Remuneration Committee report

2023 meeting attendance

Karen Caddick (4/5)[1]
Andrew Cripps (5/5)
Geoff Drabble (2/2)
Louis Eperjesi (3/3)
Louise Fowler (5/5)
Debbie White (5/5)

1 Karen was unable to attend the November Committee meeting due to illness. Andrew Cripps chaired the Committee in Karen's absence.

Karen Caddick
Remuneration Committee Chair

Key activities in the year ahead

- **Governance updates from advisors.**
- **Performance updates on in-flight awards.**
- **Agree fees for Chair of the Board.**
- **Review the UK defined contribution pension benefits.**
- **Review the Group's Gender Pay Gap data and action plans.**
- **Planning for 2025 incentives (taking into account risk and other matters).**
- **Review of the Directors' Remuneration Policy and consultation with shareholders ahead of the 2025 AGM.**
- **Review of the Remuneration Committee Terms of Reference.**
- **Approval of the 2025 Remuneration Committee calendar.**

Annual Remuneration Committee Chair's statement

I am pleased to present the Howden Joinery Group Plc Remuneration Committee report for 2023. The report has been prepared in compliance with the requirements of the Large and Medium-sized Companies and Groups Regulations 2013 and incorporates changes made under the updated EU Shareholder Rights Directive (SRD II).

Using this report

We have sought to make our Remuneration Committee report as straightforward to access as possible. The content of the report is governed by various legislation and listed company disclosure requirements and, on occasion, this results in duplication of information. We have tried to reduce this wherever possible and present the information in an accessible and more intuitive way. The report is split into three sections:

1. This Committee Chair's statement
2. Summary of the Directors' remuneration policy
3. The Directors' remuneration report

We have divided the **Directors' remuneration report** into four parts:

Part 1	Company performance and stakeholder experience
Part 2	Application of policy in 2023
Part 3	Implementation of policy in 2024
Part 4	Additional disclosures

We believe that this format clearly differentiates each of the relevant sections of the Remuneration Committee report, directs users to the sections relevant to their use, and is also fully compliant with all applicable rules.

2023

2023 was a challenging year for Howdens. Relative performance was strong and the Remuneration Committee were particularly pleased with management's performance regardless of the significant headwinds. Despite a significant decline in the kitchens market, management delivered profits that were in line with market expectations, increased market share and continued to invest in strategic initiatives.

It was a quieter year for the Remuneration Committee, with the changes announced in 2022 to annual bonus and long-term incentives now embedded in our annual cycle of work. There continued to be lots of external focus on pay with inflation moving significantly during the year and the Remuneration Committee continued to monitor changes in average FTE salaries and bonuses across all operational and support roles to ensure that there remained alignment on pay between our senior management and that of the wider workforce.

We are satisfied that there remains good alignment due to Howdens' unique incentive culture across all roles and when setting Executive pay, the Committee has regard to a number of factors, which include pay across the wider workforce, CEO and gender pay gap ratios and the experience of our shareholders.

As in previous years, the Committee also received updates on the wider employee benefit landscape, including on the Group pension scheme. Given the importance of alignment on pensions between senior management and the wider workforce, we have included a case study on our Group pension scheme. It can be found on page 121.

Howdens' gender pay gap increased year on year from 3.9% to 5.1%. The gender pay gap report can be found on www.howdenjoinerygroupplc.com/governance/gender-pay-gap-reports. The Committee continued to challenge management to address this further. More information on our broader diversity and inclusion priorities can be found on pages 54 and 55.

One area of change during 2023 was signposted in the case study in last year's report on our review of incentives below Executive Committee level. Following the review, the Committee agreed to replace the long-term incentive plan for Grade 1s and 2s with a deferred bonus share award. This award replaced the PSP and was intended to remove some of the complexity in measures being included in the Executive awards and to result in greater retention for this group of key employees. Disappointingly, due to challenging market conditions, the performance conditions for this award were not met and as such did not result in the purchase of any deferred bonus shares. However, the Committee remains confident in the application of the deferred bonus award for this important cohort.

