



GOVERNANCE

“There is a great culture at Henry Boot which promotes collaboration, integrity and trust between people, divisions and roles.”

TOM DUNN
Assistant Development Surveyor

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BOARD OF DIRECTORS



Read the **Directors' biographies**
on pages 58 and 59



Darren Littlewood
Group Finance Director

Gerald Jennings
Non-executive Director

Joanne Lake
Deputy Chairman

Peter Mawson
Non-executive Director



John Sutcliffe
Chief Executive Officer

Jamie Boot
Chairman

Russell Deards
Company Secretary

James Sykes
Non-executive Director

Board of Directors



JAMIE BOOT

Chairman

Current Role

Non-executive 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 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 member of Council at Sheffield University. Trustee Director of Henry Boot Pension Trustees Limited acting as trustee for The Henry Boot Staff Pension and Life Assurance Scheme.

Past Roles

Group Finance Director from October 2006 to December 2015. 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. John also relays subsidiary strategy back to the main Board. He is also the Director responsible for all health, safety and environmental matters.



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

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

Committees

Nomination, Audit and Remuneration (Chairman).

Additional Roles Held

Chairman of Mattioli Woods plc, Non-executive Director of Gateley (Holdings) Plc, Non-executive Director of Morses Club PLC and Non-executive Director of Accrol Group Holdings plc.

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

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

Brings to the Board

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

Non-executive Chairman of Nexus Planning Limited, Non-executive Chairman of Infinite Global Consulting Holdings Limited.

Past Roles

Chief Executive of Donaldsons LLP and Chief Executive of West Northamptonshire 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 Chairman of Social Communications (Leeds) Limited, 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, Chairman of the West and North Yorkshire 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

Company Secretary of the Company's four principal operating subsidiaries. Responsible for Legal, Insurance, IT, HR, Health and Safety, Group Communications and secretariat matters at the PLC Board.

Past Roles

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

Brings to the Board

Russell qualified as a solicitor in 1991 and now has over 25 years' experience in law with 11 years in the property and construction industries.

Senior Management



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.



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.



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 30 years. Simon is a private sector board member of the Sheffield City Region Local Enterprise Partnership, the Sheffield City Region Housing Executive Board and Sheffield City Region Transport Executive Board. He is also a board member of the National Federation of Builders and a past national chair, a board member of the Yorkshire Builders Federation and a past president of YBF and sits on the CBI Construction Council. He is also a Non-executive Director of Wildgoose Construction Limited.



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.



DARREN STUBBS

Stonebridge Homes 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 £25m. In 2010 he formed a new house builder and property company, Stonebridge Homes Limited, which is a jointly owned company with Henry Boot PLC.



TREVOR WALKER

Road Link (A69) Limited

Appointment Date

General Manager in 2005.

Brings to the Role

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

Chairman's Introduction

Welcome to our Corporate Governance Report



“The Board places a strong emphasis on the pursuit of good governance and promoting sound, ethical values.”

JAMIE BOOT
Chairman

Dear Shareholders,

As highlighted earlier in this report, 2017 has been another very successful year both financially and operationally for the Group. The Board places a strong emphasis on the pursuit of good governance and promoting sound, ethical values which are encapsulated in the ‘One Henry Boot’ Project which has defined the ‘Henry Boot Way’, including our refreshed Purpose, Vision and Values. I believe it is this approach, alongside the hard work and commitment of our employees, that has continued to keep the Company in operation for over 130 years and will continue to do so for years to come.

There have been no Board changes over the last year following several changes in the preceding 18 months. As Chairman, I am responsible for the overall leadership of the Board and making sure that it functions effectively. We continue to work well together as a group and there is an open culture around the Board table with the Non-executives adding value to discussions and providing a robust and healthy level of challenge to decision-making.

As you can see from the biographies on pages 58 and 59, we have a good balance of internal knowledge and external perspective, varying lengths of tenure, and recent and relevant experience across all the sectors in which we operate. When I became Chairman in January 2016, after 29 years as Group Managing Director, we felt it was in the best interests of our shareholders to appoint three independent Non-executives to provide the necessary impartiality and offer an increased diversity of thinking styles. We will continue to review the composition of the Board considering the needs of the Company, its future strategy and the evolving external landscape.

Strategy Day

In addition to the seven official meetings throughout the year, the Board held an offsite Strategy Day in December which focused entirely on the strategy for the Group and each of the prime

subsidiary companies. The session looked in detail at the external economic backdrop and assessed our internal strengths and weaknesses. We considered our newly defined Purpose, Vision and Values alongside our strategic business priorities. This was a productive and collaborative session which we will look to repeat on an annual basis.

Stakeholders

As part of the refresh of our Purpose, Vision and Values, it was necessary for us to consider and then redefine our stakeholders. You can read more about this project and who our stakeholders are on page 4; further information on our engagement with shareholders follows on page 67. We have always been mindful of the benefits of communicating and collaborating with the stakeholders our business affects and this will remain a key area of Board focus for 2018. We look forward to updating you on our progress next year.

Cyber

In light of the growing regularity of corporate cyberattacks, a Group-wide cyber vulnerability assessment was undertaken. We will continue to monitor cyber risk and activity at Board level on an ongoing basis, particularly with the General Data Protection Regulation coming into force in May 2018.

The following report sets out our governance structures, processes and the work undertaken by the Board and its Committees throughout 2017. I hope to see many of you at our upcoming AGM on 24 May 2018.

JAMIE BOOT
Chairman
20 April 2018

Corporate Governance Statement

The Board believes in the importance of maintaining a high level of corporate governance which helps to promote high ethical standards and sustain the success of the Company over the long-term. The governance structures in place are designed to reflect the individuality of the Company and the composition of both its institutional shareholders and the individual shareholders, many of whom have family ties to the Company.

For this financial year, as a premium listed company, the Company was subject to compliance with the 2016 UK Corporate Governance Code (Code). Further details of how the Code has been applied are set out below on pages 61 to 68.

The Board

The Board remains unchanged from last year and consists of two Executive Directors and five Non-executive Directors, including the Chairman. Biographies are shown on pages 58 and 59.

The Board maintains a formal schedule of matters reserved for its decision which it reviews on an annual basis to check for relevance and to align with new regulatory and best practice developments. Key areas of Board responsibility include:

- strategy and objective setting;
- monitoring the effectiveness of internal controls;
- approving the Company's half-year and full-year financial results announcements;
- capital structure and ensuring funding adequacy; and
- the determination and monitoring of the Company's principal risks.

Throughout the year, and in addition to the areas previously mentioned in my introduction, the Board has focused specifically on topics such as;

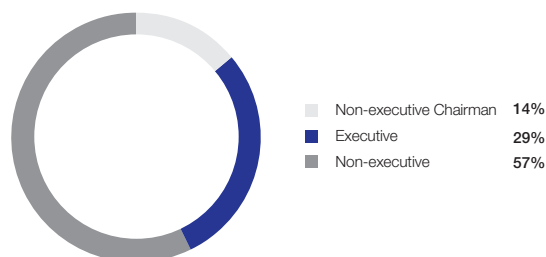
- setting the new Purpose and adoption of the Vision and Values;
- risk management and the effect of Brexit and other political uncertainties on the Company;
- facilitating enhanced health and safety board reporting; and
- oversight of the acquisition of Premier Plant.

Regular reports are also received from all PLC departments, including health and safety, HR, finance and pensions, IT, and legal.

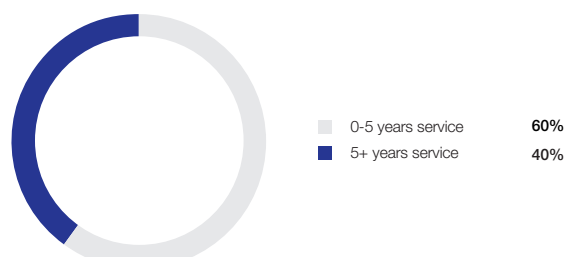
The day-to-day management of the Company's subsidiaries and the responsibility for their operational decisions sits with each respective board of directors, led by a Managing Director. Subsidiary company Managing Directors attend Group Board meetings on a rotational basis to present their operational business plans and strategy. Each subsidiary board meeting is attended by the two main Board Executives and the Company Secretary.

The Operations Board is an executive forum established in January 2016 which focuses on Group working, inter-company co-operation and risk. This board consists of the Chief Executive Officer, Group Finance Director, and Company Secretary together with the four main subsidiary company Managing Directors and the Managing Director of Stonebridge Homes Limited, our jointly-owned house builder. Regular updates are fed back to the PLC Board.

Board composition



Non-executive Board tenure



How the responsibilities of the Board are divided

Chairman

- overall leadership of the Board and ensuring its effectiveness on all aspects;
- 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;
- responsible for making sure that the Directors receive accurate, timely and clear information;
- ensures that the continued development needs of the Directors are identified and addressed; and
- has an oversight role and is available to all shareholders.

Group Finance Director

- responsible for devising and implementing the Group's financial strategy, policies and risk;
- operational responsibility for managing the Group's financial affairs, including treasury and tax matters;
- attends the Operations Board meetings; and
- acts as a director of the subsidiaries and attends the subsidiary board meetings.

Deputy Chairman and 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.

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;
- attends Operations Board meetings;
- Company Secretary of the subsidiaries and attends the subsidiary board meetings; and
- in primary capacity as Head of PLC Operations, has Board responsibility for matters relating to legal, company secretariat, communications, insurance, IT and HR.

Chief Executive Officer

- 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 Operations Board;
- acts as Chairman of the subsidiary board meetings;
- 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 devolves 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.

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.

