;
- reviewing the structure, size, composition and leadership needs of the Board;
- considering other commitments of Directors relative to the time required for them to fulfil their duties; and
- periodically evaluating the effectiveness of the Board.

The Committee has access to external professional advisers and consultants where required to fulfil its responsibilities.

## Meetings during the year

The Committee met twice during the year. Attendance at these meetings by the Committee members is shown in the table on page 56.

Nomination Committee matters are also discussed at each Board Meeting.

## Committee activities during the year

- Selection process and appointment of three independent Non-executive Directors, Gerald Jennings, Joanne Lake and Peter Mawson, from 1 October 2015, to replace John Brown and Michael Gunston;
- Appointment of Jamie Boot as Chairman, Joanne Lake as Deputy Chairman and Peter Mawson as Senior Independent Non-executive Director from 1 January 2016; and
- Consideration and approval of the appointments and promotions of John Sutcliffe to Chief Executive Officer and Darren Littlewood to Group Finance Director from 1 January 2016.

## Letters of appointment

The letters of appointment for all Non-executive Directors clearly set out the time commitment expected from each Non-executive Director to ensure they satisfactorily perform their duties. Each Non-executive Director confirms that they are able to allocate the time commitment required at the time of their appointment and thereafter as part of their individual annual effectiveness review undertaken by the Chairman.

Approved by the Board and signed on its behalf by

### Peter Mawson

Chairman of the Nomination Committee

22 April 2016

# Audit Committee Report

Statement from the Chairman of the Audit Committee



Those serving as members of the Audit Committee (the Committee) for the whole of 2015 were James Sykes (Committee Chairman), John Brown and Michael Gunston. From 1 October 2015, additional serving members were Gerald Jennings, Joanne Lake and Peter Mawson. Jamie Boot was appointed a member of the Committee on 1 January 2016. Biographies of the current members of the Committee are shown on page 50.

**We all have many years of financial and business experience and both Joanne Lake and I have relevant accounting qualifications and experience.**

## Terms of reference

The terms of reference for this Committee fully incorporate the UK Corporate Governance Code's provisions in relation to its roles and responsibilities and are available for inspection at the Company's registered office.

## Role of the Committee

The Committee's responsibilities include, amongst other matters, the following:

- to review and consider the scope and effectiveness of the Company's financial controls, Company internal control and risk management systems;
- to review the annual report of the auditors, the level of fees charged by the auditors for non-audit services, the independence and objectivity of the auditors and the proposed nature and scope of their work before the audit commences. Details of fees paid for non-audit services are set out in note 3 to the Financial Statements. The level of these fees and the services provided are reviewed by the Committee to ensure that they do not threaten auditor objectivity and independence. During the year, the Committee reviewed the independence and objectivity of the external auditors, which was confirmed in an independence letter containing information on procedures providing safeguards established by the external auditors. Regulation, professional requirements and ethical standards are taken into account, together with consideration of all relationships between the Company and the external auditors and their staff. Relations with the external auditors are managed through a series of meetings and regular discussions and we ensure a high quality audit by challenging the key areas of the external auditors' work;

- to review and make recommendations to the Board in relation to the half-yearly and annual financial reports;
- to oversee the selection process with regard to external auditors, to consider the appointment/reappointment of external auditors and make appropriate recommendations through the Board to the shareholders to consider at the Annual General Meeting (AGM);
- to review the Company's procedures for handling reports by 'whistleblowers';
- to consider annually whether there is a need for an internal audit function and make recommendations to the Board. However, from past experience, the use of this function has not resulted in added value to the business and this continues to be the view of the Committee in its deliberations this year;
- to monitor the integrity of the Financial Statements of the Company and any formal announcements relating to the Company's financial performance; and
- to review annually the Company's Anti-Bribery and Corruption Policy.

# Audit Committee Report continued

## Meetings during the year

The Committee met twice during the year, with the Company's auditors in attendance for part of each meeting. Attendance at these meetings by the Committee members is shown in the table on page 56.

Audit Committee matters are also discussed at each Board meeting.

## Committee activities during the year

In 2015 the principal activities of the Committee and the way in which it discharged its responsibilities were as follows:

### Financial Statements

The Committee reviewed the Group's draft Financial Statements, interim Financial Statements, Preliminary Statements and reports from the external auditors on the outcome of its reviews and audits in 2015.

### Significant accounting matters

The Committee considered the following key accounting issues and matters of judgement in relation to the Group's Financial Statements and disclosures relating to:

### Going concern and viability statement

The Committee reviewed and considered in depth papers relating to the going concern and viability statement disclosures in the Annual Report and Financial Statements. The Strategic Report discloses the conclusion of these reviews on page 47.

### Construction accounting judgements

As more fully explained in our accounting policy on construction contracts, a significant element of turnover is undertaken via construction contracts accounted for in accordance with those accounting policies.

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.

During the year, the Committee examined the judgements and methodologies applied to uncertainties and were in agreement with the position adopted.

### Provision accounting judgements

As more fully detailed in our accounting policy for provisions, the Group retains significant liabilities for the infrastructure and services which remain with the Group following the disposal of land and which are accounted for in accordance with those accounting policies.

Provisions are subject to quarterly reconciliation carried out by external cost consultants and are reviewed by senior management, the Board and the Committee in order to reassess the adequacy of the remaining provisions and the effectiveness of costs incurred to date against the original forecast.

## Valuation of investment property

Investment property is valued at fair value and, other than houses, is valued externally by independent valuers twice each year. Investment property in the course of construction is also valued at fair value. The Committee critically reviewed the valuations for the assets described above and was content with the values adopted.

## Valuation of inventory

Our inventory, the vast majority of which is held within our strategic land business, is stated at the lower of cost or net realisable value. The disposal of this inventory is inherently difficult to quantify due to the uncertainty of timing of transactions and the vagaries of the UK planning system. Therefore the portfolio of inventory is subject to regular review by senior management, the Board and the Committee by reference to development appraisals, planning agreements and market demand.

