



Our governance

Our governance arrangements align with the principles and provisions set out in the UK Corporate Governance Code and other public-sector governance codes.

Our governance

Our Board

Nominations Committee



Colin Matthews CBE
Chairman
Chair, Nominations Committee

- Appointed December 2014; previously Chair of Highways Agency from July 2014
- Career includes Non-Executive Chairman roles at EDF Energy Holdings Limited and Renewi plc, a Non-Executive Director (NED) role at Johnson Matthey plc, Chief Executive Officer roles at Heathrow Airport, Severn Trent Water plc and Hays plc, a Managing Director role at Transco Ltd, and an Engineering Director role at British Airways plc
- Qualifications include an MA in Engineering, FEng (Chartered Engineer) and an MBA

+ For **Colin's report** see page 108

Executive Member



Jim O'Sullivan
Chief Executive

- Appointed July 2015
- Career within transportation, asset management, and utility organisations, including Chief Engineer for Concorde at British Airways, Executive Director roles at National Grid Gas, Central Networks and Managing Director at Edinburgh Airport
- Qualifications include a BSc (Hons) in Air Transport Engineering, an MBA, CEng (Chartered Aeronautical Engineer) and an alumni of the senior executive academy at Massachusetts Institute of Technology (MIT), Boston

Safety Committee



Alan Cumming
Non-Executive Director
Chair, Safety Committee

- Appointed September 2017
- Director of Nuclear Operations at the Nuclear Decommissioning Authority (NDA), responsible for all aspects of safety within the NDA estate, and appointed the NDA-nominated Non-Executive Director at Sellafield Ltd in April 2018
- International career within engineering and energy
- Qualifications include CEng, MStructE (Chartered Structural Engineer) and an MBA

+ For **Alan's report** see page 108

Audit Committee



Kathryn Cearns OBE
Non-Executive Director
Chair, Audit and Risk Committee

- Appointed April 2018
- Member of the DfT's Group Audit and Risk Committee, Chair of the Office of Tax Simplification, Member of the International Monetary Fund External Audit Committee, and a Non-Executive Board member and Audit Committee member at Companies House
- Previous Chair roles at the Financial Reporting Advisory Board, HM Treasury and the ICAEW Financial Reporting Committee
- FCA and FCCA membership

+ For **Kathryn's report** see page 110

Investment Committee



Janette Beinart
Non-Executive Director
Chair, Investment Committee

- Appointed January 2019
- Career in Information Technology having had a long international career working for Shell culminating as Global Upstream Chief Information Officer
- Further experienced in the savings and investment business as interim Group Chief Information Officer for M&G Prudential
- Economics graduate

+ For **Janette's report** see page 112

Shareholder Representative



Carolyn Battersby
Non-Executive Director

- The DfT-appointed Shareholder Representative from February 2019
- Executive Director at UK Government Investments (the Government's centre of excellence in corporate finance and governance), which she joined in 2011
- Career in corporate finance and strategy, with roles at Tesco, The Prince's Trust, Schroders and Permira
- Qualifications include an MChem degree

Senior Non-Executive Director



Roger Lowe
Non-Executive Director

- Re-appointed Senior NED 11 February 2019, having previously been the DfT-appointed Non-Executive Shareholder Representative from July 2016
- Currently with Capstar Advisers, a specialist communications group. From May 2010 to February 2019, Roger was a Director at UK Government Investments
- Career in corporate finance, specialising in acquisitions and disposals, joint ventures and restructurings, with roles in industry, including as Group Director of Corporate Finance at TI Group plc, a leading engineering business and Investment Banking at Lazard, including two years on secondment to Lazard Freres in New York

Executive Member



Vanessa Howlison
Chief Financial Officer

- Appointed June 2016
- Career includes a number of Finance Director roles in Government departments, including at the DfT, the Department of Energy and Climate Change, and Ofsted
- Previous finance roles in the NHS, and in the Audit Commission
- Currently an Independent member of the Audit and Risk Committee at the regulator Ofwat, and a member of the CIPFA Institute Council
- CIPFA membership

Remuneration Committee



Elaine Holt
Non-Executive Director
Chair, Remuneration Committee

- Appointed April 2015; previously NED of Highways Agency from 2014
- Career includes a number of roles in travel and transport, including Chair, CEO and MD roles at Directly Operated Railways, East Coast & First Capital Connect, also Executive Vice-President at Carnival UK
- Currently undertakes a number of non-executive, advisory and chair roles in both the public and private sectors
- FCILT (fellow of the Chartered Institute of Logistics and Transport)

+ For **Elaine's report** see page 114

We said goodbye to:

David Hughes
Non-Executive Director
Chair, Audit and Risk Committee

- Appointed March 2015; previously a NED of Highways Agency from 2009
- Left August 2018
- Member of the DfT's Group Audit and Risk Assurance Committee
- Career in finance at a number of major engineering and construction companies
- Chartered Accountant
- Qualifications include an MA and FCA membership

We said goodbye to:

Simon Murray
Non-Executive Director
Chair, Investment Committee

- Appointed in April 2015; previously a NED of Highways Agency from 2012
- Left 31 March 2019
- NED at East West Rail Company (wholly owned by the DfT) from February 2019
- Career within the infrastructure sector, including roles at contractor Geoffrey Osborne Ltd, Acumen7, Transport for London, Anglian Water Services, Railtrack plc, and BAA plc (now Heathrow Airport)
- Chartered Civil Engineer
- Qualifications include a BSc, CEng, FICE and FCGI

Corporate governance report

▶ Highways England was established on 1 April 2015 under the Infrastructure Act 2015, appointed and licensed as a strategic highways company by the Secretary of State for Transport. We are the highway authority, traffic authority and street authority for England's motorways and certain major A-roads that together are known as the SRN.

Accountability

Our governance framework

We are a Government-owned arm's-length company, delivering and contributing to Government's long-term plan for the SRN. Our performance is monitored by the ORR and the consumer watchdog body, Transport Focus. Both organisations provide advice to the Secretary of State for Transport on our activities.

Setting out roles and accountabilities

The DfT's *Framework Document* sets out the respective roles and accountabilities of the Secretary of State for Transport, the DfT and Highways England. This framework provides clarity of purpose as the parties work to achieve the shared objectives of delivering a network that:

- provides the best possible service for customers and stakeholders
- supports broader economic, environmental and safety goals

The *Framework Document* also:

- recognises our functional and day-to-day operational independence
- sets out how financial control and accountability is achieved
- recognises the governance and decision-making arrangements of the Board that are appropriate to us as a corporate, legal entity, and with the Executive team accountable to that Board

Our Delivery Plan

Our *Delivery Plan* explains how we will meet the specific requirements of the first road period. The Board reviews the plan annually and agrees refinements in line with our annual objectives and other strategies, including our approach to safety. We publish an annual update describing the work programme for the current year.