Corporate Governance Statement continued

Board and committee meetings

Throughout the year, there were seven Board meetings and a separate offsite Strategy Day. In addition to this, and in order to effectively carry out its duties, the Board delegates authority to committees to look after specific areas of responsibilities. The Board has formally constituted Nomination, Audit and Remuneration Committees which operate within their agreed terms of reference. Each committee is provided with accurate, timely and clear information and has access to external consultants where necessary. Further details of each of the above committees can be found on pages 69 to 91 and such details form part of this Corporate Governance Statement.

During 2017, there was 100% attendance at Board and committee meetings as shown in the table below.

Member	Role	Board	Audit	Remuneration	Nomination
Jamie Boot	Non-executive Chairman	7/7	2/2	1/1	3/3
John Sutcliffe*	Chief Executive Officer	7/7	2/2	—	—
Darren Littlewood*	Group Finance Director	7/7	2/2	—	—
Joanne Lake	Deputy Chairman and Non-executive Director	7/7	2/2	1/1	3/3
Gerald Jennings	Non-executive Director	7/7	2/2	1/1	3/3
Peter Mawson	Senior Independent Non-executive Director	7/7	2/2	1/1	3/3
James Sykes	Non-independent Non-executive Director	7/7	2/2	1/1	3/3

* Attends the Audit Committee meetings by invitation.

Board composition

The names, responsibilities and other details of each of the Directors of the Board are set out on pages 58 and 59. The Board believes it has an appropriate balance of Executive and Non-executive, and independent and non-independent Directors having regard to the size and nature of the business. In collaboration with the Nomination Committee, it is felt that the overall combination of experience, skills, knowledge and lengths of service of the current Board members provides an appropriate level of balance which contributes to effective decision-making and helps to mitigate risk.

Board independence

The Company recognises the importance of its independent Non-executive Directors remaining independent throughout their appointment. It enables them to provide objective advice and guidance to the Executive Directors through their wider business experience and diverse backgrounds.

Jamie Boot was appointed Non-executive Chairman and is regarded as non-independent. As reported previously, the Board viewed this appointment as appropriate due to Jamie's longevity of service, extensive knowledge and experience within the Henry Boot Group. James Sykes was appointed to represent the substantial shareholdings of the Reis family interests (see page) and is also not regarded as independent.

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 during the Strategy Day.



Pictured: Board tour of the Kampus Development in Manchester

Training and development

Formal and tailored inductions are arranged for all new Directors and continued development is encouraged and monitored by the Chairman.

Non-executive Directors are encouraged to familiarise themselves with the Company's business, for example Gerald Jennings attended three subsidiary company board meetings throughout the year. This provided a further insight into the business and its culture and an opportunity to meet with the wider senior management team. The intention is that Non-executive Directors will continue to attend subsidiary company board meetings on a rotational basis.

During the year, the Board has undertaken site visits and met with PLC department heads. After the Board meeting in October, the Board was given a presentation and a tour of the Kampus Development site in Manchester by Henry Boot Development employees.

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 where appropriate. Conflicts of interest are reported to the Company Secretary and the question is raised at every Board meeting. All potential and actual conflicts are recorded and any resulting approvals. There have been no conflicts of interest in respect of the Company reported to the Board during the year.

Performance evaluation

Performance of the Board and the individual Directors is monitored on a regular basis. Criteria identified for improvement as a result of last year's internal evaluation were reviewed at the Strategy Day and regularly at Board meetings, and good progress has been made during 2017 against targets. It was agreed that all Directors continue to contribute effectively to the Board and its Committees and demonstrate commitment. All Directors will be subject to annual re-election by shareholders at the AGM.

Risk management and internal controls

The Board is responsible for determining the nature and extent of the Company's principal risks. During the year, the Board agreed the principal risks facing the Company and carried out a robust assessment of these risks. See pages 40 to 43 for more details and the Company's viability statement.

Corporate Governance Statement continued

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

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

The business organisation and structured reporting framework

Each of the Company's activities is monitored through bi-monthly management meetings and formal bi-monthly subsidiary company board meetings. The latter are attended by the Board's Executive Directors and chaired by the Chief Executive Officer. 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 regularly by the Board. Annual profit forecasts and 15-month cash flow forecasts are produced on a monthly basis. The Board monitors the risks and associated controls over financial reporting processes, including the consolidation process. The financial reporting controls are monitored and maintained through the use of internal control frameworks which address key financial reporting risks, including risks arising from changes in the business or accounting standards. Operations on the ground are also monitored frequently by way of visits to sites, depots, properties and regional offices by the Executive Directors; and

Centralised operations

Specific risks and compliance issues associated with health and safety, treasury and banking operations, finance, payroll, company secretarial, pensions, legal, human resources and training, public and investor relations, corporate communications, information communication technology, and insurance are managed centrally and report functionally to the appropriate Company officer (either the Group Finance Director (finance) or the Company Secretary) responsible for that particular operation. The CEO retains ultimate responsibility for health and safety.

Operations Board

The Operations Board is an executive forum which promotes group working, inter-company co-operation and sharing of best practice.

Internal controls

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

Business procurement

All development appraisals, land purchases and options, and construction contracts above a set value require the authority of the Executive Directors to proceed. A strict routine covering the authorisation of capital expenditure is in place and Board approval is required for any corporate acquisition or disposal; 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 certain aspects of operations, such as health and safety, with the balance of the operations being governed by procedures set out in contracts and risk assessment and mitigation measures typically set out in project-specific documents such as Board reports and project updates. The subsidiary company Managing Directors review and report to the Audit 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.

Whistleblowing arrangements

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

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, and 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.

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 policy is continually monitored and reviewed, with the latest refresh being carried out in December 2017 for issue to all Group employees, external suppliers and service providers. Mandatory online training on anti-bribery and corruption has also been carried out with all employees during 2017. In addition, as part of an overarching review of all corporate governance policies (including ethics, whistleblowing, competition law, gifts and hospitality, and staff purchases, and also now incorporating the Anti-Slavery Policy), these have all been updated and reissued. The suite of corporate governance policies will also be joined by updated data protection documentation during the course of 2018 due to the implementation of the General Data Protection Regulation. All policies reflect and refer to the Group's values, and further training will be delivered on all relevant topics.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 97. The Independent Auditors' Report is given on pages 100 to 105

The Directors' statement in respect of the business as a going concern and the viability statement is provided on page 43.

Fair, balanced and understandable

The Board has assessed the tone, balance and language of the Annual Report and Financial Statements, being mindful of the requirements of the UK Corporate Governance Code and the need for consistency between the narrative section of the document and the Financial Statements. The Board's formal statement on the Annual Report and Financial Statements being fair, balanced and understandable is contained within the Statement of Directors' Responsibilities which can be found on page 97.

Shareholder relations

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

In June 2017, the Company hosted an investor and analyst day, touring a completed construction scheme and two key developments. The visits included the refurbishment of a Grade II listed building at the University of Derby, St Helena's Campus in Chesterfield, a 200-acre employment park being developed in partnership with Derbyshire County Council and The Residence, part of the 27-acre former Terry's Chocolate Factory at York which was converted into 165 residential properties. The visit provided the opportunity to meet the Group's subsidiary Managing Directors as well as the Board's Executive Directors.

During the year a number of formal presentations were made by members of the Board to institutional shareholders and feedback from these meetings was provided to the Board by our stockbrokers. In addition, 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. The website is designed to communicate with both present and potential investors and includes all London Stock Exchange announcements, analyst presentations and press releases.

The attendance and participation of all shareholders at the AGM is much encouraged. At the AGM held in May 2017, votes were received representing 67.93% 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 Directors' Report on pages 92 to 96.

Compliance Statement

The Company has complied with all the principles of the Code for the year ended 31 December 2017 and the vast majority of the provisions. However, as in previous years, there are a number of instances where the Company has chosen to take advantage of the flexibility offered with the "comply or explain" rule when applying certain provisions. Due to the size of the Company and its unique shareholder base, the Company has adopted alternative solutions to some provisions, see below for further details. The Code recognises that good governance can be achieved by other means and the Board believes the approach we have taken is most appropriate for the Company and remains consistent with the spirit of the Code.

A.3.1

As previously disclosed, the Chairman was not independent on appointment, having served as Group Managing Director for 29 years. We continue to support this appointment based on the extensive knowledge and experience of the Group and industry that Jamie Boot brings to the role and to Board discussions.

In order to mitigate any independence concerns, three independent Non-executive Directors were appointed at the same time to provide balance, challenge and an external viewpoint.