## Valuation of pension scheme liability

The Group sponsors a funded defined benefit pension scheme in the UK which is valued under the provisions of IAS 19. The pension scheme is valued by a qualified independent actuary, using the projected unit method, at each accounting period end. The Committee critically reviewed the assumptions used by the actuary in performing these valuations and was satisfied with the appropriateness of the assumptions within the requirements of the IAS 19 standard.

## Independence of the external auditors

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

The Committee is required to approve services provided by the external auditors in excess of £25,000 and reviews generally all services provided by them to assess their independence and objectivity in the light of that work. These reviews are undertaken to ensure that the performance of regulatory requirements is not impaired by the provision of permissible non-audit services.

The external auditors also perform taxation services for the Group. It is the Committee's opinion that having the same firm perform both services is the most efficient method.

In accordance with best practice, the Company also requires its external auditor partner to rotate every five years. The statutory auditor signing the Audit Report is Mr Andy Ward, who was appointed as the lead partner in 2013.

The external auditors are also required to assess whether, in their professional opinion, they are independent on an annual basis, and those views are shared with the Committee.

The Committee is satisfied that the independence of the external audit partners is not impaired and that the amount of non-audit fees are at a level which does not impact on the statutory auditors' independence and objectivity.

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

The Henry Boot PLC audit was put out to tender six years ago and PricewaterhouseCoopers LLP was awarded the work from a shortlist of four firms who tendered.

Discussions took place between the Audit Committee, the Henry Boot PLC finance function and the subsidiary company management teams in order to gauge the efficiency of the audit approach undertaken. Furthermore, the Committee Chairman and Committee conduct their own ongoing assessment through the quality of the external auditors' reports and the statutory auditors' interaction with the Committee. The Committee remains satisfied with the efficiency and effectiveness of the audit and therefore does not consider it necessary for the audit to be re-tendered at this stage. The Committee continues to be satisfied with the work of the external auditors and its objectivity and independence.

Details of all amounts paid to the auditors for audit services are set out in note 3 to the Financial Statements.

The Committee recommends to the Board that PricewaterhouseCoopers LLP be reappointed at the AGM and that the Directors are authorised to fix their remuneration.

The Committee is aware of the recently introduced disclosure requirements on certain larger companies where the external audit contract is not put out to tender every five years. These requirements do not apply to Henry Boot PLC.

#### **Risk management and controls**

Details of the key risks which the Group face, the key controls in place to control those risks and the system of risk management adopted by Henry Boot PLC are set out on pages 42 to 47.

The Committee has evaluated the effectiveness of the internal controls and the risk management system operated. The evaluation covered all controls including financial, operation, risk management and compliance.

#### **Internal audit**

Henry Boot PLC does not have a specific internal audit department. The need for an internal audit department is considered from time to time and currently it is not felt that the benefits would outweigh the costs. If required, external specialists are brought in to perform specific reviews of areas considered a risk.

Approved by the Board and signed on its behalf by

#### **James Sykes**

Chairman of the Audit Committee

22 April 2016

# Directors' Remuneration Report

Statement from the Chairman of the Remuneration Committee



**On behalf of the Board and the Remuneration Committee (the Committee), as Chairman of the Committee, I am pleased to present my first Henry Boot PLC (the Company) Directors' Remuneration Report for the year ended 31 December 2015.**

The cohesive and consistent strategy aimed at creating long-term shareholder value produced another very strong result in 2015. The markets in which our various businesses trade were all continuing on an improving trend; however, these markets can still catch out the imprudent or unwary operator and have to be managed with skill, care and confidence.

2015 proved to be an even better result for the Group than 2014, which in itself was the best since 2007 with:

- profit before tax increasing 14% to £32.4m;
- basic earnings per share increasing 8% to 17.5p;
- Return on Capital Employed increasing 80 bps to 12.2%;
- dividends for the year increasing 9% to 6.10p;
- dividend cover is approaching our long-term goal of three times;
- our strategic land portfolio increased in size again to over 11,000 acres with planning permission on over 12,000 units;
- we have more active commercial developments in progress than at any stage since 2007;
- our construction business has a strong order book for 2016 and the plant hire business is operating at its highest level of utilisation than for many years.

## Executive remuneration outcomes for 2015

In the current market conditions the 2015 results, with a 14% increase in pre-tax profits, were very strong. In 2015 the combined overall remuneration of the Executive Directors, on a like for like basis rose, by 0.5%, and 2.1% including the costs of our new Non-executive Directors in the handover period with those retiring at the end of the year.

Basic salaries were increased by 3% both at 1 January 2015 and 1 January 2016 compared to an increase across the Company in total of 4.38%.

Bonuses were paid in line with the Remuneration Policy approved at the Annual General Meeting (AGM) in May 2015. Target profit was set at £25m. The profit before tax of £32.4m exceeds the target by 29.6% and this gives rise to a bonus of 96.4% of salary for the year ended 31 December 2015.

In addition, the Remuneration Committee set 18 individual targets, which were the same for Jamie Boot and John Sutcliffe. These covered financial measures such as the achievement of individual subsidiary budgets, cash flow generation and health and safety, environmental and Investors in People measures, a measure related to positive investor feedback, and litigation risk. The Remuneration Committee consider that the Directors achieved 90% of these targets resulting in a bonus of 9% of salary.

Therefore, the total bonus for both Executive Directors is 105.4%.

LTIPS vesting, based on performance for the three years to 31 December 2015, were granted prior to the Remuneration Policy adoption at the AGM in 2014. The performance criteria for these awards are:

- up to 50% of the award is dependent on profit before tax ahead of inflation;
- up to 50% of the award is dependent on the adjusted net asset value growth compared to an industry standard investment property annual index;
- any amounts derived from the above are then subject to an underpin based on Total Shareholder Return compared to a comparator group of companies. If Henry Boot is above the median, any awards derived in (i) and (ii) are confirmed; below the median these derived awards are reduced by 50%.

For these awards the actual performance against the targets to 31 December 2015 was:

- profit before tax increased by 143% against the inflation measure, including the 4% excess applied each year of 18% and therefore, this part of the award vests in full;
- the increase in the property index was 30%. The balance sheet adjusted NAV growth was 32% and therefore 43% of the award vests;
- Total Shareholder Return of 83% was below the median when set against the comparator group and therefore the awards in (i) and (ii) are reduced to 50%.