Relationship with our Shareholder and statutory stakeholders

The DfT's *Framework Document* also includes arrangements for regular formal meetings with the Shareholder and his officials. These take place throughout the year, supplemented by informal meetings as necessary. The *Framework Document* outlines the arrangements for ORR to monitor our performance. These include regular meetings between ORR and the appropriate areas of our business. ORR evaluate our performance, carry out regular independent reviews and publish the associated reports on their website.

Highways England representatives meet regularly with customer stakeholder groups, including Transport Focus, to gather insight and work collaboratively to improve our customer service.

Role of Non-Executive Chairman

The Chairman leads the Board and is responsible for ensuring we conduct our affairs openly, transparently and with probity. He is also responsible for ensuring our policies and actions are appropriate to those of a Government-owned company and supportive of the objectives of the Secretary of State for Transport. The Chairman's role is non-executive and part-time, at a minimum of one and a half days a week.

Role of Chief Executive

The Chief Executive has day-to-day responsibility for our performance. He leads the Executive team and oversees our operations. He also leads the

development of strategy and makes recommendations to the Board. His leadership promotes our culture and standards. In compliance with Government requirements, the Chief Executive is also the Accounting Officer, responsible to Parliament for the stewardship of the public funds under his direction.

Role of Senior Non-Executive Director

The Senior Non-Executive Director's role is to provide a sounding board for the Chairman and to serve as an intermediary for the other Directors when necessary. The Senior Non-Executive Director is also available to our Shareholder if they have a concern that contact through the normal channels of Chairman or Chief Executive has failed to resolve, or for which such contact is inappropriate.

Role of Non-Executive Directors

Non-Executive Directors are appointed to the Board to contribute their independent external expertise and experience in areas of importance to Highways England. They also provide independent challenge and rigour to the Board's deliberations.

Role of Executive Directors

The Executive Directors support the Chief Executive in leading Highways England to deliver our strategic objectives. Executive Directors implement the Board's strategic decisions and are committed to doing this responsibly.

Leadership

Role of the Board

The Board is accountable to our Shareholder for all aspects of Highways England's activities and performance, including fulfilling our role and responsibilities as a strategic highways company. The Board is our primary governance arm in line with our fiduciary and other duties under company law. The Board's governance activities include setting strategy, overseeing performance, reviewing risks and appointing senior leaders. A number of strategic,

financial or other significant matters are reserved to the Board for decision. The Board delegates responsibility for the day-to-day running and operations to the Chief Executive.

Composition of the Board

The Board is expected to have no more than ten and no fewer than five members, with a balance in favour of independent Non-Executive Directors.

The Secretary of State for Transport, as Shareholder, appoints the Chairman. He may also appoint a further Non-Executive Director as his representative. He must approve all other Non-Executive and Board Executive Director appointments. The Chief Executive must be appointed to the Board together with up to two further Executive Directors, one of whom must be our Chief Financial Officer.

Information on our Board members, including their length of service and membership of the committees they attend and chair, is shown in the table on page 102.

Board changes during the year

In April 2018, Kathryn Cearns joined the Board. Kathryn has extensive senior level experience in the accountancy sector and became Chair of the Audit and Risk Committee in September 2018, following David Hughes' retirement from the Board.

In January 2019, Janette Beinart joined the Board. Janette has extensive experience at a senior level in the development and application of information technology in a corporate environment. She became Chair of the Investment Committee in April 2019, following Simon Murray's retirement from the Board.

In February 2019, Carolyn Battersby joined the Board as the Shareholder-appointed Non-Executive Director. Carolyn replaced Roger Lowe who stepped down from this role and rejoined the Board as a Non-Executive Director. Carolyn has a background in business development and investment.

New Board members receive a formal induction programme organised by the Company Secretary, which is tailored to their individual requirements. The induction programme includes the provision of key corporate, strategic and financial documents, one-to-one meetings with Executive team members, site tours, safety tours, and ride-outs with traffic officers on the network.

Board committees

Our Board committees include:

- Nominations Committee
- Safety Committee
- Audit and Risk Committee
- Investment Committee
- Remuneration Committee

The Board and Executive Committee Framework is shown on page 107. The role of each Board committee is described in the individual committee reports in this section.

Composition, attendance and advice

The composition of the Board and its committees is shown on pages 98-99. The attendance of the Board and its committees can be seen in the table below. Directors have access to the advice and services of the Company Secretary at all times. The Company Secretary is responsible for ensuring that the Board operates in line with our governance framework, and that there is an effective flow of information to and from the Board, its committees, and the Executive team.

Regular attendees at Board meetings include the General Counsel and the Chief Highways Engineer. Other Executive team members and senior leaders attend from time to time on specific items of business.

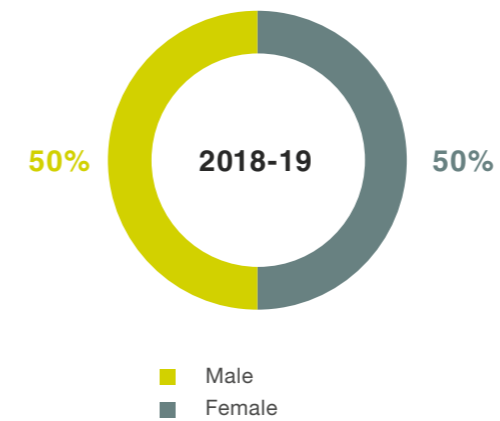
Board and committee membership and attendance

Name	Role	Term of office ends	Board	Audit and risk	Nominations	Remuneration	Safety	Investment	
Colin Matthews	Non-Executive Director	Chairman and Chair, Nominations Committee	31/08/20	11(11)	-	2(2)	5(5)	5(5)	7(7)
Roger Lowe	Non-Executive Director	Shareholder-appointed Non-Executive Director until January 2019 and Senior Non-Executive Director from February 2019 ¹	28/02/21	11(11)	5(5)	2(2)	5(5)	5(5)	7(7)
David Hughes	Non-Executive Director	Chair, Audit and Risk Committee until August 2018	31/08/18	5(5)	2(2)	1(1)	1(2)	1(2)	1(2)
Simon Murray	Non-Executive Director	Chair, Investment Committee	31/03/19	11(11)	5(5)	2(2)	-	4(5)	7(7)
Elaine Holt	Non-Executive Director	Chair, Remuneration Committee	31/03/20	10(11)	-	2(2)	5(5)	5(5)	7(7)
Alan Cumming	Non-Executive Director	Chair, Safety Committee	30/09/20	10(11)	3(4) ²	1(2)	-	4(5)	5(7)
Kathryn Cearns	Non-Executive Director	Chair, Audit and Risk Committee from September 2018	30/04/21	8(11)	4(5)	2(2)	4(4) ³	4(5)	6(7)
Janette Beinart	Non-Executive Director	From January 2019	31/01/22	4(4)	1(1)	-	-	1(1)	2(2)
Carolyn Battersby	Non-Executive Director	Shareholder-appointed Non-Executive Director from February 2019	28/02/22	2(2)	1(1)	-	1(1)	1(1)	1(1)
Jim O'Sullivan	Executive Director	Chief Executive	N/A	11(11)	5(5) ⁴	2(2) ⁴	5(5) ⁴	5(5)	7(7)
Vanessa Howlison	Executive Director	Chief Financial Officer	N/A	8(11)	5(5) ⁴	-	-	3(5)	6(7)