C.3.1 and D.2.1

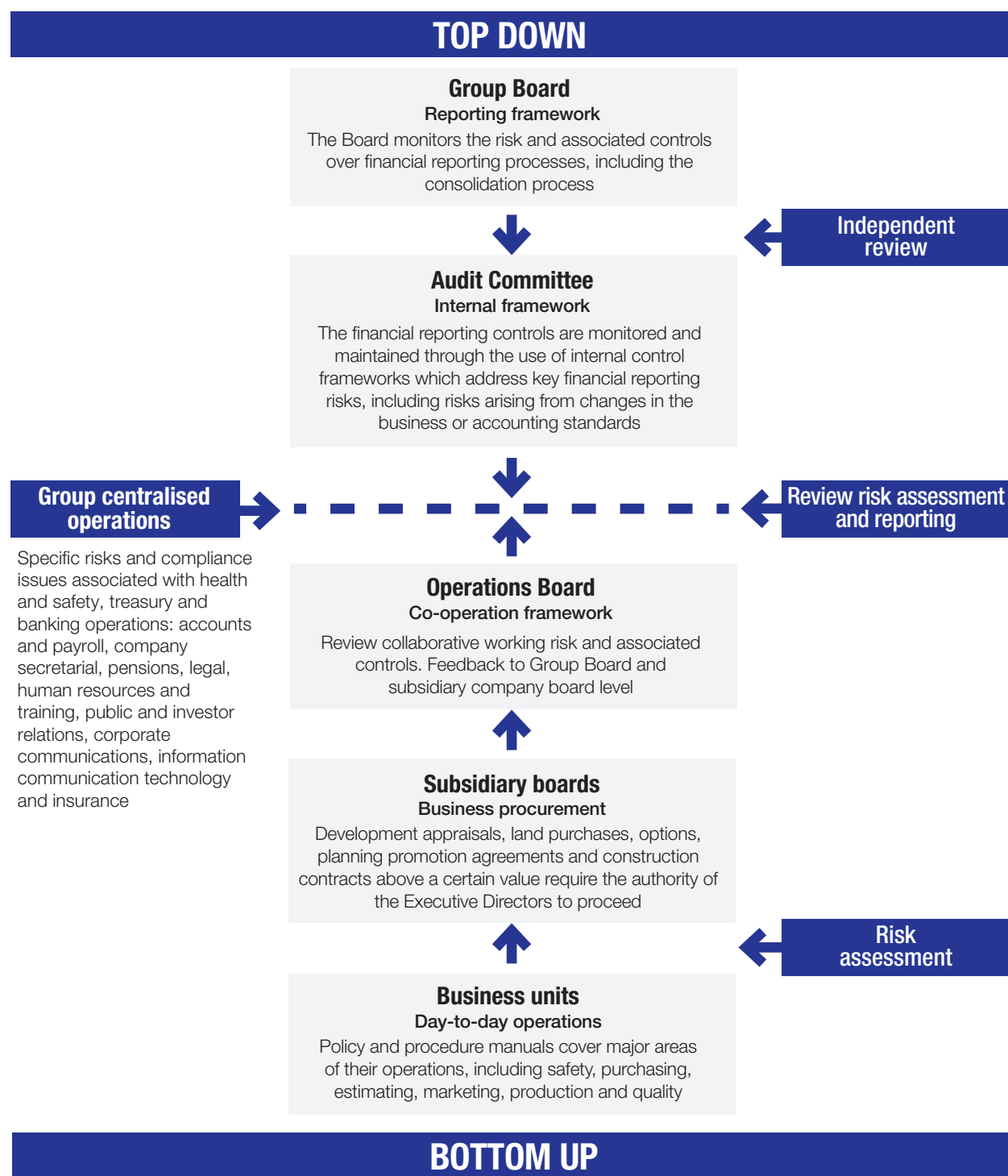
As Company Chairman, Jamie Boot is a member of both the Audit and Remuneration Committees, despite not being independent on appointment. It is felt that he adds experience, value and considerable expertise to committee meetings. There remains an overall majority of independent members for each forum, both of which are chaired by Non-executive Directors with experience in their respective areas.

Approved by the Board and signed on its behalf by

RUSSELL DEARDS
Company Secretary
20 April 2018

Corporate Governance Statement continued

The Group operates a system of internal controls and risk management in order to provide assurance that it is managing risk whilst achieving its business objectives. The table below depicts our internal controls and risk management framework.



Nomination Committee Report

Statement from the Chairman of the Nomination Committee



“The Committee understands the importance of playing an active role in preparing for the future.”

PETER MAWSON
Chairman of the Nomination Committee

The Nomination Committee (the Committee) remains unchanged from last year, with Peter Mawson (Committee Chairman), Jamie Boot, Gerald Jennings, Joanne Lake and James Sykes as members. Biographies are shown on pages 58 and 59.

Review of the year

The role of the Committee is key to the Company's continued success. It is our responsibility to ensure that we have the right people in place to lead the Company in line with its current and future strategy and make sure that there is an appropriate balance of knowledge, skills and experience to do so.

Following numerous changes to the Board and Executive team at the beginning of 2016, there have been no further appointments or departures during the last financial year. However, the Committee understands the importance of playing an active role in preparing for the future. We met three times in 2017 with a focus on leadership development and succession planning across all senior management levels. Committee meeting attendance is shown on page 64.

Succession planning

We welcome the proposed changes to the UK Corporate Governance Code to formally extend the Committee's remit more widely to cover senior executive succession. We recognise the need to continuously review the balance of knowledge, skills and expertise of the Board and our senior leadership teams in order to plan for the long-term requirements of the Group; both in terms of succession and broader leadership development.

This year, after a formal tender process, we have commissioned the Quo Group to partner with us to design and deliver the first cohort of our Senior Leadership Development Programme. The Committee has played a lead role in identifying our partner as well as ensuring that the programme has been designed to meet our specific requirements and needs (including alignment with 'The Henry Boot Way' - see pages 14 and 15). We are confident that this will form the blueprint for future Development Programmes for the whole Group; and serve to demonstrate our ongoing commitment to promoting opportunities for growth and progression across the entire workforce.

Diversity

The Company and the Board are committed to creating a culture that respects and values each other's differences, that promotes dignity, equality and diversity and that encourages individuals to develop and maximise their true potential.

At 31 December 2017 we had 14% women on our Board. Figures for the number of women in senior management positions and across the Group are shown on page 47.

The Committee's primary goal remains to identify the most suitable candidates to join the Board and for other senior positions within the Group. However, it also seeks to ensure that in managing an appointment and in succession planning, it has regard to the benefits of diversity, including, but not restricted to, gender diversity and its impact on effective decision-making.

Nomination Committee Report continued

Statement from the Chairman of the Nomination Committee

The Committee and the Board recognise the need to ensure that the business reflects a diverse workforce, at all levels of seniority, whilst always seeking to ensure that each post is offered to the best available candidate.

Accordingly, the Board has reflected and decided not to impose a quota regarding gender balance, preferring instead to appoint strictly on merit. This is a subject, however, which is kept under regular review.

The Committee will ensure that it only works with executive search firms which have signed up to the Standard Voluntary Code of Conduct addressing gender diversity and best practice.

Annual re-election by shareholders

The Board has agreed that all Directors will retire from the Board on an annual basis and offer themselves for re-election at the next AGM. The Committee has conducted 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 composition of the Board and its committees allows them to discharge their respective duties and responsibilities effectively. The Directors' biographies are shown on pages 58 and 59.

The Committee operates under its terms of reference which have been approved by the Board and are reviewed on an annual basis.

Approved by the Board and signed on its behalf by

PETER MAWSON
Chairman of the Nomination Committee
20 April 2018

Audit Committee Report

Statement from the Chairman of the Audit Committee



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

JAMES SYKES
Chairman of the Audit Committee

Those serving as members of the Audit Committee (the Committee) for the whole of 2017 were James Sykes (Committee Chairman), Jamie Boot, Gerald Jennings, Joanne Lake and Peter Mawson. Biographies of the current members of the Committee are shown on pages 58 and 59.

Terms of reference

The terms of reference for this Committee incorporate the UK Corporate Governance Code's provisions in relation to its roles and responsibilities and are reviewed by the Committee each year.

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, 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 results 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;
- 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.

In March 2018 the Committee opted to increase the frequency of its meetings with a greater focus on monitoring risk across the Group. As a result, the Committee changed its name to the "Audit and Risk Committee". We will provide more details on this change and the work we have done in next year's report.

Audit Committee Report continued

Meetings during the year

The Committee met twice during the year, with the Company's auditors in attendance for each meeting. The Chief Executive Officer and Group Finance Director were also present at these meetings and attend by invitation. Attendance at these meetings by the Committee members is shown in the table on page 64.

Audit Committee matters are also discussed at each Board meeting.

Committee activities during the year

In 2017 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 Statement and reports from the external auditors on the outcome of its audit in 2017.

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 43.

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.

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 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.

Other advisory services received during the year and the amount paid for these services equated to 2% of the amount paid for audit fees.

KPMG continued to provide the Group's taxation services for the year ended 31 December 2017.

In accordance with best practice, the Company also requires its external audit 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, and rotates off the role following signing off these financial statements.

The external auditors are also required to assess on an annual basis whether, in their professional opinion, they are independent, 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 is at a level which does not impact on the statutory auditors' independence and objectivity.

Audit quality and approach to audit tender

The Committee is considered to be effective, with members having a broad mix of skills and experience to provide an appropriate level of challenge when debating the reports, statements and findings presented to them.

In reviewing the effectiveness of the external auditors, discussions took place between the Audit Committee, the Henry Boot PLC finance function and the subsidiary company management teams. The Audit Committee considers PricewaterhouseCoopers LLP to have conducted a high-quality audit, having established effective working relationships and having a good understanding of the Group's business. 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 Henry Boot PLC audit was put out to tender eight years ago and PricewaterhouseCoopers LLP was awarded the work from a shortlist of four firms who tendered. 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 was satisfied with the scope of the external audit and with the work of the external auditors. Having reviewed all services provided to the Group by the external auditors the Committee is satisfied that the external auditors remain objective and independent.

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 Audit Committee are authorised to fix their remuneration.

Risk management and controls

Details of the key risks which the Group faces, 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 40 to 43.

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

Internal audit

The Audit Committee has from time to time considered the requirement for an internal audit department. Having previously taken the view that the benefits would not outweigh the costs, the Committee recently determined that the scale and nature of its operations was now sufficiently large and complex that such a dedicated resource might be beneficial. Consideration was given to the engagement of an internal audit service and a third party provider was appointed in February 2018. Due to resourcing levels, the Committee decided to outsource this function to a specialist provider with expertise and knowledge across all of our different business segments.