Therefore, the award of LTIP shares to Jamie Boot is 64,740 shares, and John Sutcliffe 48,974 shares.

## Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration Policy, it is broadly in line with that which operated up to the end of 2015. The Committee has made some changes to give more clarity to the performance criteria for both LTIPS and annual bonus and reduced the LTIP vesting at threshold to 25% from 30%. The annual bonus scheme has specific performance criteria applied to future awards rather than the discretionary criteria used up to 31 December 2013. The introduction of a new revised LTIP scheme at the 2015 AGM incorporates, for the first time, a holding period and malus and clawback conditions. These malus and clawback conditions will also apply to the operation of the annual bonus scheme for the financial year commencing on 1 January 2015.

These changes are intended to ensure our policy operates in line with best practice.

## The application of Directors' Remuneration Policy for 2016

- The Executives and Non-executive Directors were awarded a 3% uplift in basic salary for the year ending 31 December 2016. The average across the workforce as a whole was 4.38%.
- The bonus opportunity for the Executives is detailed in the Remuneration Policy and will apply as laid out in the policy.
- The profit before tax target is considered commercially sensitive and will therefore be disclosed retrospectively, as we have done in respect of prior years.
- LTIPS will be awarded under the 2015 scheme rules which include clauses in respect of clawback and malus in line with generally accepted guidelines and the updated UK Corporate Governance Code. The performance targets will be in accordance with the Remuneration Policy. It is expected that the award will be at a level equal to 100% of salary.

Clawback and malus conditions will be applied to both the bonus and Long Term Incentive Plan (LTIP) elements of remuneration in 2016. Specifically, this will arise if the Remuneration Committee considers that there has been a material misstatement within the subsidiary or Group Financial Statements; or a material error in the calculation of any performance condition; or materially inaccurate or misleading information, or in the case of action or conduct of the participant which amounts to fraud or gross misconduct or has a material detrimental effect on the reputation of the Group. Any future awards will also be subject to clawback of all or part of the award during a two-year period in the above circumstances. It is not expected that there will be any material amendments to the value of other benefits, including pensions, during 2016.

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

The report sets out payments and awards made to the Directors and details the link between performance and remuneration for 2015. The report, and this Chairman's letter, is subject to an advisory shareholder vote at this year's AGM (please see Resolution 3) with the exception of:

- a. the Total Shareholder Return graph;
- b. the Executive Directors' remuneration history and remuneration change tables;
- c. the relative importance of spend on pay tables; and
- d. the consideration by the Directors of matters relating to remuneration and the statement of shareholder voting.

The information set out on pages 66 to 73 of the Directors' Remuneration Report is subject to audit.

## Summary of the Committee's activity during 2015

During 2015 the Committee:

1. considered Directors' base pay and benefits for 2015 and 2016. Salary rises for the Executive Directors at 1 January 2015 were 3% and from 1 January 2016 have been set at 3%;
2. conducted a review of the LTIP performance metrics and level of reward for the year under review;
3. conducted a review of the performance of the Executive Directors for 2015 and against that background, set performance targets for 2016;
4. sought the approval of a new LTIP scheme at the AGM in May 2015 which was approved overwhelmingly by shareholders;
5. considered the drive by investors to include clawback and malus clauses in the areas of bonus and LTIPS and introduced these measures in 2015 and future years for both bonus and LTIP sections of Executives' remuneration.
6. considered and approved the remuneration packages for John Sutcliffe and Darren Littlewood with effect from 1 January 2016. For John Sutcliffe this was set at £376,236 and for Darren Littlewood set at £150,000. The Committee anticipate reviewing the remuneration package of Darren Littlewood each year for the next four years at a rate of £25,000 per annum.

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

Our Directors' Remuneration Policy, which was approved at the AGM on 21 May 2015, remains unchanged and is available to view, and download, on the website:

[www.henryboot.co.uk/about-us/governance](http://www.henryboot.co.uk/about-us/governance)

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

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

### Joanne Lake

Chairman of the Remuneration Committee

22 April 2016

Governance

## Directors' Remuneration Report continued

### Annual Report on Remuneration

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

#### Single total figure of remuneration

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

	Total salary and fees	Taxable benefits	Annual bonus	Long-term incentives	Pension related benefits	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 31 December 2015						
Jamie Boot	365	30	385	146	73	999
John Sutcliffe	249	24	263	111	50	697
John Brown	57	—	—	—	—	57
Michael Gunston	41	—	—	—	—	41
James Sykes	41	—	—	—	—	41
Joanne Lake	10	—	—	—	—	10
Gerald Jennings	10	—	—	—	—	10
Peter Mawson	10	—	—	—	—	10
	<b>783</b>	<b>54</b>	<b>648</b>	<b>257</b>	<b>123</b>	<b>1,865</b>
Year ended 31 December 2014						
Jamie Boot	355	30	402	142	71	1,000
John Sutcliffe	242	24	275	97	48	686
John Brown	60	—	—	—	—	60
Michael Gunston	40	—	—	—	—	40
James Sykes	40	—	—	—	—	40
	<b>737</b>	<b>54</b>	<b>677</b>	<b>239</b>	<b>119</b>	<b>1,826</b>

<sup>1</sup> The value of long-term incentives has been adjusted from the average share price for the period 1 October 2014 to 31 December 2014 of £1.88 to the price on the day the shares were issued of £2.31.

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. In both years the benefit related to company cars is cash allowances.

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

<b>Total salary and fees</b>	The amount of salary or fees received in the period.
<b>Benefits</b>	The taxable benefits received in the period by Executive Directors.
<b>Annual bonus</b>	The value of bonus payable and the calculations underlying this are disclosed on pages 67 and 68.
<b>Long-term incentives</b>	The value of LTIPS are those related to shares that vested as a result of the performance over the three-year period ended 31 December 2015 valued at the average share price over the last three months of 2015.  The LTIPS which vested in the period and the statement explaining the performance criteria which were satisfied for the LTIPS to vest are disclosed on page 69.
<b>Pension related benefits</b>	The pension figure represents the cash value of contributions received by Directors including contributions to the defined contribution scheme and any salary in lieu of pension contribution at a rate of 20% of salary.