1. Roger Lowe resigned from his position as the Shareholder-appointed Non-Executive Director on 1 February 2019 (unremunerated) and was subsequently appointed as a Non-Executive Director for a period of two years with an option to extend for one further year. He serves as the Senior Non-Executive Director to the Board.
 2. Alan Cumming stepped down from the Audit and Risk Committee in February 2019.
 3. Kathryn Cearns became a member of the Remuneration Committee in June 2018.
 4. Not a committee member – in attendance only.

The chart below shows the composition of Board members by gender.

Board composition



Based on Board composition as at 31/03/19

The work of the Board

The Board has maintained its focus on our three imperatives of safety, customer service and delivery, and reviews performance against targets at each meeting.

The Board approves the annual *Business Plan* and the *Delivery Plan Update* that support the delivery of the Government's RIS. Through the Investment Committee, the Board makes investment decisions based on recommendations from the Executive Investment Decision Committee and monitors progress of the capital programme. This is part of the Board's responsibility to ensure good governance and value for money. The Board also considers strategic risks at each meeting and the corporate risk register on an annual basis.

+ Read more about our approach to risk reporting on pages 56-59

As our capacity and capability are central to the delivery of both current and future investment strategies, the Board monitors progress on recruitment, retention and plans to develop and reward our people.

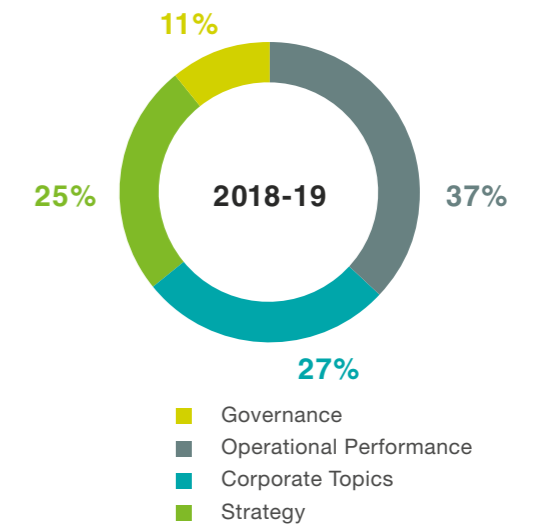
The Board also considers the development and delivery of key strategies and activities aligned with our imperatives and strategic aims. The Board has reviewed the approach and activities related to key national strategic projects, including preparations and contingency planning for potential Brexit impacts.

The Board placed emphasis on considering longer term strategic issues this year, including focusing on:

- the evolution of RIS2 and the development of our *Strategic Business Plan* for the second road period
- the potential impacts of technology developments on roads and vehicles
- development of the Smart Motorways Alliance model

The chart below shows how the Board allocated its time during meetings:

Board activities



It is important to the Board that we maintain and improve our relationship with ORR and Transport Focus. As part of this, our Chairman and Chief Executive attended an ORR Board meeting during the year, and exchanged views on performance and how the two organisations could work effectively together. The Chairman and Chief Executive of Transport Focus attended one of our Board meetings during the year to give their perspective on Highways England.

Evaluation

An independent formal evaluation of the Board in 2017 highlighted five areas for further improvement in 2018-19. The results of the 2018-19 evaluation confirmed that progress has been made:

Board evaluation: key recommendations	Progress update
Maintaining the right balance in Board discussions between challenge and encouragement	A better balance was achieved in Board discussions between challenge and encouragement
Growing management capability and capacity	The Board, Nominations and Remuneration committees all considered Highways England's capability and capacity, which has been addressed at a senior level. The focus will continue into the lower levels of the organisation
Quality of Board papers	The quality of Board papers improved markedly during the year
Board activities beyond formal meetings	Board members were satisfied that there have been opportunities for informal interaction beyond formal meetings during the year
Time spent on strategic topics	Board members were satisfied that there has been an improvement in the allocation of Board time in meetings between operational and strategic items

An internal Board evaluation exercise was held in November 2018. Following the evaluation, the Board will focus on the following five areas in 2019-20:

- Customer service
- Stakeholder relations
- The RIS1 narrative
- An appropriate RIS2 settlement
- The wider benefits to society

Following the evaluation, the Chairman held one-to-one performance review meetings with each Non-Executive Director. The Chairman's performance was reviewed by the Shareholder, with support from the Senior Non-Executive Director.

Other activities carried out by the Board during the year included regularly reviewing relationships with key stakeholders, and reviewing the committee structure to ensure continued effectiveness.

The next Board evaluation will be conducted internally in November 2019.



Committee reports



Nominations Committee

Role

The committee's role is to make Board and Executive appointments. This is subject to approvals required by the Articles of Association, the *Framework Document*, and the Shareholder. Specific responsibilities include:

- Approving recommendations for the appointment of Executive Directors and Non-Executive Directors
- Keeping the structure, size and composition of the Board and its committees (including their chairs) under review
- The continuation in office of Directors, and the appointment process for Board members and Company Secretary
- Succession planning for the Board and for posts reporting to the Chief Executive, as well as ensuring planning arrangements are in place for the level immediately below, giving full consideration to the challenges and opportunities facing Highways England and future skills needed

Composition

The committee is chaired by Colin Matthews and composed of five other Non-Executive Directors (including the Shareholder-appointed Non-Executive Director). The Chief Executive, Executive Director of HR and Company Secretary also attend meetings.

Work

The committee meets regularly to discuss succession plans for senior managers and meets on a flexible, ad hoc basis when required.

Chair's highlights

The committee's main business this year was to recruit a replacement Non-Executive Director for Simon Murray, who retired from the Board on 31 March 2019. His replacement was Janette Beinart, who was appointed with effect from 21 January 2019.

The committee also reviewed the composition of the Board and confirmed that the current structure remains appropriate.

+ For committee Chair Colin's biography, go to page 98

Safety Committee

Role

The Safety Committee ensures that the Board fulfils its leadership responsibilities in relation to our health, safety and wellbeing ambition, including strategy and management arrangements. It works closely with the Executive team to monitor safety performance, and to ensure that we have a strong, robust and continuously-improving safety culture, along with our supply chain.