Approved by the Board and signed on its behalf by

JAMES SYKES
Chairman of the Audit Committee
20 April 2018

Directors' Remuneration Report

Statement from the Chairman of the Remuneration Committee



“Our forward-looking strategy of investing in our people and long-term opportunities aimed at creating long-term stakeholder value produced our best ever financial result in 2017.”

JOANNE LAKE
Chairman of the Remuneration Committee

Those serving as members of the Remuneration Committee (the Committee) for the whole of 2017 were Joanne Lake (Committee Chairman), Jamie Boot, Gerald Jennings, Peter Mawson and James Sykes. Biographies of the current members of the Committee are shown on pages 58 and 59.

On behalf of the Board and the Remuneration Committee (the Committee), as Chairman of the Committee, I am pleased to present the Henry Boot PLC (the Company) Directors' Remuneration Report for the year ended 31 December 2017.

Our forward-looking strategy of investing in our people and long-term opportunities aimed at creating long-term stakeholder value produced our best ever financial result in 2017. The markets in which our various businesses trade continued to be supportive with many areas continuing on an improving trend; however, these markets may still create issues for the imprudent or unwary operator and have to be managed with skill, care and confidence.

2017 proved to be our best performance to date with:

- profit before tax increasing 40% to £55.4m;
- basic earnings per share increasing 49% to 32.1p;
- Return on Capital Employed increasing 420 bps to 18.6%;
- dividends for the year increasing 14% to 8.00p;
- dividend cover remains above our long-term goal of three times;
- our strategic land portfolio increased in size again to over 13,000 acres with planning permission on over 18,000 units;
- we now have more active commercial developments in progress than at any stage before;
- our construction business has a strong order book for 2018 and our plant hire business continues to operate at its highest level of utilisation for many years.

Executive remuneration outcomes for 2017

In the current market conditions, the 2017 results, with a 40% increase in pre-tax profits, were impressive. In 2017 the combined overall remuneration of the Executive Directors, on a like-for-like basis, increased by 17.2%, and 9.5% including the costs of our Non-executive Directors.

Salaries of the Executive Directors were increased by 4.9% at 1 January 2018 and by 6.9% at 1 January 2017 compared to an increase across the Company in total of 8.2% during 2017 and of 4.7% at 1 January 2018.

Bonuses were paid in line with the Remuneration Policy approved at the Annual General Meeting (AGM) in May 2015. Target profit was set at £36m. The profit before tax of £55.4m exceeds the target by 53.9% and gives rise to a bonus of 110.0% of salary for the year ended 31 December 2017.

In addition, the Remuneration Committee set 17 targets, which were the same for John Sutcliffe and Darren Littlewood. These covered measures such as the achievement of individual subsidiary budgets, cash flow generation, health and safety performance, 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 9.0% of salary.

Therefore, the total bonus for each Executive Director is 119.0% of salary.

LTIPS vesting, based on performance for the three years to 31 December 2017, were granted in line with the Remuneration Policy adopted at the AGM in 2015. The performance criteria for these awards are:

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

For these awards, the actual performance against the targets to 31 December 2017 was:

- i. Earnings Per Share growth was 98% against the target of 14% (being inflation plus 7%) and, therefore, this part of the award vests in full;
- ii. Return On Capital Employed was 17% on average against the maximum target of 13% and, therefore, this part of the award vests in full;
- iii. Total Shareholder Return of 80.7% was in the upper quartile when set against the comparator group and, therefore, this part of the award vests in full.

Therefore, the award of LTIP shares to Jamie Boot is 31,228 shares, and to John Sutcliffe 109,060 shares.

Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration Policy during 2017, it is in line with that which was approved by shareholders at the AGM in 2015. The Remuneration Policy has been reviewed and updated where appropriate and is included on pages 84 to 91 and will be put to a shareholder vote at the AGM on 24 May 2018.

The application of Directors' Remuneration Policy for 2018

- Following a review by the Committee, John Sutcliffe was awarded a 0.64% pay rise and Darren Littlewood was awarded a 14.3% pay rise. The Non-executive Directors were awarded a 3.0% uplift in basic salary or fees for the year ending 31 December 2018. The average across the workforce as a whole was 4.8% at 1 January 2018.
- The bonus opportunity for the Executive Directors is detailed in the Remuneration Policy and will apply as laid out in the policy on pages 84 to 91.
- 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 2018. Specifically, this will arise if the Committee considers that there has been a material misstatement within the subsidiary or Group Financial Statements; or a material error in the calculation of any performance condition; or materially inaccurate or misleading information, or in the case of action or conduct of the participant which amounts to fraud or gross misconduct or has a material detrimental effect on the reputation of the Group. Any future awards will also be subject to clawback of all or part of the award during a two-year period in the above circumstances. It is not expected that there will be any material amendments to the value of other benefits, including pensions, during 2018.

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.

Directors' Remuneration Report continued

The report sets out payments and awards made to the Directors and details the link between performance and remuneration for 2017. The report, and this Chairman's letter, is subject to an advisory shareholder vote at this year's AGM (please see Resolution 3) with the exception of:

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

The information set out on pages 74 to 83 of the Directors' Remuneration Report and Policy is subject to audit.

Summary of the Committee's activity during 2017

During 2017 the Committee:

- approved Executive Directors' base pay and benefits for 2017. Salary increases for the Executive Directors at 1 January 2017 were 3% for John Sutcliffe and £25,000 (16.7%) for Darren Littlewood and from 1 January 2018 have been set at 0.64% for John Sutcliffe and £25,000 (14.3%) for Darren Littlewood;
- conducted a review of the LTIP performance metrics and level of reward for the year under review;
- conducted a review of the performance of the Executive Directors for 2017 and against that background set performance targets for 2018;
- considered the remuneration packages for John Sutcliffe and Darren Littlewood with effect from 1 January 2018. For John Sutcliffe this was set at £390,000 and for Darren Littlewood, £200,000. The Committee anticipates reviewing and uplifting the salary of Darren Littlewood each year for the next two 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.

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
20 April 2018

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 year.

Year ended 31 December 2017	Salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives ¹ £'000	Pension-related benefits £'000	Total £'000
John Sutcliffe	388	32	461	340	78	1,299
Darren Littlewood	175	25	208	—	34	442
Jamie Boot	82	—	—	97	—	179
James Sykes	44	—	—	—	—	44
Joanne Lake	44	—	—	—	—	44
Gerald Jennings	44	—	—	—	—	44
Peter Mawson	44	—	—	—	—	44
	821	57	669	437	112	2,096

¹ Jamie Boot LTIP award is pro rata basis to his retirement date of 31 December, under provisions for good leavers.

Year ended 31 December 2016	Salary and fees £'000	Taxable benefits £'000	Annual bonus £'000	Long-term incentives ¹ £'000	Pension-related benefits £'000	Total £'000
John Sutcliffe	376	31	411	225	75	1,118
Darren Littlewood	150	24	164	—	29	367
Jamie Boot	80	—	—	182	—	262
James Sykes	42	—	—	—	—	42
Joanne Lake	42	—	—	—	—	42
Gerald Jennings	42	—	—	—	—	42
Peter Mawson	42	—	—	—	—	42
	774	55	575	407	104	1,915

¹ The value of long-term incentives has been adjusted from the average share price for the period 1 October 2016 to 31 December 2016 of £1.98 to the price on the day the shares were issued of £2.95.

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

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

Salary or fees	The amount of salary or fees received in the year.
Taxable benefits	The taxable benefits received in the year by Executive Directors.
Annual bonus	The value of bonus payable and the calculations underlying this are disclosed on pages 78 and 79.
Long-term incentives	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 2017 valued at the average share price over the last three months of 2017.
Pension-related benefits	Pension-related benefits represent the cash value of pension contributions or salary in lieu of contributions received by Executive Directors at a rate of 20% of salary.

Directors' Remuneration Report continued

Individual elements of remuneration

Base salary and fees

Executive Directors

	1 January 2018	1 January 2017	1 January 2016
Salary effective from	£	£	£
John Sutcliffe	390,000	387,523	376,236
Darren Littlewood	200,000	175,000	150,000

Over the years 2014–2017 basic salary increases for the Chief Executive Officer were 3.0%. On 1 January 2018 the basic salary increase was 0.64%. For the Group Finance Director increases in 2014 and 2015 were 3.0%. At 1 January 2016, Darren Littlewood was appointed Group Finance Director and received a remuneration package which the Committee anticipates reviewing and uplifting over the years 2017–2020 at a rate of £25,000 per annum. Average salary increases for the wider employee population were 4.4% from 1 January 2016, 5.0% from 1 January 2017 and 4.7% on 1 January 2018.

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.

Summary of bonuses earned for 2017

Measure	Maximum award as % of salary	Targets and bonus potential for 2017			Actual Performance	Actual bonus value achieved (% of salary)	
		% of target	2017 target range	Bonus payable as % salary		John Sutcliffe	Darren Littlewood
Profit before tax	110%	90% 100% 120% 150%	£32.4m £36.0m £43.2m £54.0m	10% 50% 90% 110%	£55.4m	110.0%	110.0%
Personal objectives	10%	See commentary on page 79				9.0%	9.0%
Bonus amount achieved as % salary						119.0%	119.0%
Bonus amount earned						£461,152	£208,250
Maximum bonus as % salary						120%	120%
Bonus amount achieved as % maximum						99.2%	99.2%

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

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 2018	1 January 2017	1 January 2016
Salary effective from	£	£	£
Jamie Boot	85,000	82,400	80,000
James Sykes	45,000	43,709	42,436
Joanne Lake	45,000	43,709	42,436
Gerald Jennings	45,000	43,709	42,436
Peter Mawson	45,000	43,709	42,436

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 Independent Non-executive Director. Any newly appointed Independent Non-executive Director is expected to serve for an initial period of at least three years. Terms and conditions of appointment relating to Non-executive Directors are available for inspection at the registered office of the Company.