## Individual elements of remuneration

### Base salary and fees

#### Executive Directors

	1 January 2016 £	1 January 2015 £
Salary effective from		
Jamie Boot	—	365,277
John Sutcliffe	<b>376,236</b>	249,311
Darren Littlewood	<b>150,000</b>	—

Over the years 2010 – 2013 basic salary increases for the Executive Directors were 2%; for 2014 and 2015 the increase was 3%. At 1 January 2016 John Sutcliffe was appointed CEO and received a remuneration package equivalent to that received by Jamie Boot in 2015 plus 3%. Darren Littlewood received a remuneration package which will be reviewed by the Committee over the next four years. Average salary increases for the wider employee population were 3.65% from 1 January 2014, 3.82% from 1 January 2015 and 4.38% on 1 January 2016.

The Company's policy on base salary continues to be to provide a fixed remuneration component which is comparable with similar companies, taking into account the need to attract, motivate and retain Directors of an appropriate calibre to achieve the Company's objectives without making excessive payments. When setting the pay of Directors, the pay and employment conditions of employees across the Group are taken into account by the Committee. As with employees, Directors' rewards are based on their role, their performance and the market rate for the job. Directors' basic salaries and benefits, where applicable, are reviewed annually, taking into account individual performance and published remuneration information. Benefits include the provision of a company car or a cash allowance alternative, permanent health insurance and private medical insurance. The value of benefits is not pensionable and is set out for each Director in the table of Directors' remuneration.

#### Non-executive Directors

	1 January 2016 £	1 January 2015 £
Salary effective from		
John Brown	—	61,800
Michael Gunston	—	41,200
Jamie Boot	<b>80,000</b>	—
James Sykes	<b>42,436</b>	41,200
Joanne Lake	<b>42,436</b>	—
Gerald Jennings	<b>42,436</b>	—
Peter Mawson	<b>42,436</b>	—

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

#### Bonus

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

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

Governance

# Directors' Remuneration Report continued

## Summary of bonuses earned for 2015

Measure	Maximum award as % of salary	Targets and bonus potential for 2015			Actual performance	Actual bonus value achieved (% of salary)	
		% of target	2015 target range	Bonus payable as % salary		Jamie Boot	John Sutcliffe
Profit before tax	110%	90%	£22.5m	10%	£32.4m	96.4%	96.4%
		100%	£25.0m	50%			
		120%	£30.0m	90%			
		150%	£37.5m	110%			
Personal objectives	10%	See commentary below				9%	9%
<b>Bonus amount achieved as % salary</b>						<b>105.4%</b>	<b>105.4%</b>
<b>Bonus amount earned</b>						<b>£385,002</b>	<b>£262,774</b>
<b>Maximum bonus as % salary</b>						<b>120%</b>	<b>120%</b>
<b>Bonus amount achieved as % maximum</b>						<b>87.8%</b>	<b>87.8%</b>

Bonuses were paid in line with the Directors' Remuneration Policy approved at the AGM in May 2014. Target profit was set at £25m, 25% ahead of the target set in 2014. The Remuneration Committee also set 18 individual targets, which were the same for Jamie Boot and John Sutcliffe. These covered financial measures such as the achievement of individual subsidiary budgets, cash flow generation and health and safety, environmental and Investors in People measures, a measure related to positive investor feedback, and litigation risk. The Remuneration Committee considers that the Directors achieved 90% of these targets resulting in a bonus of 9% of salary. The profit before tax of £32.4m exceeds the target by 29.6% and this, combined with the personal targets, gives rise to a bonus of 105.4% of salary for the year ended 31 December 2015.

Details of the policy for future annual bonus awards can be found in the Directors' Remuneration Policy which can be viewed, and downloaded, on the website:

[www.henryboot.co.uk/about-us/governance](http://www.henryboot.co.uk/about-us/governance)

### 31 December 2016 bonus targets

**Profit before tax performance:** 10% of salary payable on 90% of Group profit target, rising to 90% of salary payable upon the achievement of 120% of Group profit target. If, in exceptional circumstances, profit targets are exceeded by more than 20%, a further bonus of 20% of salary may become payable up to 150% of target.

The profit before tax target is deemed to be commercially sensitive and therefore will be disclosed retrospectively in the 2016 Directors' Remuneration Report.

**Personal objectives:** up to an additional 10% of salary may become payable to Executive Directors upon the achievement of personal objectives.

The objectives measured will be based on key elements of the delivery of Group strategy.

### Long Term Incentive Plan (LTIP)

The Committee has reviewed the performance criteria for the LTIP shares awarded in 2013, based on performance for years 2013, 2014 and 2015, which are expected to vest in May 2016. The LTIP shares in this award are subject to the following performance criteria:

1. profit growth was 143%, which exceeded RPI growth by more than 137%. This was greater than the requirement to exceed RPI growth by 12% and therefore this 50% of the award became eligible;
2. adjusted NAV growth was 32%, which exceeded the industry standard investment property annual index growth by just over 2%. As a result of this 43% of this 50% of the award became eligible;
3. Total Shareholder Return (TSR) compared to the comparator group showed that Henry Boot PLC TSR for the three-year period was 83%, putting it below the median within the comparator group. Therefore, the awards above are reduced by 50% which gave rise to the award values in the single total figure of remuneration at 31 December 2015 on page 66.

This gave rise to LTIP awards of: Jamie Boot 64,740 shares; and John Sutcliffe 48,974 shares.

#### LTIP awards granted in the year

	Type of award	% of salary	Number of shares	Face value to grant at £2.286 per share	% of award vesting at threshold
Jamie Boot	LTIP – nil cost option	100%	159,789	365,277	25%
John Sutcliffe	LTIP – nil cost option	100%	109,060	249,311	25%

The performance conditions which must be satisfied to enable the receipt of these grant awards are disclosed below.