Safety risks cannot always be eliminated entirely, so the Safety Committee provides leadership to ensure that key risks are identified, appropriately managed and mitigated. The committee is responsible for setting clear expectations to improve safety standards in the business, the supply chain and across the SRN.

Composition

The committee is chaired by Alan Cumming. Members of the committee include the Chairman, all Non-Executive Directors, the Chief Executive, Chief Financial Officer, Chief Highways Engineer and Health, Safety and Wellbeing Director. Members of the Executive team and other senior managers with safety responsibilities attend the committee when required.

Work

The committee's work is divided into four areas:

1. Staff safety and wellbeing

The safety of our people is a priority for the committee. As such, it regularly monitors accident frequency rates and reviews major incidents reports. The committee monitors a range of health, safety and wellbeing work, aimed at highlighting issues in this area and developing capability in dealing with them.

Chair's highlights

During the year, the committee received regular updates in two key areas: plans to improve safety in Operations; and plans to improve staff health and wellbeing. The committee also reviewed arrangements established as part of the Operational Excellence Programme for improving the safety culture and received a report on safety maturity within the organisation, including the establishment of leading indicators. The committee participated in a safety tour to the Severn Bridges in July 2018, to discuss the arrangements in place and specifically for staff recently transferred into Highways England. The committee also reviewed capability for dealing with mental health issues, which will form part of the next stage of the Management Development Programme, and provided input to support the roll-out of the Home Safe and Well approach internally.

2. Road user safety

The committee challenges approaches to improving road safety. It also monitors performance against our KPI to reduce the number of people killed or seriously injured on our network by 40% at the end of the current road period.

Chair's highlights

The committee reviewed the progress of our safe systems approach to improve road user safety, which is focused on safer roads, safer people and safer vehicles.

A number of guest speakers were invited to attend committee meetings during the year. All brought outside perspectives to support strategy discussions. Guest speakers attended from the Driver and Vehicle Standards Agency, Transport Focus and the DfT. A Detective Chief Superintendent also gave a presentation on policing the roads and future collaboration, which featured the campaigns we have run to improve driver behaviour.

The committee received regular reports on accident statistics and updates on the implementation of a new reporting methodology, including how the system will impact the classification of serious injuries.

The committee considered the following campaigns launched during the year:

- Driving for Better Business
- Communication campaigns, including the Space Invader campaign
- Commercial vehicle incident prevention programme

In response to concerns raised following the bridge collapse in Genoa, the committee sought and received assurances from the Executive team on our processes for the design and maintenance of our structures.

3. Safety performance of our supply chain

The committee considered supply chain safety performance and recognised that there are still too many avoidable incidents in the supply chain. The committee closely monitors the accident frequency rates, progress on investigations, incident reporting and outcomes.

Chair's highlights

Committee members take part in safety leadership tours of the major schemes to see how safety arrangements are working on the ground. The committee received a progress update on delivery of our *Suicide Prevention Strategy*, published in November 2017. The Samaritans attended a meeting to update members on their work and to highlight some of the risk factors and impacts of suicide. The presentation particularly highlighted the risks associated with those working in the construction industry.

4. Monitoring the delivery of our *Health and Safety Five-Year Plan*

Our updated *Health and Safety Five-Year Plan* sets out how we will achieve our safety ambition within the current road period. Delivery of the plan supports our ambition that "no-one should be harmed when travelling or working on the SRN." The committee monitors progress in delivering the range of actions and initiatives set out in the plan, holding the business to account for any deviation or late delivery.

Chair's highlights

This year, the directorates have worked to deliver and report to the committee on the *Health and Safety Five-Year Plan*. The committee was pleased to note the progress made on delivery of the 130 actions as we approach the final year of the plan. With 26 Year 5 and ongoing actions to complete, 12 are on track, 13 are completed and one has been flagged for further intervention. The committee has also input to the Home Safe and Well approach, which has been well received by senior management, and launched to the wider business in August. The approach document is due to be published in April 2019.

+ For committee Chair Alan's biography, go to page 99

Audit and Risk Committee

Role

The Audit and Risk Committee's principal role is to assist the Board in carrying out its oversight responsibilities in relation to four areas: financial reporting; internal controls; risk management; and ensuring an appropriate relationship with our external auditor is maintained. The committee is also responsible for providing advice to the Chief Executive in his capacity as Accounting Officer.

In particular, the committee oversees:

- The strategic processes for risk management, internal control and governance arrangements
- The acceptability of the *Annual report and accounts*
- The integrity of the corporate reporting obligations under the Licence and *Framework Document*
- Responses to the external auditor's management letter
- Significant proposed changes to accounting policies
- The annual internal audit programme
- The suitability of our counter-fraud, anti-bribery and anti-corruption activity
- The suitability of our mitigation response to the risk of cyber-crime

Composition

The committee is chaired by Kathryn Cearns. Members include six Non-Executive Directors, including the Shareholder-appointed Non-Executive Director, in accordance with the requirements of the *Framework Document*.

As part of the role, the Chair is also a member of the DfT's Group Audit and Risk Assurance Committee, representing Highways England as well as performing a similar check and challenge role to the DfT's senior management.

The Chief Executive, Chief Financial Officer, Financial Controller, Corporate Assurance Director and the National Audit Office (NAO) Financial Audit Director regularly attend meetings. Other senior management may be called to attend as necessary.

Periodically, the committee meets with the Corporate Assurance Director and the NAO Financial Audit Director to discuss any matters without Executive management being present. The Chair meets separately and periodically with our Chief Financial Officer and our Corporate Assurance Director, and also liaises with other senior managers, our Company Secretary and the NAO, as required.

Work

The committee's work is divided into four areas:

1. Financial reporting

As part of its remit to ensure the integrity of the accounts and effective management of public funds, the committee considers the following matters:

- Accounting policies and judgements updates
- Taxation strategy, tax risks and other tax issues
- *Annual report and accounts* review and approval
- External audit approach and findings
- Year-end assurance over reported performance

Chair's highlights

During the year, the committee focused on the approach to approving management of accruals and salary overpayments, and were content with the action taken. Members evaluated our accounting policies, including taxation and the management of the risk relating a reinterpretation of VAT treatment. The committee was satisfied with management's approach in dealing with this.

The committee's responsibilities in relation to reviewing the final validated position on our KPIs are substantive. Members reviewed the current suite of KPI and performance-related data (post-independent validation), and made a recommendation to the Board to approve its publication in this report and the *Performance Monitoring Statements*, published separately.

2. Internal controls

The committee is responsible for ensuring that we have the right control framework in place. It also ensures that its internal audit function is properly resourced, with the right skills and experience to provide the required level of assurance.