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.

Bonuses were paid in line with the Directors' Remuneration Policy approved at the AGM in May 2015. Target profit was set at £36m, 24% ahead of the target set in 2016. The Remuneration Committee also set 17 individual targets, which were the same for John Sutcliffe and Darren Littlewood. These covered measures such as the achievement of individual subsidiary budgets, cash flow generation, health and safety performance, a measure related to positive investor feedback, and litigation risk. The Remuneration Committee considers that the Executive Directors achieved 90% of these targets, resulting in a bonus of 9.0% of salary. The profit before tax of £55.4m exceeds the target by 53.9% and this, combined with the personal targets, gives rise to a bonus of 119.0% of salary for the year ended 31 December 2017.

Details of the policy for future annual bonus awards can be found in the policy table on page 86.

31 December 2018 bonus targets

Profit before tax performance: 10% of salary payable on achieving 90% of Group profit target, rising to 80% 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 maximum of a further bonus of 20% of salary may become payable.

The profit before tax target is deemed to be commercially sensitive and therefore will be disclosed retrospectively in the 2018 Directors' Remuneration Report.

Personal objectives: Up to an additional 20% of salary may become payable to Executive Directors upon the achievement of a number of personal objectives.

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

Long Term Incentive Plan (LTIP)

The Committee has reviewed the performance criteria for the LTIP shares awarded in 2015, based on performance for the years 2015, 2016 and 2017, which are expected to vest in June 2018. The LTIP shares in this award are subject to the following performance criteria:

- i. EPS growth ahead of inflation: EPS growth was 98%, which exceeded RPI growth by more than 91% and therefore this 33.3% of the award became eligible;
- ii. Average annual return on capital employed above 13%: this was 17% and therefore this 33.3% of the award became eligible;
- iii. Total Shareholder Return (TSR) above the median for the comparator group: the Henry Boot PLC TSR for the three-year period was 80.7%, putting it in the upper quartile within the comparator group and therefore this 33.4% of the award became eligible.

Together, these resulted in LTIP awards of: Jamie Boot 31,228 shares; and John Sutcliffe 109,060 shares; and gave rise to the award values in the single total figure of remuneration at 31 December 2017 on page 77.

For Jamie Boot this award is on a pro rata basis to his retirement date of 31 December 2015, under the provisions for good leavers.

LTIP awards granted in the year

	Type of award	% of salary	Number of shares	Face value to grant at £2.412 per share	% of award vesting at threshold
John Sutcliffe	LTIP – nil cost option	100%	160,665	387,523	25%
Darren Littlewood	LTIP – nil cost option	100%	72,554	175,000	25%

Awards expected to be granted for the financial years 2018–2020 in 2018

	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 found in the policy table on page 87.

Directors' Remuneration Report continued

Pension entitlement

John Sutcliffe is a deferred member of the Henry Boot PLC Group Stakeholder (Defined Contribution) Pension Plan (the Plan). Contributions are made at 20% of salary and contributions to the Plan in the year were £nil (2016: £18,812). The annual allowance for tax relief on pension savings applicable to John Sutcliffe in 2017 was £nil and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £77,505 (2016: £56,435).

Darren Littlewood is a member of The Henry Boot Staff Pension and Life Assurance Scheme (Defined Benefit) (the Scheme). His accrued pension entitlement at 31 December 2017 was £23,754 and the pensionable salary available for use within the Scheme at 31 December 2017 was £57,322. Basic salary above this level is available for use within the Henry Boot PLC Group Stakeholder (Defined Contribution) Pension Plan (the Plan). Contributions are made at 20% of available salary and contributions to the Plan in the year were £10,966. The annual allowance for tax relief on pension savings applicable to Darren Littlewood in 2017 was £10,966 and he elected to receive a salary supplement in lieu of the employer contributions over and above this level, which amounted to £12,570.

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

Payments to past Directors

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

Payments made for loss of office

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

Statement of Directors' shareholdings and share interests

At 31 December 2017

	At 31 December 2016 Legally owned	Legally owned	SAYE (not subject to performance)	LTIPs subject to performance measures	Total	Legally owned shareholding as a % of salary or fees ¹	Share interests as a % of salary or fees
Jamie Boot	5,799,302	5,861,046	—	31,228	5,892,274	21,996	22,113
John Sutcliffe	543,769	605,169	—	446,694	1,051,863	495	860
Darren Littlewood	24,694	50,000	6,666	143,109	199,775	80	319
James Sykes	20,000	20,000	—	—	20,000	142	142
Joanne Lake	10,710	10,710	—	—	10,710	76	76
Gerald Jennings	—	3,750	—	—	3,750	27	27
Peter Mawson	10,000	10,000	—	—	10,000	71	71

The share price at 31 December 2017 was 319.00p. The salary used for this calculation is that which commences on 1 January 2018.

¹ Details of Director shareholding requirements can be found in the Remuneration Policy which can be viewed on pages 84 to 91.

Directors' shareholdings

The beneficial interest of the Directors in the share capital of the Company at 31 December 2017 was as follows:

	2017		2016	
	Number of shares		Number of shares	
	Ordinary	Preference	Ordinary	Preference
Jamie Boot	5,861,046	14,753	5,799,302	14,753
John Sutcliffe	605,169	—	543,769	—
Darren Littlewood	50,000	—	24,694	—
James Sykes	20,000	—	20,000	—
Joanne Lake	10,710	—	10,710	—
Gerald Jennings	3,750	—	—	—
Peter Mawson	10,000	—	10,000	—

Between 31 December 2017 and 23 March 2018, being a date not more than one month prior to the date of the Notice of the AGM, 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 2017	Awarded during the year	Vested during the year	Lapsed during the year	At 31 December 2017	Earliest/actual vesting date	Market valuation on vesting £
Jamie Boot	2006 07/05/2014	211.0p	92,709	—	61,744	30,965	—	07/06/2017	182,064
	2015 01/06/2015	228.6p	31,228	—	—	—	31,228	01/06/2018	—
			123,937	—	61,744	30,965	31,228		182,064
John Sutcliffe	2006 07/05/2014	211.0p	114,715	—	76,400	38,315	—	07/06/2017	225,280
	2015 01/06/2015	228.6p	109,060	—	—	—	109,060	01/06/2018	—
	2015 21/04/2016	212.6p	176,969	—	—	—	176,969	21/05/2019	—
	2015 24/04/2017	241.2p	—	160,665	—	—	160,665	24/05/2020	—
			361,204	160,665	76,400	38,315	446,694		225,280
Darren Littlewood	2015 21/04/2016	212.6p	70,555	—	—	—	70,555	21/05/2019	—
	2015 24/04/2017	241.2p	—	72,554	—	—	72,554	24/05/2020	—
			—	72,554	—	—	143,109		—

Sharesave Plan

Plan	At 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2017	Exercise price	Date from which exercisable	Expiry date
Darren	2014	10,465	—	10,465	—	172.0p	01/12/2017	31/05/2018
Littlewood	2017	—	6,666	—	6,666	270.0p	01/12/2020	31/05/2021
		10,465	6,666	10,465	6,666			

Company Share Option Plan

Plan	At 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	At 31 December 2017	Exercise price	Date from which exercisable	Expiry date
Darren Littlewood	2014	10,000	—	10,000	—	191.0p	06/10/2017	01/10/2024

Directors' Remuneration Report continued

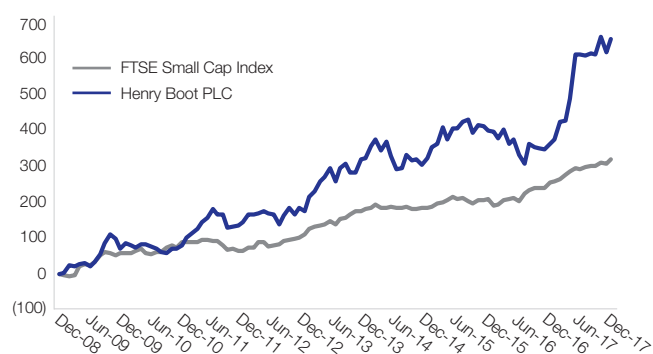
Statement of voting at the last Annual General Meeting (AGM)

The Company remains committed to shareholder dialogue and takes an active interest in voting outcomes. At the AGM on 25 May 2017 the resolution put to shareholders on an advisory basis to receive and approve the 2016 Directors' Remuneration Report was passed. The number of votes in favour of that resolution was 89,114,224 (99.34% of votes cast), against 595,354 (0.66% of votes cast) and withheld 30,995. The total number of votes cast in respect of this resolution represented 67.90% of the issued share capital.

Share price

The middle market price for the Company's shares at 31 December 2017 was 319.00p and the range of prices during the year was 193.50p to 336.38p.

Nine-year TSR performance graph



Chief Executive Officer's remuneration for the previous nine years

	Total remuneration £'000	Annual bonus as a % of maximum	LTIP vesting as a % of maximum
2017	1,299	99.2	100
2016	1,118	91.1	67
2015	981	87.8	25
2014	1,000	94.5	25
2013	1,054	83.3	50
2012	962	58.3	40
2011	842	66.7	50
2010	764	58.3	64
2009	575	33.3	50

Percentage change in Chief Executive Officer's remuneration

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

Percentage change	Note	Chief Executive Officer	Workforce sample
Salary		3.0%	8.3%
Taxable benefits	1	—	—
Annual bonus 2016	2	6.8%	22.6%
Annual bonus 2017	2	12.1%	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 2018 for the year ended 31 December 2017 and the figure is therefore not available. Therefore, the information produced is for the bonus comparisons paid in May 2017 for the year ended 31 December 2016. The workforce comparison is every member of staff who received a bonus excluding the Chief Executive Officer.