#### Awards expected to be granted for the financial years 2016–2018 in 2016

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

The performance criteria for these awards are laid out in the Remuneration Policy which can be viewed, and downloaded, on the website: [www.henryboot.co.uk/about-us/governance](http://www.henryboot.co.uk/about-us/governance)

These are different from the performance criteria for previous awards made in 2013, referred to above, as follows:

#### EPS growth

We strive to grow earnings per share faster than inflation. This should give rise to an ability to grow dividends faster than inflation, a key driver to long-term growth in shareholder value.

#### Return of Capital Employed

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 our comparator group

We strive to achieve high shareholder returns. TSR reflects the extent to which shareholders and the market consider that the Company strategy is appropriate and is being implemented and articulated well by the Executives.

The detailed performance metrics for LTIPS awarded from 2014 onwards to be granted in 2017 onwards are:

	% linked to award	Threshold vesting of 25% of maximum award	Threshold for 100% of maximum award
EPS growth	33.3	RPIJ + 3% per annum	RPIJ + 7% per annum
Return on Capital Employed	33.3	Average three-year ROCE of 10%	Average three-year ROCE of 13% or more
TSR	33.4	TSR at median or above our comparator group	TSR at or within the upper quartile

Governance

## Directors' Remuneration Report continued

Vesting between the 25% threshold and the maximum award will be on a pro rata basis. The weightings for each measure have been chosen because the Committee believes that they each have equal importance in aligning the interests of shareholders and the Executive Directors. In addition to the amended performance criteria calculation, the Committee reduced the amount of the award vesting at threshold from 30% to 25% from awards in 2014 onwards. For Jamie Boot any grant of awards in 2017 and 2018 will be on a pro rata basis to his retirement date of 31 December 2015 under the provisions for good leavers.

### Pension entitlement

Jamie Boot began drawing his pension benefits from 19 November 2012 and therefore no pension contributions are made on his behalf. Instead, a salary in lieu of pension contributions at a rate of 20% of salary is paid; in 2015 this payment amounted to £73,055.

John Sutcliffe is a member of the Henry Boot PLC Group Stakeholder Pension Plan. Contributions are made at 20% of basic salary and contributions to the Scheme in the year were

£40,821 (2014: £40,000). The annual allowance for tax relief on pension savings applicable to John Sutcliffe in 2015 was £40,821 and he elected to receive a salary supplement in lieu of the employer contributions over and above this level which amounted to £9,041 (2014: £8,411).

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

### Payments to past Directors

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

### Payments made for loss of office

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

## Statement of Directors' shareholdings and share interests

At 31 December 2015

	At 31 December 2014	Legally owned	SAYE (not subject to performance)	LTIPS subject to performance measures	Total	Shareholding as a % of salary at 31 December 2015 <sup>1</sup>
Jamie Boot	5,672,964	5,734,562	—	305,611	6,040,173	16,912
John Sutcliffe	511,445	510,445	—	361,204	871,649	519
John Brown	35,000	35,000	—	—	35,000	n/a
Michael Gunston	23,000	23,000	—	—	23,000	n/a
James Sykes	20,000	20,000	—	—	20,000	106
Joanne Lake	n/a	10,710	—	—	10,710	57
Gerald Jennings	n/a	—	—	—	—	—
Peter Mawson	n/a	—	—	—	—	—

The share price at 31 December 2015 was 224.00p. The salary used for this calculation is that which commences on 1 January 2016.

<sup>1</sup> As laid out in the Remuneration Policy, which can be viewed on the website:

[www.henryboot.co.uk/about-us/governance](http://www.henryboot.co.uk/about-us/governance)

Executive Directors are required to acquire shares outright to the value of 100% of basic salary. We note the NAPF recommends that a holding of 200% is more appropriate. Both Executive Directors comfortably exceed this level; however, the Remuneration Committee believes that setting this level as a policy for a new director is too onerous over a period of three years. The shareholding requirement for Non-executive Directors that has been proposed in the Remuneration Policy table is that over three years they should build up to a holding which is 50% of basic remuneration.

## Directors' shareholdings

The beneficial interest of the Directors in the share capital of the Company at 31 December 2015 was as follows:

	2015 Number of shares		2014 Number of shares	
	Ordinary	Preference	Ordinary	Preference
Jamie Boot	5,734,562	14,753	5,672,964	14,753
John Sutcliffe	510,445	—	511,445	—
John Brown	35,000	—	35,000	—
Michael Gunston	23,000	—	23,000	—
James Sykes	20,000	—	20,000	—
Joanne Lake	10,710	—	n/a	n/a
Gerald Jennings	—	—	n/a	n/a
Peter Mawson	—	—	n/a	n/a

Between 31 December 2015 and 24 March 2016, being a date not more than one month prior to the date of the Notice of the AGM, John Sutcliffe disposed of 5,000 ordinary shares. There have been no other changes in the beneficial and non-beneficial interests of any Director.

## Long term incentive plan awards

### Performance shares

	Plan	Date of award	Market price at date of award	At 1 January 2015	Awarded during the year	Vested during the year	Lapsed during the year	At 31 December 2015	Earliest/actual vesting date	Market valuation on vesting £
Jamie Boot	2006	01/05/2012	137.0p	246,392	—	61,598	184,794	—	01/06/2015	142,291
	2006	18/04/2013	171.0p	201,350	—	—	19,676	181,674	18/05/2016	—
	2006	07/05/2014	211.0p	168,074	—	—	75,365	92,709	07/06/2017	—
	2015	01/06/2015	228.6p	—	159,789	—	128,561	31,228	01/06/2018	—
				615,816	159,789	61,598	408,396	305,611		142,291
John Sutcliffe	2006	01/05/2012	137.0p	168,172	—	42,043	126,129	—	01/06/2015	97,119
	2006	18/04/2013	171.0p	137,429	—	—	—	137,429	18/05/2016	—
	2006	07/05/2014	211.0p	114,715	—	—	—	114,715	07/06/2017	—
	2015	01/06/2015	228.6p	—	109,060	—	—	109,060	01/06/2018	—
				420,316	109,060	42,043	126,129	361,204		97,119

Governance

# Directors' Remuneration Report continued

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

The Company remains committed to shareholder dialogue and takes an active interest in voting outcomes. At the AGM on 21 May 2015 the advisory vote by shareholders to receive and approve the 2014 Directors' Remuneration Report was approved. The number of votes in favour of that resolution was 92,468,054 (99.31% of votes cast), against 634,688 (0.68% of votes cast) and abstentions 6,910 (0.01% of votes cast). The total number of votes cast in respect of this resolution represented 70.52% of the issued share capital. At the same AGM the Directors' Remuneration Policy was approved. The number of votes in favour of that resolution was 89,838,765 (96.49% of votes cast) against 2,905,772 (3.12% of votes cast) and abstentions 365,115 (0.39% of votes cast).