The committee's work in this area includes:

- Endorsing the annual internal audit programme
- Reviewing regular reports on the internal audit programme's progress, including a summary of the effectiveness of the areas under review (in addition to receiving individual reports on each audit assignment)
- Assessing the implementation of actions from internal audits, and outstanding and overdue actions
- Reviewing the annual assurance statement

Chair's highlights

The committee reviewed the approach to applying GDPR. Members clarified Highways England and supply chain obligations, evaluated immediate risks and endorsed management's approach to improve its assurance processes. The committee also monitored current test cases to consider how they could affect risk exposure, depending on the court rulings made.

Recognising that our Corporate Assurance division incorporates a number of assurance activities as well as internal audit, the committee endorsed both parts of the internal audit programme and acknowledged the work completed by its other teams. The committee was satisfied that the Director of Corporate Assurance had deployed the right type of assurance activity with the right professional team, pooling skills and experience from across the division into a hybrid team, as required.

The committee discussed significant findings from their work throughout the year and focused on emerging themes, including capability development in the project and contract management environments and management actions to improve areas identified through the assurance process.

Under the *Framework Document*, we are required to participate in the DfT's management assurance process. Accordingly, the committee reviewed and endorsed our submission to DfT, noting the progress made in year.

3. Risk management

The committee is responsible for ensuring that the approach to managing key threats and opportunities is proportionate and appropriate to our operating environment. It regularly receives updates on how the process has been embedded internally and periodically reviews the status of the corporate risk register. At each meeting, an Executive Director is asked to present on a specific risk or area of interest. These 'deep dives' are important for the committee to understand whether the mitigation identified is suitable.

The committee also considers matters relating to the approach to mitigating the risk of economic crime. It receives regular updates on investigation progress and outcomes, and endorses actions taken to create a proactive approach to countering the risk of fraud, bribery, corruption and modern slavery within our supply chain.

Chair's highlights

Each year the committee completes a series of in-depth reviews into key risks or themes. This year, members focused on the issue of unit rates annual reporting, considering data confidence and the challenging position around our data requirements. The committee also reviewed risks around management's approach to a significant asset failure.

The committee reset its schedule of risk reviews, focusing on key areas of importance as we move between road periods.

This year, the committee placed a greater emphasis on the importance of establishing the right arrangements to address the risk of economic crime within our supply chain. The committee noted the progress made in improving risk management arrangements in this area and will challenge these activities to ensure that appropriate controls are applied.

4. External auditor and policy on provision of non-audit services

In accordance with the *Framework Document*, the Comptroller and Auditor General (C&AG) is Highways England's appointed external auditor. The external audit work is carried out by the NAO on behalf of the C&AG. The NAO does not provide non-audit services but is responsible for carrying out value-for-money reviews according to their statutory responsibilities.

Professional firms are used when specialist advice is required, such as on tax compliance and accounting standards. In these cases, the firms are engaged through our established procurement framework.

Chair's highlights

During the year, Highways England engaged Deloitte LLP to provide advice in relation to VAT, corporation and employment taxes and the Senior Accounting Officer sign off.

+ For committee Chair Kathryn's biography, go to page 99

Investment Committee

Role

The committee assists the Board in exercising its investment decision-making authority. It advises the Board on investment approvals over £200 million and on other matters relating to the delivery of the investment programme. On decisions relating to schemes over £500 million, or where the treatment is considered novel or contentious (as per the HM Treasury definition), the committee advises the DfT's Board Investment and Commercial Committee on whether the investment is appropriate.

The committee is an integral part of the investment decision process and works closely with the Executive Investment Decision Committee to ensure effective governance of public expenditure. It also supports the Chief Executive in discharging his Accounting Officer responsibilities. This assurance regime meets the criteria outlined in the *Framework Document*, as agreed with the DfT.

Composition

The committee was chaired by Simon Murray until 31 March 2019 and is now chaired by Janette Beinart. Members include the Chairman, six Non-Executive Directors (including the Shareholder-appointed Non-Executive Director), the Chief Executive and the Chief Financial Officer. The General Counsel and other members of our Executive team, who are responsible for the programmes and contracts under consideration, will also attend meetings as required.

Work

The committee has met seven times this year and can meet more frequently if required. The work of the committee covered three areas:

1. Monitoring the investment programme

At each meeting, the committee reviews the capital portfolio progress and status. Capital forecasts are scrutinised and delivery risks for the current investment programme are considered.

Chair's highlights

During the year, the focus remained on delivering Highways England's commitments by the end of the current road period and managing the existing over-programming situation to minimise the variance between this and available funding. Also, an update on the development work on RIS2 was provided to the

DfT's Board Investment and Commercial Committee, who were impressed with the optimisation work being carried out, and were pleased with the analytical work and formal change process.

2. Reviewing proposed investments

The committee reviews the Executive team's business investment proposals and plans for project delivery, making recommendations to the Board in line with its delegations. It scrutinises these proposals and considers value for money assessments, forecast benefits and independent review outcomes as part of Highways England's decision-making process.

Chair's highlights

During the year, the committee endorsed the development phase budget for the A417 Air Balloon scheme and the construction budget for the M1 junction 13 to 16 scheme. The committee provided input to the development of the Lower Thames Crossing and A303 Amesbury to Berwick Down scheme proposals and approved contracts supporting the roll-out of Asset Delivery arrangements in the North West and East regions.

3. Monitoring performance

The committee sets aside time for in-depth reviews of the performance of projects and major programmes that are in construction, covering forecast costs, completion dates and outstanding risks. It also considers emerging strategies for delivering future programmes and the overall performance of our supply chain.

Chair's highlights

The committee approved the Full Business Case for the Routes to Market Regional Delivery Partnerships arrangements and gave the go ahead for the launch of the procurement exercise for the proposed Smart Motorways Alliance. The committee also monitored the performance of the A14 Cambridge to Huntingdon scheme, smart motorways programme and Collaborative Delivery Framework.

+ For committee Chair Janette's biography, go to page 99

Remuneration report

► Remuneration Committee

Role

The committee establishes a robust, transparent and formal procedure for developing policy on Executive remuneration. This includes the total reward packages for the Chief Executive, Executive Directors and Non-Executive Directors, subject to the approval of the Shareholder.

The committee is also responsible for keeping the Remuneration Framework, required under the *Framework Document*, under review. Any amendments must be agreed with the Shareholder, including recommending performance targets. The committee is responsible for deciding or recommending proposals for approval by the Board, including company-wide reward and incentive plans, and the structure of remuneration packages for senior management.

Composition

The committee is chaired by Elaine Holt. Members include five Non-Executive Directors, including the Chair and Board Chairman. The Chief Executive attends all meetings, except when his own remuneration is under review. The DfT Director General, Resources and Strategy Group attends meetings as an observer on behalf of the Shareholder. The committee is advised by the Executive Director of Human Resources and Organisational Development, and the Head of Reward also attends meetings.