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:

	2017 £'000	2016 £'000	% change
Ordinary dividends	10,579	9,208	14.9
Profit attributable to owners of the business	42,368	28,259	49.9
Overall expenditure on pay	30,630	25,743	19.0

Terms of reference

The terms of reference for the Remuneration Committee (the Committee) 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. The terms of reference are reviewed by the Committee each year.

Role of the Committee

The primary role of the Committee is to:

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

Meetings during the year

The Committee met once during the year. Attendance at this meeting by the Committee members is shown in the table on page 64 and further details can be found below.

Membership of the Committee

Those serving as members of the Committee for the whole of 2017 were myself (Committee Chairman), Jamie Boot, James Sykes, Gerald Jennings and Peter Mawson. Biographies of the current members of the Committee are shown on pages 58 and 59. 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 five Non-executive Directors during the financial year, comprised as follows:

	Independent
Joanne Lake	Yes
Jamie Boot	No
James Sykes	No
Gerald Jennings	Yes
Peter Mawson	Yes

During 2017 John Sutcliffe, Chief Executive Officer, attended the meeting with the Committee, as requested, in order to assist on matters concerning other senior Executives within the Group. John Sutcliffe was not present during any part of the meeting 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
20 April 2018

Directors' Remuneration Policy

This section of the report sets out the Company's policy on the remuneration of Directors which will be put to a binding shareholder vote at the 2018 AGM. Subject to shareholder approval, the policy will take effect from the date of the 2018 AGM.

Consultation with shareholders

Whilst there has been no formal contact with shareholders regarding the Remuneration Policy, it is line with that which operated up to the end of 2017. In order to further align the Remuneration Policy to Company performance and shareholder interests, several changes are proposed as follows.

The Committee has agreed to cap the maximum basic salary for Executive Directors to be no greater than the median rate of the upper quartile of the FTSE SmallCap Index for the comparable position held.

The Committee has also proposed one change to the annual bonus policy, which is to give increased weighting to personal performance objectives when assessing the performance criteria for annual bonuses. Instead of 10% of normal bonus opportunity being based on individual measures, this is increased to 20%. This change is intended to increase the focus on personal performance objectives.

Historically, equal weighting has been given to the three performance conditions relating to the LTIP awards; EPS, ROCE and TSR. We propose to amend the policy to allow flexibility to vary the weightings if thought appropriate, provided that none of the criteria exceeds 50%. In reality we have no current intention to change the weighting from 33.3% for each measure.

Lastly, in line with investor guidelines the Committee has also proposed to increase the Executive Directors minimum shareholding requirements from 100% to 200% for the Chief Executive Officer and 150% for the Group Finance Director.

No other changes are proposed to the current Remuneration Policy.

Linking remuneration with strategy

To align the remuneration of our Executive Directors with the Group's key strategic objective of maximising long-term shareholder value, we reflect the following priorities within our remuneration principles.

Alignment with strategy	<ul style="list-style-type: none">— Stretching profit and therefore earnings per share performance targets are key drivers to long-term shareholder value growth. These are important performance elements of the annual bonus and long-term share incentive plans.
Alignment with shareholders	<ul style="list-style-type: none">— A significant part of the potential remuneration package is delivered in shares, and the performance measures to achieve that element of remuneration incorporate growth in earnings, Company capital and shareholder returns, aligning shareholder interests to remuneration.— There are minimum shareholding criteria for Directors.
Attracting and retaining the right people	<ul style="list-style-type: none">— Our Remuneration Policy is designed to attract, motivate and retain a high-quality group of talented individuals over the long-term who are incentivised to deliver the strategy through a clear link between reward and performance without taking excessive risks.— We seek to ensure that Director and senior management salaries are set in relation to their peers and other available opportunities and by reference to the wider workforce. At the same time, we ensure that we do not pay more than is necessary or reward failure.

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

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

Policy table

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Salary	<p>Core element of the Executive Directors' fixed remuneration reflecting the role, experience and comparable companies in the FTSE.</p> <p>The Committee also considers whether the basic salary is a competitive benchmark to recruit and retain executive talent.</p>	<p>The Committee reviews base salaries annually, taking into consideration:</p> <ol style="list-style-type: none"> the value of the individual to the Group, their skills, experience and performance; pay increase levels in the Group and more generally in the marketplace; and the Group organisation profitability and prevailing market conditions. that maximum salary is to be no greater than the median rate of the upper quartile of the FTSE SmallCap Index for the comparable position held. 	<p>Salary increases will normally be in line with the wider Group. The Committee will consider any increase out of line with this very carefully. Higher increases may be awarded in exceptional circumstances. These could include:</p> <ol style="list-style-type: none"> relevant commercial factors; increasing scope and responsibility; promotional increases; and falling below market positioning. 	<p>Maximum salary to be no greater than median rate of the upper quartile of the FTSE SmallCap Index for the comparable position held.</p> <p>Individual performance is one of the considerations in setting salary levels.</p>
Benefits	<p>These are provided on a market competitive basis to assist in recruiting and retaining Executive Directors</p>	<p>Executive Directors currently receive:</p> <ol style="list-style-type: none"> a car allowance; private health insurance; permanent health insurance; death in service cover; and the offer of participation in the SAYE Scheme. <p>The Committee reviews the level of benefit provision from time to time and has the flexibility to add or remove benefits to reflect changes in market practice or the operational needs of the Group.</p>	<p>The Committee considers that the level of benefits provided is market consistent.</p> <p>The cost of providing benefits is borne by the Company and varies from time to time.</p>	<p>None.</p>

Directors' Remuneration Policy continued

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Pensions	To help retain and recruit Executive Directors, ensuring an adequate retirement income.	Executive Directors are eligible for membership of the defined contribution scheme or a cash supplement in lieu of this. The Group's defined benefit scheme is now closed to new members, however internal promotees to an Executive Director will retain their membership.	An accrued pension based upon pensionable salary within the defined benefit scheme. Up to 20% of basic salary under the defined contribution scheme or in respect of salary above the cap within the defined benefit scheme may be paid.	None.
Annual bonus	To incentivise the delivery of financial performance, operational targets and individual objectives.	Targets are reviewed annually and any payment is determined by the Committee after the year end based on targets set for the financial year. Bonus is paid in cash. There is no deferral of bonus; however, malus and clawback provisions exist in line with those which apply to the LTIP scheme. The Committee has the discretion in exceptional circumstances to change performance measures and targets part-way through a performance year if there is a significant event which causes the Committee to believe the original measures and targets are no longer a fair and accurate measure of business performance.	Normal bonus opportunity is 100% of salary. For exceptional performance, bonus opportunity increases to 120% of salary.	Challenging but achievable operational and individual targets are determined at the beginning of the financial year. For normal bonus opportunity, 80% is based on financial performance, 20% on other individual measures. Financial measure: 90%–120% of target profit. Bonus at 90% of target equates to 10% of salary; at 120% of target bonus equates to 80%. For exceptional financial performance over 120% and up to 150% of target, a pro rata 20% of salary may be payable, capping total bonus at 120% of salary.

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Long Term Incentive Plan	The intention of the Henry Boot Long Term Incentive Plan is to provide a clear and strong link between the remuneration of Executive Directors and the creation of value for shareholders by rewarding the Executive Directors for achieving longer-term objectives aligned closely to shareholders' interests.	The Committee typically awards LTIP shares annually to Executive Directors equal to 100% of basic salary. Awards vest after the third anniversary of grant subject to performance conditions. The rules include a holding period of two years post vesting, and malus and clawback conditions. The Committee has the discretion in exceptional circumstances to change performance measures and targets part-way through a performance year if there is a significant event which causes the Committee to believe the original measures and targets are no longer a fair and accurate measure of business performance.	The rules permit grants of up to a maximum of 200% of salary to be made on an annual basis. The Remuneration Committee has no current intention of increasing the annual grant of 100%.	<p>Vesting of the awards will normally occur provided that the participant is still employed by the Group at the end of the vesting period (subject to good leaver provisions) and that the performance targets for the three-year performance period have been satisfied. 25% of the LTIP vests for the achievement of threshold performance.</p> <p>The LTIP will be subject to a range of performance conditions including EPS, ROCE and TSR with weightings for each condition of no more than 50%, which the Committee believes align the interests of Executives and shareholders.</p> <p>If these LTIP performance conditions are achieved, the Committee must be satisfied that, in its opinion, the underlying financial performance of the Group over the measurement period has been satisfactory.</p>
Shareholding guidelines	The Committee believes that Executive Directors' share ownership aligns their interests to those of shareholders generally.	The Chief Executive Officer is required to have acquired and retained a shareholding of Henry Boot PLC shares to the value of 200% of his base salary and the Group Finance Director to the value of 150% of his base salary. Executive Directors are expected to retain 50% of any LTIP awards until holdings reach the required level.	Not applicable.	<p>The shareholding requirements have been increased from 100% of base salary.</p> <p>John Sutcliffe satisfies the shareholding criteria of 200%.</p> <p>Darren Littlewood has been given the new requirement of 150% from the committee. The satisfaction date has been extended by 2 years, to 31 December 2020.</p>

Directors' Remuneration Policy continued

Element	Purpose and link to strategy	Operation	Opportunity	Performance measures and changes
Non-executive Director fees	The Board aims to recruit and retain high calibre Non-executive Directors with the relevant experience required to achieve success for the Company and its shareholders.	<p>The fees of the Chairman are determined by the Committee and the fees of the Non-executive Directors are determined by the Board following a recommendation from both the Chief Executive Officer and the Chairman.</p> <p>Non-executive Directors are not eligible to participate in any of the Company's share schemes, incentive arrangements or pension schemes.</p>	Non-executive Directors are paid a basic fee with additional fees for chairing committees. By the third anniversary of their appointment to the Board, Non-executive Directors are required to have acquired and retained a holding of Henry Boot shares equivalent to the value of 50% of their base fee.	None. However, individual performance is considered on an annual basis by the Chairman and Chief Executive Officer.