## Share price

The middle market price for the Company's shares at 31 December 2015 was 224.00p and the range of prices during the year was 182.25p to 245.00p.

## Seven-year TSR performance graph



## Group Managing Director's remuneration for the previous seven years

	Total remuneration £'000	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
<b>2015</b>	<b>999</b>	<b>87.8</b>	<b>25</b>
2014	1,000	94.5	25
2013	1,054	83.3	50
2012	962	58.3	40
2011	842	66.7	50
2010	764	58.3	64
2009	575	33.3	50

## Percentage change in Group Managing Director's remuneration

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

Percentage change	Note	Group Managing Director	Workforce sample
Salary		3.0%	4.38%
Taxable benefits	1	—	—
Annual bonus 2014	2	16.8%	19.8%
Annual bonus 2015	2	(4.3%)	Not yet available

### Note 1

The car allowance remained the same in both years and private medical insurance costs were also broadly the same in both years (£350) for all members of the private medical scheme. Therefore, the average percentage change in taxable benefits does not provide a meaningful comparison.

### Note 2

The workforce bonuses are calculated and agreed in May 2016 for the year ended 31 December 2015 and the figure is therefore not available. Therefore, the information produced is for the bonus comparisons paid in May 2015 for the year ended 31 December 2014. The workforce comparison is every member of staff who received a bonus excluding the Group Managing Director.

## Relative importance of spend on pay

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

	2015 £'000	2014 £'000	% change
Ordinary dividends	<b>8,044</b>	7,367	9.2
Profit attributable to owners of the business	<b>23,041</b>	21,169	8.8
Overall expenditure on pay	<b>24,857</b>	24,627	0.9

## Terms of reference

The terms of reference for this Committee fully incorporate the UK Corporate Governance Code's provisions in relation to its roles and responsibilities and are available for inspection at the Company's registered office.

## Role of the Committee

The primary role of the Committee is to:

1. review, recommend and monitor the level and structure of the remuneration packages of the Executive Directors and senior management;
2. set and approve the remuneration package for the Executive Directors; and
3. determine a balance between base pay and performance related elements of the remuneration package in an effort to align the interests of shareholders with those of the Executive Directors.

## Meetings during the year

The Committee met four times during the year. Attendance at these meetings by the Committee members is shown in the table on page 56 and further details can be found below.

## Membership of the Committee

Those serving as members of the Remuneration Committee (the Committee) for the whole of 2015 were Michael Gunston (Committee Chairman), John Brown and James Sykes. From 1 October 2015, additional serving members were myself, Gerald Jennings and Peter Mawson. I was appointed Chairman of the Committee with effect from 1 January 2016 and Jamie Boot also became a member of the Committee on 1st January 2016. Biographies of the current members of the Committee are shown on page 50. Michael Gunston (Committee Chairman) and John Brown were independent Non-executive Directors of the Board until their respective retirements on 31 December 2015. Gerald Jennings, Peter Mawson and I are independent Non-executive Directors of the Board, while Jamie Boot and James Sykes are Non-independent Non-executive Directors.

The Committee consisted of the three Non-executive Directors of the Board until 30 September 2015, and six Non-executive Directors from 1 October 2015, so during the financial year was comprised as follows:

	Independent
Michael Gunston*	Yes
James Sykes	No
John Brown	Yes
Joanne Lake**	Yes
Gerald Jennings	Yes
Peter Mawson	Yes

\* Committee Chairman (until 31 December 2015)

\*\* Committee Chairman (from 1 January 2016)

During 2015 Jamie Boot, Group Managing Director, attended meetings with the Committee, as requested, in order to assist on matters concerning other senior Executives within the Group.

Jamie Boot was not present during any part of the meetings where his own remuneration was discussed.

## Consideration by the Directors of matters relating to Directors' remuneration

The Committee has its own terms of reference which have been approved by the Board. These are reviewed annually to ensure they adhere to best practice. Copies can be obtained from the Company Secretary and the Committee Chairman is available to shareholders to discuss the Remuneration Policy if required.

In accordance with the terms of reference, the Committee is responsible for:

- determining and agreeing the Remuneration Policy for the Executive Directors and their contractual conditions of employment;
- having regard for remuneration trends across all employees in the Group and other companies when setting Remuneration Policy;
- selecting, appointing and agreeing the remuneration for any remuneration consultants who advise the Committee;
- determining targets for any annual bonus and long-term incentive schemes operated by the Company and approving any payments made under such schemes;
- reviewing the design of all share incentive schemes for approval by the Board;
- determining the policy for and scope of any pension arrangements for Executive Directors; and
- ensuring that contractual terms on appointment and on termination and any payments made are fair to the individual and the Group, that failure is not rewarded and the duty to mitigate loss is fully recognised.

## Advisers

The Committee's main advisers are set out below:

Adviser	Area of advice
Chief Executive Officer and Head of HR	Remuneration of staff, senior Executives and management
DLA Piper UK LLP	Share scheme matters, the rules for the 2015 LTIP Scheme. The Remuneration Committee considers that the advice DLA has given throughout the year is legal advice in compliance with relevant legislation.

Approved by the Board and signed on its behalf by

### Joanne Lake

Chairman of the Remuneration Committee

22 April 2016

## Governance

# Directors' Report

The Directors' Report for the financial year ended 31 December 2015 is detailed below.