EY have been appointed advisers to the committee on a call-off basis. They were not used during 2018-19.

Work

The committee maintains close oversight on organisational initiatives relating to staff performance and reward.

Chair's highlights

The committee reviewed the corporate KPI performance and its impact on performance-related pay for 2018-19. Mid-year and year-end performance ratings for Executive Directors and the senior management group were also scrutinised to ensure they were appropriate and in line with the Remuneration Framework. The committee reviewed the following standing items at each meeting during the year:

- Use of contingent labour and consultants, including the development of plans to further reduce reliance on interim staff
- Use of specialist pay freedoms
- An assessment of all perceived senior flight risks, along with retention and resilience plans in place to manage these risks
- Activity and decisions of the Reward and Resourcing Executive, which considers remuneration issues for staff below Executive level

The committee also considered the following items:

- Approval of the pay review approach for 2018-19
- The DfT's Remuneration Framework review

⊕ For committee Chair Elaine's biography, go to page 99

Executive remuneration (audited)

	Year	Salary	PRP	Pension related	Other	Total
Jim O'Sullivan	2018-19	£375,000	£51,727	£30,000	-	£456,727
	2017-18	£340,500	£32,076	£30,000	-	£402,576
Vanessa Howlison	2018-19	£198,919	£26,017	£19,892	£32,367	£277,195
	2017-18	£196,950	£12,227	£19,695	£16,808	£245,680

Executive remuneration notes (audited)

1. Jim O'Sullivan received £30,000 in lieu of pension payments.
2. Vanessa Howlison is a member of the Highways England Personal Pension (Defined Contribution) Scheme. Employer contributions are equal to 10% of salary.
3. The PRP paid in 2018-19 related to performance within the financial year 2017-18 and that paid in 2017-18 related to performance in financial year 2016-17.

4. The 2018-19 performance process is being finalised and the value of payments have yet to be determined. Payments will be made in 2019-20.
5. 'Other' amounts relate to travel expenses for secondary workplaces as defined by HMRC (expense grossed up by 45%).
6. 'Other' amounts reported in 2017-18 incorrectly included employers' National Insurance. This has been restated for the 2018-19 accounts.
7. Only those members of the Executive team who are (or were) also members of the Highways England Board have their remuneration reported.

Non-Executive remuneration notes (audited)

1. Service details for Directors are shown on page 102.
2. From 1 April 2017, the fees were updated to £25,000 plus an additional £3,000 for chairing a committee. These fees remain unchanged for 2018-19.
3. Elaine Holt is the serving Chair of the Remuneration Committee, a position she has held since February 2018.
4. Simon Murray was the serving Chair of the Investment Committee until 31 March 2019. He is replaced by Janette Beinart.
5. Kathryn Cearns joined the Board in April 2018, and became Chair of the Audit and Risk Committee in September 2018. At the same time, she also became a member of the DfT's Group Audit and Assurance Committee. She was paid a fee of £1,250 for her DfT services, which is not included in the fees reported here.
6. David Hughes served as Chair of the Audit and Risk Committee at Highways England, and also served as a member of the DfT's Group Audit and Assurance Committee. He was paid a fee of £1,935 for his DfT services, which is not included in the fees reported here. His term of office expired on 31 August 2018.
7. Janette Beinart joined the Board on 21 January 2019 for a period of three years. She became Chair of the Investment Committee in April 2019, following the departure of Simon Murray on 31 March 2019.
8. Roger Lowe resigned his position as the Shareholder-appointed Non-Executive Director on 1 February 2019 (unremunerated) and was re-appointed to the Board as a Non-Executive Director on 11 February 2019, for a period of two years, with an option to extend for one further year. Roger serves as the Senior Director to the Board.
9. Alan Cumming joined the Board in September 2017. He served as Chair of the Safety Committee from January 2018. He ceased being paid by Highways England on 3 April 2018 when he became an Executive Director at the Nuclear Decommissioning Authority.
10. On 11 February 2019, Carolyn Battersby joined the Board as the Shareholder-appointed Non-Executive Director.

Pay multiples notes (audited)

1. The median remuneration of the Company's staff in 2018-19, as shown in the corresponding table, is based on annualised full-time equivalents and is £31,214.
2. The ratio between the median remuneration and the remuneration of the highest paid director is 13.671. This has increased from 2017-18 figure of 11.175 due to an agreed performance related pay progression for the Chief Executive, as authorised by the Secretary of State for Transport and Chief Secretary to the Treasury.
3. In 2018-19, no employee received remuneration in excess of the highest paid Director (2017-18, nil). Full time equivalent remuneration ranged from £14,089 to £270,821 (2017-18 restated: £14,089 to £237,744).
4. Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Non-Executive Remuneration (audited)

Member	2018-19	2017-18
Colin Matthews (Chairman)	£130,000	£130,000
Elaine Holt	£28,000	£28,000
Simon Murray	£28,000	£28,000
Kathryn Cearns	£25,639	-
David Hughes	£11,698	£28,000
Janette Beinart	£4,906	-
Roger Lowe	£3,423	-
Alan Cumming	£233	£14,389
Carolyn Battersby	-	-

Pay Multiples (audited)

	2018-19	2017-18
Remuneration	£426,727	£372,576
Number of staff	5,644	5,189
Median point	2,823	2,595
Median remuneration	£31,214	£33,340
Ratio	13.671	11.175

Effectiveness statement

► Our system of internal control is based on a continuous process of identifying, assessing and managing risk. The Board is responsible for ensuring that an effective internal control framework is in place. This framework is designed to minimise, to a reasonable level, risks to the achievement of our objectives, in line with our risk appetite. Our risk management processes are outlined on pages 56-59.

Risk management

Our Corporate Risk Assurance function supports our Executive team in maintaining the corporate risk register. It monitors and reviews strategic risk and provides assurance through their monthly check, challenge and reporting processes to our Executive team and the Board.

On a quarterly basis, the business, supported by Corporate Assurance, reviews the effectiveness of key controls. This process incorporates areas such as contract and project management, finance, HR and security. The results of the assessment are used by our Executive team as an early warning system and considered by the Audit and Risk Committee as part of their wider view on internal control. Once a year we submit the results to DfT, as required by our joint governance arrangements. The 2018-19 results did not highlight any significant weaknesses and noted a number of improvements in control across all directorates.

Our Corporate Assurance division comprises:

- Corporate Risk Assurance (overseeing our Management Assurance process)
- Audit and Assurance (incorporating internal audit, contract assurance and IT assurance activity)
- Programme Assurance (incorporating Independent Assurance Reviews and the management case subject matter adviser assessments)
- Health and Safety Assurance
- The Counter-fraud team

The division's primary purpose is to provide objective and independent assurance on the adequacy and effectiveness of our internal control, risk management and governance framework. Through grouping the assurance activity under Corporate Assurance, the Corporate Assurance Director can deploy the right type of assurance activity with the right professional team and pool skills and experience from across the division into a hybrid team, as required.