Notes to the policy table

Explanation of the performance measures chosen

The Committee selects performance measures that are aligned to the strategy of the Group. The Committee sets stretching performance targets each year for the annual bonus and long-term incentive awards. These stretching performance targets consider a number of financial and personal measures which may, from time to time, include business plans, strategy, past performance and market conditions. Where the measure used is relative shareholder return there will be no payment for performance that is below the median in comparison to the comparator group.

The performance targets used to determine annual bonus reflect the key financial objectives of the Company and any award is for delivery against these measures in line with the policy on page 86. As noted, the Committee has changed the current annual bonus policy to increase the weighting for individual objectives to 20% from 10%.

The LTIP performance targets reflect the long-term strategic objective to maximise shareholder value and therefore align the interests of the shareholders with the Executives. The LTIP measures are both financial and shareholder return based and are:

- growth in earnings per share above inflation – a key driver in creating shareholder value is to provide a dividend which grows faster than the rate of inflation;
- ROCE – a key driver to long-term growth in shareholder value is the ability to retain funds to invest in our business;
- Relative Total Shareholder Return – this measures the Company's Total Shareholder Return performance relative to a group of listed peers. This aligns the interests of management and shareholders and measures 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; and
- the Committee retains the discretion to adjust the performance targets and measures where it considers that it is appropriate to do so: for example, in the case of a major change in the structure of the business and to assess performance on a fair and consistent basis from year to year.

Malus and clawback

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

'Good leaver' status

'Good leaver' status occurs upon the cessation of employment for a good reason, such reasons being defined as death; ill health; injury; disability; retirement; redundancy or for any other reason if the Committee so decides.

Differences in policy from the wider employee group

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

These are:

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

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

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

Recruitment remuneration policy

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

Remuneration element	Policy on recruitment
Base salary	The Committee will typically offer a salary in line with the policy on page 85 whilst also considering the experience, ability to implement Group strategy, and the wider economic climate and pay and conditions throughout the Group, in order to facilitate the hiring of candidates of the appropriate calibre required to implement the Group's strategy.
Benefits	The Committee will offer benefits in line with the policy for existing Executive Directors; however, the Committee has the flexibility to consider other benefits from time to time, including relocation expenses.
Pension	Contribution levels will be set in line with the Company policy for existing Executive Directors.
Bonus	The Committee will offer the ability to earn a bonus in line with the policy on page 86 in line with other Executive Directors of up to 120% of base salary.
LTIPS	The Committee will offer LTIPS in line with the policy on page 87, and in line with other Executive Directors.
Buyouts	The Committee's policy on "buying out" existing incentives granted by the Executive's previous employer will depend on the process of recruitment and be negotiated on a case-by-case basis. The Committee may make an award in order to "buy out" previous incentives but it will only be made if it is considered necessary to attract the right candidate and there will not be a presumption in favour of doing so. The award will in any event be no larger than the award forfeited.
Internal appointees	Any remuneration awards previously granted to an internal appointee to the Board will continue on their original terms. In the same way, if that appointee is accruing benefits in the Henry Boot Defined Benefit Pension Scheme, these will continue as before on membership to the Board and will be reported on in future Remuneration Policy documents.

Directors' Remuneration Policy continued

Payment for the loss of office policy

The table below sets out the policy on exit payments.

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

Remuneration element

Base salary/fees and benefits	Base salary/fees and benefits will be paid over the notice period subject to mitigation. However, the Company has the discretion to make a lump sum payment of the base salary/fees and benefits on termination, payable during the notice period.
Pension/salary in lieu of pension	Pension contributions and any salary payments in lieu of pension will be provided over the notice period. The Company has the discretion to make a lump sum payment on termination equal to the value of the pension benefit.
Bonus	Any bonus payment would be at the discretion of the Committee and would be prorated to the time employed in the year that employment ceases and would be subject to "good leaver" status. Any payment would be subject to the same performance criteria, including those related to malus and clawback, and paid at the same time as other Directors.
LTIPS	It is normal for awards to lapse on cessation of employment unless the Company and Committee agree that the Executive is a good leaver. Good leaver status is defined in the LTIP rules and is usually conferred in the following situations: death, disability, redundancy, retirement or at the discretion of the Remuneration Committee. Good leavers will be treated in accordance with the rules of the LTIP scheme which has been approved by shareholders. Their awards are prorated for the proportion of the performance period that has elapsed. Any prorated shares vest at the normal vesting date and are subject to the same performance conditions as other LTIP holders. The Committee retains discretion to allow vesting at the time of cessation of employment on a prorated basis. Good leavers will be subject to the clauses in the LTIP Scheme related to holding periods, malus and clawback. In the event of a change of control, Directors affected will be treated in accordance with the rules of the LTIP Scheme. If the Committee is satisfied the performance targets have been achieved, subject to early vesting because of the change of control, the awards would vest with time prorating applied. There is also provision within the rules to exchange LTIP shares for awards in the acquiring company, if that is applicable.

Service contracts

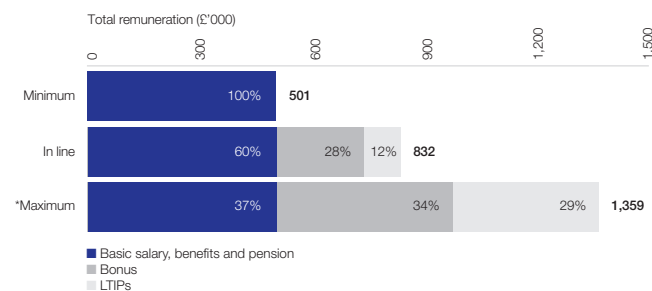
John Sutcliffe and Darren Littlewood each have a one-year rolling service agreement in accordance with our policy on Directors' contracts. Termination of these arrangements would therefore be subject to their contractual terms and conditions which require a notice period of one year to the Director.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

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

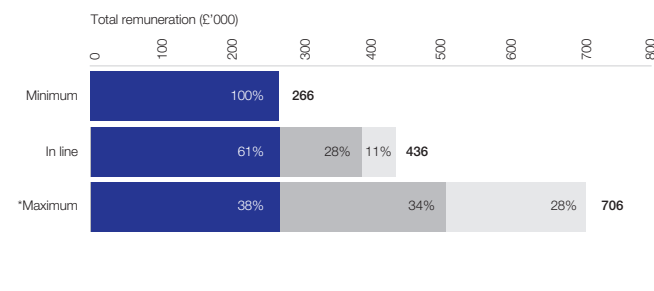
Illustration of the application of the remuneration policy

The graphs show the split of remuneration between fixed pay (base salary, pension and benefits) and variable pay (bonus and LTIPS), assuming the following bases: minimum remuneration (basic package); remuneration receivable in line with target, or threshold in the case of LTIPS; performance expectations; and the maximum remuneration possible (though not allowing for any share price appreciation).

John Sutcliffe



Darren Littlewood



* Assumes personal targets and full bonus for exceptional performance at 150% of target, i.e. 120% bonus.

	Fixed pay	Bonus	LTIP
Minimum remuneration	Fixed pay consists of basic salary. Pension at 20% of basic salary either as a pension contribution or payment in lieu.	Nil	Nil
Remuneration for performance in line with expectations	Benefits as disclosed in the single figure calculation on page 77.	Assumes 50% of personal targets are achieved (10% of salary) and profit before tax is on target (50% of salary) giving total of 60% of salary.	Achieving the base targets for the LTIP measures of EPS, ROCE and Total Shareholder Return equates to a 25% award under the LTIP Scheme (25% of salary).
Remuneration for maximum performance		Assumes all personal targets are met and profit before tax is equal to or greater than 150% of target which will give rise to a bonus of 120% of salary.	Achieving the most stretching measures under the three LTIP performance measures of EPS, ROCE and Total Shareholder Return equates to a 100% award under the LTIP Scheme (100% of salary).

Policy on external appointments

The Company recognises that Executive Directors may be invited to become Non-executive Directors of other companies and that this can help broaden the skills and experience of a Director. Executive Directors are only permitted to accept external appointments with the approval of the Board. Any remuneration earned from such appointments is retained by the Executive. Currently, no Executive Director holds a remunerated external appointment.

Statement of consideration of employment conditions elsewhere in the Group

In December each year, the Group Head of Human Resources presents a report to the Board summarising matters relating to the wider workforce, relative levels of pay between companies in the Group, changes to other working conditions and changes within the make-up of the workforce.

The Committee takes this into consideration when setting policy for the Executive Directors. Although employees are not actively consulted on Executive remuneration, the Company, through the Human Resources department, is in continual two-way discussion on remuneration issues and this body of information informs the annual remuneration discussions for both Executives and staff.

Approved by the Board and signed on its behalf by

JOANNE LAKE
Chairman of the Remuneration Committee
20 April 2018

Directors' Report

The Directors' Report for the financial year ended 31 December 2017 is detailed below.