## Activities of the Group

The principal activities of the Group are land development, 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 business along with a description of the principal risks and uncertainties faced. The Strategic Report for the year ended 31 December 2015 is set out on pages 6 to 47.

## Corporate Governance Statement

The Disclosure and Transparency Rules 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 53 to 59 and is incorporated into this Directors' Report by reference.

## Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 88. 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 3.80p per ordinary share be paid, subject to shareholder approval at the 2016 AGM on 31 May 2016, to ordinary shareholders on the register at the close of business on 29 April 2016. If approved, this, together with the interim dividend of 2.30p per ordinary share paid on 23 October 2015, will make a total dividend of 6.10p per ordinary share for the year ended 31 December 2015. Further details are disclosed in note 10 to the Financial Statements on page 105.

## Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 96 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 16, 23, 24 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 page 47.

## Political donations

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

## Directors and their interests

John Brown, Jamie Boot, John Sutcliffe, Michael Gunston, James Sykes, Joanne Lake, Peter Mawson and Gerald Jennings held office as Directors of the Company in 2015. From 1 January 2016, and up to the date of signing the Financial Statements, Jamie Boot, John Sutcliffe, James Sykes, Joanne Lake, Peter Mawson, Gerald Jennings and Darren Littlewood held office as Directors of the Company. Their biographical details are shown on page 50.

At no time during the year has any Director had any interest in any significant contract with the Company.

The interests of Directors in the share capital of the Company, other than with respect to options to acquire ordinary shares, are disclosed in the Directors' Remuneration Report on pages 70 and 71.

Between 31 December 2015 and 24 March 2016, being a date not more than one month prior to the date of the Notice of the AGM, there has been a change in the beneficial interest of one Director, John Sutcliffe, who sold 5,000 ordinary shares of 10 pence each in the share capital of the Company on 14 January 2016.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on page 69.

## Pension Scheme Trustees

Legislation can lead to pension scheme Trustees being held personally liable. Pension Trustee liability insurance protects pension schemes and their Trustees against claims for matters including breach of trust, maladministration and wrongful acts.

When Trustees act for pension funds they become liable for any action undertaken or, possibly, actions not undertaken. In keeping with normal market practice, the Company believes that it is in its best interests to protect the Group's pension scheme and its Trustees concerned from the consequences of innocent error or omission. It is therefore considered prudent to take out an annual insurance policy to protect the pension scheme and its Trustees from potential liabilities.

## Employment policy and involvement

### Employees

Employees are at the heart of all that we do. We are committed to ensuring that all employees, potential recruits and other stakeholders are treated fairly and equitably. The principles of equality and diversity are important; advancement is based upon individual skills and aptitude irrespective of gender, sexual orientation, race, ethnic origin, religion, age, disability or marital/civil partnership status. Every possible effort is made by the Group to retain and support employees who become less able whilst in the employment of the Group. Full consideration is given to the diverse needs of our employees and potential recruits and we are fully compliant with all current

legislation. Our culture is aimed at ensuring that employees can grow, thrive and succeed to their full potential. Succession planning is important and our offering to employees to seek to further improve employee retention includes the Group stakeholder pension (including life assurance arrangements), private medical insurance, childcare vouchers and income replacement (PHI) arrangements. Employee share ownership continues to be encouraged through participation in various share option plans.

We are fully committed to developing our employees to maximise their career potential and to achieve their aspirations and our aim is to provide rewarding career opportunities in an environment where equality of opportunity is paramount. Our policy for selection and promotion is based on an assessment of an individual's ability and experiences; we take full consideration of all applicants on their merits and have processes and procedures in place to ensure that individuals with disabilities are given fair consideration.

### Employee engagement

The involvement of our employees in our business is key to our ongoing success; the common goals and objectives are shared from the Executive Board downwards and all employees are aware of the crucial role each individually plays in our ongoing financial and operational success.

The Group regularly provides its employees with information on matters of concern to them; we consult with our employees and/or their representatives in order to ensure that their views can be taken into account when making decisions. We utilise manager briefings and surveys to engage with our employees.

### Employee communications

We utilise our ever evolving Group intranet to disseminate information to all Directors and employees. Regular news items and internal updates are issued on a frequent basis; collaboration and inclusion are encouraged.

### 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. Details of employee share schemes are set out in note 30 to the Financial Statements.

We were proud for the Company and our employees that our Investors in People accreditation was reconfirmed in January 2015.

### Directors' indemnity provisions

Directors risk personal liability under civil and criminal law for many aspects of the Company's main business decisions. As a consequence the Directors could face a range of penalties including fines and/or imprisonment. In keeping with normal market practice, the Company believes that it is prudent and in the best interests of the Company and their best interests 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 Corporate Governance Code. This insurance policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

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

### Health and safety

The health and safety of our employees and others is paramount. Further information on our approach to health and safety is provided in the Corporate Responsibility Report on page 29.

### Greenhouse gas emissions

The greenhouse gas emissions disclosures required by Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included within the Strategic Report on page 31. This information is incorporated by reference into (and shall be deemed to form part of) this report.

### Substantial interests in voting rights

Excluding Directors, at the end of the financial year and 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 Rules and Transparency Rules of the Financial Conduct Authority.

	Voting rights over ordinary shares	
	Number	% of issued
<b>Rysaffe Nominees and J J Sykes (joint holding)*</b>	21,307,155	16.14
<b>The Fulmer Charitable Trust**</b>	5,739,580	4.35
<b>Standard Life Investments Limited***</b>	8,074,925	6.11

\*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.

\*\*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.

\*\*\*Last notified as 4,630,364 (3.507% of issued) direct voting rights and 3,444,561 (2.609% of issued) indirect voting rights.