Economic crime

We take allegations of fraud and impropriety seriously. All allegations are received through the Raising Concerns at Work channels and logged and investigated by a professionally trained team. Regular reports on the progress and results of investigations are received by the Counter-fraud Group and the Audit and Risk Committee. This year we received 42 referrals. Allegations included false accounting or invoicing, irregular contract practices, salary overpayments and over-claiming of allowances, including annual leave. While there were no cases of economic crime proven to the required criminal standards, investigations completed during the year prevented £2.9 million of losses and detected a further £500,000 of fraud, which was reclaimed.

Increasing awareness of our Raising Concerns at Work channels has been a priority. This year we have focused our efforts on raising fraud awareness through targeted training events and the use of internal social media platforms, such as Yammer. As such, there is an improving counter-fraud culture throughout our organisation, with appropriate channels in place for staff, customers and our supply chain to raise concerns safely.

We have improved our understanding of our risk profile, which captures internal and external economic crime risks, including those from cyber-crime, based on industry and Government information. We update the information on an annual basis and use it to carry out proactive testing of our control activity to improve our resilience.

As a public-sector body, we do not fall within the remit of the Regulated Sector, as defined by Money Laundering Regulations 2017. However, we apply the spirit of the Regulations in our approach on a best practice basis. Our Dartford Crossing team, who manage the collection of fees from the public, operates an account facility for customers who make frequent journeys over the Crossing. This has the potential to be exposed to the risk of money laundering activity. Controls in this area are strong and our Crossings team are vigilant. As such, we identified one potential incident and reported it to the National Fraud Agency, in accordance with the Proceeds of Crime Act 2002. This protects us from any legal action taken against the perpetrator.

Internal control

The annual Corporate Assurance programme is built in three layers:

- Core – the repeat assurance activities, such as our key control work, KPI validation, compliance with our Health and Safety Management System
- Business-led – areas requested by the business or drawn from the ongoing cycle of business activity, such as our independent assurance reviews focused on our projects
- Risk-driven – assignments that provide assurance over the management of specific risks or are based on themes and trends that could present a risk to the business

Results of the work are reported to senior management and monitored regularly by the Audit and Risk Committee. All assignments create management actions that are agreed with the business and progress of implementation is regularly reported to the Chief Executive and the Audit and Risk Committee, who will intervene, should progress stall.

This year, we had:

- One unacceptable rated report, relating to the management of defined costs within one of our schemes. Swift action was taken by management to improve the control framework and lessons learned from the review are being spread across the project environment.
- Several reviews where a limited rating was applied. These primarily related to our regional technology maintenance contracts, which illustrated the impact that a unilateral decision by one contractor can have on our ability to deliver our service safely, in line with customer needs, while achieving value for money for the Government. Management action is now focused on improving control for those contracts that will remain in place over the next few years, as well as using the learnings to develop the next generation of this type of contract.

We are required to be compliant with the additional controls set by the Cabinet Office and HM Treasury, and to report any instances of non-compliance. This year we identified the following non-compliance:

- A request for approval for a special (ex-gratia) payment on the A14 Huntingdon to Cambridge scheme to a third-party was not made to HM Treasury in time. HM Treasury provided retrospective approval in November 2018.
- A contract extension approval request for our Urban Traffic Management and Control System in the South East was not made to the Cabinet Office Government Digital Service, who view all digital and technology contract extensions as contentious. Approval was granted by the Department and the Cabinet Office in April 2019.

We consider these breaches do not indicate a systemic lack of control and, because of their rarity, we are using both cases as a learning opportunity across the business to promote awareness of our statutory responsibilities.

We have not identified any data breaches that had to be reported to the Information Commissioner's Office.

Annual assurance statement

The Chief Executive, in his role as Accounting Officer, retains overall responsibility for maintaining an effective internal control framework. The Corporate Assurance Director provides an annual assurance statement to him, which confirms an opinion on the adequacy and effectiveness of our governance, risk and control mechanisms. This incorporates the outputs of Corporate Assurance and other assurance activity. The assurance statement offers reasonable rather than absolute assurance over the adequacy of risk management, internal control and governance arrangements.

This year, the Corporate Assurance Director recognised that Highways England:

- has a good governance structure to help it carry out its activities
- is maturing in its approach to risk management across the organisation
- is demonstrating a sound control environment

The statement recognised some of the challenges experienced in year and the need for the Company to improve. As such, and in reflection of this, the statement applied a 'moderate' assurance rating for 2018-19 activities.

Based on the arrangements set out above, and the information provided by the Corporate Assurance Director, our Chief Executive considers that there is a sound system of internal control, risk management and governance in place and working effectively across the Highways England.



Directors' report for the year 2018-19



▶ The Directors present their annual report on the performance of the Company, together with the financial statements and the Auditor's Report for the financial year ending 31 March 2019. Highways England was incorporated on 8 December 2014 as the appointed and licensed strategic highways company by the Secretary of State for Transport, who is the sole Shareholder. The Company's registered number is 09346363. The Company is the highways authority, traffic authority and street authority for England's motorways and major A-roads, termed collectively as the SRN.

The Board

The Board is responsible for the overall strategy and direction of the Company. Details of the Board's role, composition and responsibilities are set out on pages 100-103.

Directors and corporate governance

Full details of the Company Directors and corporate governance requirements are set out on page 122.

Employees

The Company recognises that the commitment of skilled and experienced people is paramount to the efficient and effective delivery of the objective to operate, maintain and modernise the SRN.

Further information about the Company's employment strategy, including diversity and employee engagement policies, can be found on pages 84-89.

The number of employees as at 31 March 2019 was 5,872: 2,015 women; 3,849 men; and eight people of non-specified gender. This figure includes secondees and Executive Directors, and excludes interims, contractors and Non-Executive Directors.

As at 31 March 2018, Highways England had 5,083 full-pay relevant employees (those who received a normal month's salary i.e. excluding long-term sick, those on maternity leave and employees with a change in pay that month). Based on this population, the mean gender pay gap for Highways England is 7.28%. Excluding TUPE transfers into Highways England from Severn Bridges Group (SBG), this gives a like-for-like mean gender pay gap of 6.60%.

Full details of the Company's gender pay gap information were published in March 2019. The Company has a policy of paying all employees equally for the same or equivalent work, and considers that any gender pay gap does not stem from paying men and women differently for the same or equivalent work.

