

HENRY BOOT PLC

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

1. Definition

In these terms of reference:

“**Board**” means the board of Directors of the Company;

“**Code**” means the UK Corporate Governance Code as revised in July 2018 (or as further updated or reissued from time to time);

“**Committee**” means the Remuneration Committee of the Board;

“**Company**” means Henry Boot PLC;

“**Group**” means the Company and its subsidiary undertakings from time to time;

“**Operations Board**” means the Chief Executive Officer and Group Finance Director of the Company, together with the managing directors of the major subsidiary companies of the Group, as identified from time to time by the Chief Executive Officer of the Company; and

“**Senior Management**” means members of the Operations Board and the Company Secretary.

2. Introduction

The purpose of the Committee is to determine the policy for Executive Director remuneration and set remuneration for the Chairman, Executive Directors and Senior Management. It should also review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these in to account when setting the remuneration policy. See “Duties” below for more information.

3. Membership

3.1 The Committee will comprise at least three members all of whom shall be independent Non-Executive Directors. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Committee.

3.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, Head of HR and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

3.3 The Board shall appoint the Committee Chairman who shall be an independent Non-executive Director who has served on a remuneration committee for at least 12 months. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chairman of the Board shall not be the Committee Chairman.

4. **Secretary**

The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

5. **Quorum**

The quorum necessary for the transaction of business shall be two members; being independent Non-executive Directors.

6. **Frequency of meetings**

The Committee shall meet at least twice a year and otherwise as required.

7. **Notice of meetings**

7.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chairman.

7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-executive Directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

8. **Minutes of meetings**

8.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.

8.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, unless in the opinion of the Committee Chairman it would be inappropriate to do so.

9. **Annual General Meeting**

The Committee Chairman should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

10. **Duties**

The Committee should carry out the duties detailed below for the Parent Company, major subsidiary undertakings and the Group as a whole, as appropriate.
The Committee shall:

10.1 Have responsibility for determining the remuneration policy which shall be subject to a binding shareholder vote at the Company's Annual General Meeting (at least every three years) and with which all future Board Directors' remuneration shall be consistent. The Committee shall also set remuneration for the Company's Chairman, Executive Directors and Senior Management. The Board itself should determine the remuneration of the Non-executive Directors within the limits set in the Articles of Association. No Director or senior manager shall be involved in any decisions as to their own remuneration;

- 10.2 In determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The policy shall be designed to support the strategy of the Group and promote long-term sustainable success. Executive remuneration should be aligned to the Company's purpose and values, and be clearly linked to the successful delivery of the Group's long-term strategy. The Committee should develop a formal policy for post-employment shareholding requirements encompassing both vested and unvested shares;
- 10.3 Review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these in to account when setting the policy for Executive Director remuneration;
- 10.4 Review the ongoing appropriateness and relevance of the remuneration policy and exercise independent judgment and discretion when authorising remuneration outcomes, taking account of Company and individual performance and wider circumstances. The remuneration policy should enable the use of discretion and include provisions for the Company to recover and/or withhold remuneration if appropriate to do so;
- 10.5 Within the terms of the agreed policy and in consultation with the Committee Chairman and/or Chief Executive Officer, as appropriate, determine the total individual remuneration package of each Executive Director, the Company Chairman and Senior Management including bonuses, incentive payments and share options or other share awards;
- 10.6 Obtain reliable, up to date information about remuneration in other companies of comparable scale and complexity. To help it fulfil its obligations the Committee shall have full authority to appoint remuneration consultants and to commission or purchase any reports, surveys or information which it deems necessary at the expense of the Company but within any budgetary restraints imposed by the Board;
- 10.7 Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee. Any consultants should be identified in the Annual Report alongside a statement about any other connection they have with the Company or individual directors. Independent judgment should be exercised when evaluating the advice of external third parties and when receiving views from Executive Directors and Senior Management;
- 10.8 Approve the design of, and determine targets for, any performance related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- 10.9 Review the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determine each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to Executive Directors and Senior Management and the performance targets to be used;
- 10.10 Determine the policy for, and scope of, pension arrangements for each Executive Director, ensuring alignment with the pensions contributions for the wider workforce of the Group;

- 10.11 Ensure that notice or contract periods are one year or less and compensation commitments in directors' terms of appointment do not reward poor performance. The Committee should be robust in reducing compensation to reflect departing Directors' obligations to mitigate loss;
- 10.12 Oversee any major changes in employee benefits structures throughout the Company or Group;
- 10.13 Agree the policy for authorising claims for expenses from the Directors; and
- 10.14 Work and liaise as necessary with all other Board Committees.

11. Reporting responsibilities

- 11.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall ensure that provisions regarding disclosure of information, including pensions, as set out in relevant legislation and the Code, are fulfilled and produce a report of the Company's remuneration policy which shall be subject to a binding shareholder vote at the Company's Annual General Meeting (at least every three years) and with which all future Board Directors' remuneration shall be consistent. If the Committee has appointed remuneration consultants, the annual report of the Company's remuneration policy should identify such consultants and state whether they have any other connection with the Company.
- 11.4 The Committee shall produce the Directors' Remuneration Report to be included in the Company's annual report about its activities and how it has implemented the remuneration policy. This shall be produced annually and be subject to an advisory shareholder vote at the Company's Annual General Meeting. The report shall include:
 - 11.4.1. an explanation of the strategic rationale for Executive Directors' remuneration policies, structure and any performance metrics;
 - 11.4.2. reasons why the remuneration is appropriate using internal and external measures, including pay ratios and pay gaps;
 - 11.4.3. a description with examples of how the Committee has addressed the factors in Code provision 40;
 - 11.4.4. whether the remuneration policy operated as intended in terms of company performance and quantum, and, if not, what changes are necessary;
 - 11.4.5. what engagement has taken place with shareholders and the impact this has had on remuneration policy and outcomes;
 - 11.4.6. what engagement with the workforce has taken place to explain how executive remuneration aligns with wider company pay policy; and

11.4.7. to what extent discretion has been applied to remuneration outcomes and the reason why.

11.5 Through the Chairman of the Board, ensure that the Company maintains contact as required with its principal stakeholders about remuneration.

12. **Other matters**

The Committee shall:

12.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;

12.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

12.3 give due consideration to laws and regulations, any published guidelines or recommendations regarding the remuneration of directors of listed/non listed companies and formation and operation of share schemes including but not limited to the provisions of the Code, the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as well as any other associated guidance as deemed appropriate.

12.4 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

13. **Authority**

The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.