## Directors' Report continued

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

The Company has an established Employee Trust (the Trust) for the benefit of Group employees to satisfy existing grants by the Company under various share-based payment arrangements. Details of the Company's share-based payment arrangements are provided in note 30 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout the whole of 2015 were John Brown, John Sutcliffe and Russell Deards, and from 1 January 2016 are Jamie Boot, John Sutcliffe, Russell Deards and Darren Littlewood, exercises the voting rights in relation to shares held as it, in its absolute discretion, thinks fit, but having regard to the interests of the beneficiaries. In respect of the financial year of the Company ended on 31 December 2015, the Trust has waived the right to receive from the Company all dividends (if any) in respect of the shares held within the Trust. Further details are provided in note 32 to the Financial Statements.

### Future developments

Important events since the financial year end and future developments are described in the Strategic Report on pages 6 to 47.

### Statement of disclosure of information to auditors

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

- so far as they are aware, there is no relevant audit information (information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent auditors

The auditors, PricewaterhouseCoopers LLP, have signified their willingness to remain in office and resolutions reappointing them as auditors (Resolution 11) and authorising the Directors to fix their remuneration (Resolution 12) will be proposed at the AGM.

### Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 79. The Independent Auditors' Report is given on pages 82 to 87.

### Annual General Meeting (AGM)

The AGM of the Company will be held at Baldwins Omega, Brincliffe Hill, Off Psalter Lane, Sheffield S11 9DF on Thursday 26 May 2016 at 12.30pm. The notice convening the meeting can be found on pages 137 to 141. It is also available at [www.henryboot.co.uk](http://www.henryboot.co.uk), where a copy can be viewed and downloaded.

### Additional shareholder information

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

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

### Share capital

The Company's issued share capital comprises two classes of shares being, respectively, ordinary shares of 10p each (ordinary shares) and cumulative preference shares of £1 each (preference shares). Further details of the share capital of the Company are set out in note 30 to the Financial Statements. As at 24 March 2016, the ordinary shares represent 97.06% of the total issued share capital of the Company by nominal value and the preference shares represent 2.94% of such total issued share capital. The ordinary shares and the preference shares are in registered form. Both classes of share are admitted to the Official List of the UK Financial Conduct Authority. The Company's ordinary shares are categorised as 'Premium Listed' and its preference shares as 'Standard Listed'. A Standard Listing is based on EU minimum standards for floating a company on a public market whereas a Premium Listing requires compliance with additional requirements set out in the Listing Rules of the UK Financial Conduct Authority.

The Notice of the AGM on pages 137 to 141 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 £4,401,378 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 24 March 2016. The authority will expire on 25 August 2017 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 £660,000 (approximately 5% of the Company's issued ordinary share capital at 24 March 2016). The authority will expire on 25 August 2017 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; and

- a special resolution (Resolution 15) to renew the authority of the Company to make market purchases of up to 11,055,000 of its own issued ordinary shares (8.37% of the Company's issued ordinary share capital at 24 March 2016). The minimum price that may be paid under the authority for an ordinary share is 10p and the maximum price is limited to not more than 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The Directors will exercise the authority only if they are satisfied that it would be likely to result in an increase in expected earnings per share of the ordinary share capital in issue and that any purchase will be in the best interests of shareholders generally. If the Directors do decide to exercise the authority, ordinary shares so acquired will either be cancelled or held as treasury shares, depending upon the circumstances prevailing at the time.

## Rights and obligations attaching to shares

Subject to the Companies Act 2006 and other shareholders' rights, any share may be issued with such rights and restrictions as the Company may by ordinary resolution decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the Board of Directors for the time being of the Company (the Board) may decide. Subject to the Companies Act 2006, the Articles and any resolution of the Company, the Board may deal with any unissued shares as it may decide.

## Rights of preference shares

The preference shares carry the following rights in priority to the ordinary shares but carry no further right to participate in profits or assets:

- the right to receive out of the profits of the Company a fixed cumulative preferential dividend at the rate of 5.25% per annum on the capital paid up thereon;
- the right on a return of assets on a winding up to payment of the capital paid up thereon together with a sum calculated at the rate of 6.00% per annum in respect of any period up to the commencement of the winding up for which such preferential dividend as referred to above has not been paid; and
- the right on a return of assets in a reduction of capital to repayment of the capital paid up thereon together with a sum equal to all arrears (if any) of such preferential dividend as referred to above.

The preference shares shall not confer on the holders of them any right to receive notice of or to be present or to vote at any general meeting unless either:

- a resolution is proposed directly affecting the rights or privileges of the holders of the preference shares as a separate class; or
- at the date of the notice convening the general meeting, the fixed cumulative preferential dividend provided in the Articles shall be in arrears for more than six months.

## Voting

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

## Restrictions on voting

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

## Deadlines for voting rights

Full details of the deadlines for exercising voting rights in respect of the resolutions to be considered at the AGM to be held on 26 May 2016 are set out in the Notice of AGM on pages 137 to 141.

## 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-fourths 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:

## Directors' Report continued

- 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 Acts 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 Acts) 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 he was not appointed or reappointed at either such AGM and he has not 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 Acts, remove any Director before his period of office has expired notwithstanding anything in the Articles or in any agreement

between him and the Company. A Director may also be removed from office by the service on him 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:

- he is prohibited by law from being a Director;
- he becomes bankrupt or makes any arrangement or composition with his creditors generally;
- he is or may be suffering from a mental disorder as referred to in the Articles;
- for more than six months he is absent, without special leave of absence from the Board, from meetings of the Board held during that period and the Board resolves that his office be vacated; or
- he serves on the Company notice of his wish to resign.

### Powers of the Directors

The business of the Company shall be managed by the Board which may exercise all the powers of the Company, subject to the provisions of the Articles and any ordinary resolution of the Company. 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 Henry Boot PLC 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 on its behalf by

### Russell Deards

Group General Counsel & Company Secretary  
22 April 2016

# Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, they are required to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and applicable law and have elected to prepare the Parent Company Financial Statements on the same basis. 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 for that financial year. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the EU 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 will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company'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 Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Directors' statement pursuant to the Disclosure and Transparency Rules

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

Each of the Directors, whose names and functions are listed on page 50 confirm that, to the best of their knowledge:

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

Approved by the Board and signed on its behalf by

**John Sutcliffe**  
Director  
22 April 2016

**Darren Littlewood**  
Director  
22 April 2016