The Company is committed to providing an inclusive and connected working environment, in which individuals' differences are understood, valued and respected. Alongside our underpinning principles for inclusivity, we have a framework for timely actioning of adjustments for people with disabilities to create the right working conditions. There is also a well-established Access for All group which is a staff disability network where people can work together to address issues and share experience.

At the end of March 2019, 203 people declared themselves to have a disability, 3,036 declared themselves not to have a disability and 2,443 did not specify.

Sustainability, corporate responsibility and environment

Highways England is committed to ensuring that activity on the SRN is delivered in a manner that does not harm the environment. Details on the measures the Company is taking to reduce impacts on both the built and natural environment can be found in Our delivery (pages 30-55) and Our social impact (pages 90-95).

Human rights in the supply chain

Highways England is not a commercial organisation as defined in the Modern Slavery Act 2015, which covers how companies need to be aware of modern slavery practices in their supply chain. Our supply chain is required to comply with all legal requirements. Highways England uses contractual arrangements and regular meetings to remind the supply chain of the need to comply with all legislation, including the Modern Slavery Act.

Payment to the supply chain

Highways England's payment systems aim to ensure that the Company pays the supply chain promptly. This is monitored through the application of project bank accounts, as well as through the Company's financial systems. More detail is provided within our financial review on page 23.

Charitable and political contributions

The Company made no charitable or political contributions during 2018-19.

Results, going concern, share capital and dividend

The Company has prepared its financial statements for the reporting period ending 31 March 2019 in accordance with International Financial Reporting Standards rules as adopted by the EU, and in accordance with applicable law. The audited financial statements for this period are set out on pages 134-137.

The Directors have a reasonable expectation that the Company has adequate resources to operate for the foreseeable future.

The financial statements have been prepared on a going concern basis and note 2.4 to the financial statements outlines the basis of this view. The Company did not pay a dividend during the financial year.

Highways England is a Government-owned, not-for-profit company, incorporated by shares and funded by grant-in-aid. The sole Shareholder is the Secretary of State for Transport and the authorised and paid-up share capital is £10. Note 20 of the financial statements highlights the funding we receive from Government, through DfT.

The Company's financial statements are consolidated into the DfT Group Accounts and can be found at: www.gov.uk/government/collections/dft-annual-reports-and-accounts

Directors' third-party indemnity provisions

The Company has appropriate Directors' and Officers' liability insurance in place in respect of legal action against its Executive and independent Non-Executive Directors. Highways England did not indemnify any Directors during 2018-19.

Conflicts of interest

There are established procedures in place, in accordance with the Company's Articles of Association, to ensure that the Company complies with the Directors' conflicts of interest duties within the Companies Act 2006. Procedures are in place for dealing with any situation in which a Director may have a direct or indirect interest that conflicts with, or may conflict with, the interests of the Company.

At the date of this report, there are no conflicts of interest. It is however appropriate to disclose:

- Kathryn Cearns is a Non-Executive Board member of Companies House and a member of the DfT's Group Audit and Risk Committee
- Simon Murray became a Non-Executive Director of East West Rail Company Ltd (a company wholly owned by the DfT) from February 2019

Directors' responsibilities statement

The Directors are responsible for preparing this *Annual report and accounts* in accordance with applicable law and regulations.

Company law requires the Directors to prepare the financial statements for each financial year. 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 and profit or loss of the Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show, and explain, the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and viability to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Directors, whose names and functions are described in this *Annual report and accounts*, confirms that to the best of his or her knowledge:

- the financial statements have been prepared in accordance with International Financial Reporting Standards rules, as adopted by the EU, and give a true and fair view of the assets and liabilities, financial position, and the profit and loss of the Company
- the Directors' Report and Strategic Report include a review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The Directors consider that this *Annual report and accounts*, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the Shareholder to assess the Company's position, performance, business model and strategy.

Accounting Officer's responsibilities statement

The Permanent Secretary of the DfT has appointed Jim O'Sullivan as Accounting Officer for the Company. The Accounting Officer shares, on an individual basis, many of the Directors' responsibilities listed above, as well as having responsibility for the propriety and regularity of the public finances for which they are answerable, for keeping proper records and for safeguarding the Company's assets. These responsibilities are set out in full in *Managing Public Money*, published by HM Treasury.

Compliance with the UK Corporate Governance Code 2016 ('the Code')

The Company is required to comply with the Code, or specify and explain any non-compliance in the *Annual report and accounts*. The Company believes that the adoption of the principles of the Code is a means of recognising and embedding best practice in corporate governance. The Board considers that, for the financial year ending 31 March 2019, Highways England was fully compliant with the Code, except for the following areas that it cannot comply with:

- Provisions B7, B7.1 and B7.2: These are not applicable to the Company as all Non-Executive Director appointments, extensions and terminations are confirmed by the Secretary of State as the Company's sole Shareholder.
- Provision C3.7: The Company is unable to appoint, reappoint or remove our external auditors. The requirements reflected within the *Framework Document*, agreed between the DfT and the Company, require the Comptroller and Auditor General to act as independent auditor.
- Section E: This requires the Company to maintain a dialogue with its shareholders, based on a mutual understanding of objectives. Highways England has built, and maintained, its relationship with its Shareholder, the Secretary of State for Transport, with frequent contact with the DfT as their representative. The Board recognises that this sits outside of the corporate norms contained within the Code.

Compliance with other Government best practice codes

Any term beyond six years should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the Board.

David Hughes served on the Highways Agency and Highways England Boards for a period of nine years, and retired from the Board in August 2018.

Simon Murray served on the Highways Agency and Highways England Boards for a period of six years, and retired from the Board in March 2019.

Events after year-end

There have been no events after year-end requiring specific disclosure.

Disclosure of information to auditors

The Company's auditor is the Comptroller and Auditor General.

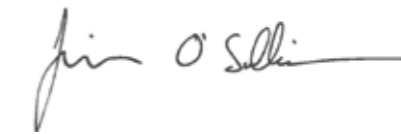
In so far as each person serving as a Director of the Company is aware (at the date of approval of this Directors' report by the Board), there is no relevant audit information (that is information needed by the auditor in connection with preparing their report) that the Company's auditor is unaware of.

Each Director confirms that they have taken all the steps necessary as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This report and its contents are the Board's statement of compliance with the Company's Licence and *Framework Document* obligations. To the best of the Board's knowledge and belief, having made all reasonable enquiries, the information contained in this document and the accompanying Performance Monitoring Statements is set out appropriately. It also constitutes the Company's annual progress report under clause 6.26 of the Licence.

As Accounting Officer, I confirm that this *Annual report and accounts* as a whole is a fair and balanced reflection of the Company's performance this year. I take responsibility for this report and the judgements taken.

The Board approved this Directors' report on 9 July 2019. It is signed by:



Jim O'Sullivan, Chief Executive
In his role as Accounting Officer on behalf of the Board