Activities of the Group

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

Strategic Report

In accordance with the Companies Act 2006, we are required to present a fair review of the Group business along with a description of the principal risks and uncertainties faced. The Strategic Report for the year ended 31 December 2017 is set out on pages 12 to 53.

Corporate Governance Statement

The Disclosure Guidance and Transparency Rules of the Financial Conduct Authority require certain information to be included in a corporate governance statement in the Directors' Report. Information that fulfils the requirements of the Corporate Governance Statement can be found in Governance on pages 54 to 97.

Results for the year and dividends

The results are set out in the Consolidated Statement of Comprehensive Income on page 106. The companies affecting the profit or net assets of the Group in the year are listed in note 34 to the Financial Statements.

The Directors recommend that a final dividend of 5.20p per ordinary share be paid on 30 May 2018, subject to shareholder approval at the 2018 AGM to be held on 24 May 2018, to ordinary shareholders on the register at the close of business on 27 April 2018. If approved, this, together with the interim dividend of 2.80p per ordinary share paid on 20 October 2017, will make a total dividend of 8.00p per ordinary share for the year ended 31 December 2017. Further details are disclosed in note 10 to the Financial Statements on page 123.

Financial instruments

The Group's policy in respect of financial instruments is set out within the Accounting Policies on page 114 and details of credit risk, capital risk management, liquidity risk and interest rate risk are given respectively in notes 16, 23, 24 and 26 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 43.

Political donations

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

Directors and their interests

Details of the Directors who held office during the financial year ending 31 December 2017 and as at the date of this Annual Report and Financial Statements can be found on pages 58 and 59.

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

The interests of Directors and persons closely associated with them in the share capital of the Company as at 31 December 2017, are disclosed in the Directors' Remuneration Report on pages 74 to 83.

Between 31 December 2017 and 23 March 2018, being a date not more than one month prior to the date of the Notice of the AGM, there has been no change in the beneficial interest of any Director.

Details of Directors' long-term incentive awards and share options are provided in the Directors' Remuneration Report on pages 74 to 83.

Directors' service contracts and letters of appointment

Details of unexpired terms of Directors' service contracts and/or letters of appointment of the Executive Directors proposed for reappointment at the AGM on 24 May 2018 are set out in the Directors' Remuneration Policy.

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

Non-executive Directors, including the Chairman, do not have service contracts. All Non-executive Directors have letters of appointment and their appointment and subsequent reappointment is subject to approval by shareholders. Non-executive Director appointments are typically for three years; however, they may be terminated without compensation at any time. The Directors' Remuneration Policy can be viewed on the website and can also be found on pages 84 to 91.

Employment policy and involvement Employees

Employees are at the heart of all that we do; our culture ensures that employees can grow, thrive and succeed. We are fully committed to empowering 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.

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.

Succession planning is important to our ongoing success. It is our preference to promote through the line from our current workforce where possible. We have a competitive and engaging employment offering which ensures that we have a low turnover of employees but it is also attractive to external candidates wishing to join our Group, including flexible working arrangements, stakeholder pension plan, 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.

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 tries to ensure that, so far as possible, employee views are taken into account when decisions are made that are likely to affect their interests. We regularly provide our employees with information on matters of concern to them through a variety of communication channels, including manager briefings and news items on our Group intranet, to disseminate information to all Directors and employees. Employee engagement increased significantly with 'The Henry Boot Way' Working Groups. You can read more about this on pages 14 and 15.

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 29 to the Financial Statements.

Directors' indemnity provisions

Directors risk personal liability under civil and criminal law for many aspects of the Company's main business decisions. As a consequence, the Directors could face a range of penalties including fines and/or imprisonment. In keeping with normal

market practice, the Company believes that it is prudent and in the best interests of the Company to protect the individuals concerned from the consequences of innocent error or omission.

As a result, the Company operates a directors' and officers' liability insurance policy in order to indemnify Directors and other senior officers of the Company and its subsidiaries, as recommended by the UK Corporate Governance Code. This insurance policy does not provide cover where the Director or officer has acted fraudulently or dishonestly.

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

Health and safety

The health and safety of our employees and others is paramount. Further information on our approach to health and safety is provided in the Corporate Responsibility Report on page 49.

Greenhouse gas emissions

The greenhouse gas emissions disclosures required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 are included within the Strategic Report on page 53. This information is incorporated by reference into (and shall be deemed to form part of) this report.

Substantial interests in voting rights

Excluding Directors, as at 23 March 2018, being a date more than one month prior to the date of the Notice of the AGM, the information in the table below had been disclosed to the Company in accordance with the requirements in the Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

	Voting rights over ordinary shares	
	Number	% of issued
Rysaffe Nominees and J J Sykes (joint holding)¹	20,947,155	15.737
The Fulmer Charitable Trust²	5,739,580	4.312
Canaccord Genuity Group Inc³	8,290,725	6.275

1. Rysaffe Nominees and James Sykes are joint registered holders on behalf of various Reis family trusts and are therefore not included under the beneficial interests of James Sykes set out in the Directors' Remuneration Report.
2. The shares of the Fulmer Charitable Trust, a recognised charity, are registered in the names of Mr John Spencer Reis, Mrs Sally Anne Reis and Mrs Caroline Mary Mytum as Trustees.
3. Notified as indirect voting rights. This is as a result of the acquisition of Hargreave Hale Limited by Canaccord Genuity Group Inc.

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 29 to the Financial Statements. The Trustee of the Trust, a subsidiary of the Company of which the Directors throughout the whole of 2017 were Jamie Boot, John Sutcliffe, Darren Littlewood and Russell Deards, 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 2017, 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 31 to the Financial Statements.

Future developments

Important events since the financial year end and likely future developments are described in the Strategic Report on pages 12 to 53.

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 12) and authorising the Audit Committee to fix their remuneration (Resolution 13) will be proposed at the AGM.

Accountability and audit

Details of the Directors' responsibilities and the Statement of Directors' Responsibilities are contained on page 97. The Independent Auditors' Report is given on pages 100 to 105.

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 24 May 2018 at 12.30pm. The notice convening the meeting can be found on pages 156 to 160. It is also available at 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 29 to the Financial Statements. As at 23 March 2018, the ordinary shares represent 97.08% of the total issued share capital of the Company by nominal value and the preference shares represent 2.92% of such total issued share capital. The ordinary shares and the preference shares are in registered form. Both classes of share are admitted to the Official List of the Financial Conduct Authority. The Company's ordinary shares are categorised as "Premium Listed" and its preference shares as "Standard Listed". A Standard Listing is based on EU minimum standards for floating a company on a public market whereas a Premium Listing requires compliance with additional requirements set out in the Listing Rules of the Financial Conduct Authority.

The Notice of the AGM on pages 156 to 160 includes the following resolutions:

- an ordinary resolution (Resolution 14) to renew the authority of the Directors to allot shares up to a maximum nominal amount of £4,436,786 representing approximately one-third (33.33%) of the Company's issued ordinary share capital at 3 April 2018. The authority will expire on 23 August 2019 or at the conclusion of the next AGM, whichever is the earlier, but it is the present intention of the Directors to seek annual renewal of this authority. The Directors do not have any present intention of exercising the authority;
- a special resolution (Resolution 16) to enable the Directors to continue to allot equity securities for cash in connection with a rights or other issue pro rata to the rights of the existing shareholders, but subject to certain exceptions, and for any other purpose provided that the aggregate nominal value of such allotments does not exceed £665,517 (approximately 5% of the Company's issued ordinary share capital at 3 April 2018). The authority will expire on 23 August 2019 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 17) to renew the authority of the Company to make market purchases of up to 13,310,358 of its own issued ordinary shares (10% of the Company's issued ordinary share capital at 3 April 2018). 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 24 May 2018 are set out in the Notice of AGM on pages 156 to 160.

Dividends and distributions

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

Variation of rights

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

Transfer of shares

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

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

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

Directors' Report continued

Repurchase of shares

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

Amendment to the Articles of Association

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

Appointment and replacement of Directors

The Directors shall not, unless otherwise determined by an ordinary resolution of the Company, be less than three nor more than 15 in number. Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board shall retire from office at the next AGM of the Company but shall then be eligible for reappointment. The Board may appoint one or more Directors to hold any office or employment under the Company for such period (subject to the Companies Act 2006) and on such terms as it may decide and may revoke or terminate any such appointment. At each AGM any Director who has been appointed by the Board since the previous AGM and any Director selected to retire by rotation shall retire from office. At each AGM, one-third of the Directors who are subject to retirement by rotation or, if the number is not an integral multiple of three, the number nearest to one-third but not exceeding one-third shall retire from office. In addition, there shall also be required to retire by rotation any Director who at any AGM of the Company shall have been a Director at each of the preceding two AGMs of the Company, provided that they were not appointed or reappointed at either such AGM and they have otherwise ceased to be a Director and been reappointed by general meeting of the Company at or since either such AGM. The Company's policy is that all of the Directors should be, and are, subject to annual re-election.

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

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

Powers of the Directors

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

Directors' fees

The Articles provide for directors' fees of up to an aggregate of £250,000 per annum (unless there is an ordinary resolution of the Company determining a larger sum). In order to ensure sufficient flexibility in setting the level of the directors' fees, an ordinary resolution (Resolution 15) will be proposed at the AGM to increase this sum to the larger sum of £350,000 per annum.

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 and Company Secretary
20 April 2018

Statement of Directors' Responsibilities

in respect of the financial statements

Annual Report and Financial Statements

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

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

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

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

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

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

Fair, balanced and understandable

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

Directors' responsibility statement

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

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

Approved by the Board and signed on its behalf by

JOHN SUTCLIFFE
Director
20 April 2018

DARREN LITTLEWOOD
Director
20 April 2018