As in previous years and reported on page 92, the Remuneration Committee did not consult with the wider workforce on Executive Director pay arrangements in 2023. The Committee has safeguards in place (as considered in this report), which ensure good alignment on remuneration across the organisation as a whole. It is worth remembering that all eligible employees with shares in the Share Incentive Plan, which is the significant majority of UK employees given that Free Shares are granted to all UK employees each year, have a de facto say on Executive Director pay when such matters are considered at general meetings.

2023 reward outcomes

Annual bonus

Consistent with prior years, the 2023 annual bonus performance was based on the delivery of both profit and cash flow targets.

As previously mentioned, market conditions were challenging in 2023 with the market contracting significantly more than had been forecast when the budget had been determined. Despite this, PBT performance for the bonus has resulted in an above threshold outcome. In considering this outcome, the Committee noted that expenditure during the year on strategic initiatives continued and will generate future growth. The part of this expenditure that was invested in future growth rather than into 2023 PBT, attributable to the market reducing by significantly more than had been factored into the annual budget, was excluded from the PBT figure for bonus purposes as it is considered an exceptional cost.

The Committee reflected on the formulaic outcome alongside the fall in the reported Group PBT figure in FY23, the level of the exceptional expenditure and the strong overall performance Howdens has delivered relative to market. Having considered these factors, the Committee concluded that a fair and appropriate outcome under the PBT element in these circumstances would be to exercise discretion to reduce the outcome to threshold performance, which delivers 10% of the part of the bonus weighted to PBT.

The Committee applied judgment in considering whether this outcome under the PBT element was appropriate, taking into account the reported Group PBT figure for FY23, alongside the total cost of the expenditure and the strong overall performance Howdens has delivered relative to market.

The Committee concluded that a fair and appropriate outcome under the PBT element in these circumstances would be threshold performance which delivers 10% of the part of the bonus weighted to PBT. As a result, the Committee exercised discretion to reduce the payout under the PBT element to threshold.

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

Cash flow performance was more robust and demonstrated the continued focus of management on this key measure. The cash flow outturn was above the maximum outperformance target for this measure resulting in a bonus of 15% of the maximum annual bonus opportunity being achieved.

This strong relative performance meant that a total annual bonus of 24% of the maximum annual bonus opportunity for our Executive Directors was earned.

Performance Share Plan (PSP)

The 2021 PSP was based on the delivery of both a three-year PBT growth measure and a relative total shareholder returns (TSR) measure. The weightings for the two performance measures were 67% PBT and 33% TSR.

PBT performance targets for the period required 5% per annum PBT growth to achieve threshold vesting and 15% per annum PBT growth to achieve maximum vesting. The 2021 PSP performance was measured to FY 2023 and, over the three-year period, PBT increased by 21% per annum, which equated to vesting at 100% of the total opportunity for this measure.

To determine TSR performance, Howdens is ranked against a comparator group of similar sized companies, those being 50 above and 50 below Howdens by market capitalisation in the FTSE All Share index at or shortly before the start of the performance period (excluding Investment Trusts). There is zero pay out for below median performance and threshold vesting at 15% of the maximum opportunity at median. 100% of the opportunity is paid out when performance is equal to or more than upper quartile performance and there is straight-line vesting between the threshold and maximum opportunities. Howdens TSR performance during the three-year period equated to vesting at 100% of the total opportunity for this measure.

In aggregate, the 2021 PSP will vest at 100% of the maximum opportunity.

2024 reward and incentives

Our approach to executive remuneration recognises the need to balance the views of our shareholders with our ambitions to retain and incentivise a strong performing Executive team over the economic cycle and to live into our remuneration philosophy to pay above-market levels of reward for above-market levels of performance.

In 2024, we have maintained the principles, measures and quantums used in 2023. We believe that consistency through the remuneration cycle is important for both shareholders and Executives and we are pleased that this year we have been able to maintain our core methodologies.

Salary

Salary increases for the Executive Directors will be no higher than the wider workforce. These will be effective from 1 April 2024, which is exceptionally for FY24 later than the normal effective date of 1 January. This timing is also aligned to increases for the wider workforce.

The Committee continues to review the Executive Director remuneration packages annually against companies that operate in the same or similar sectors to Howdens and companies of a similar size and complexity.

Annual bonus

The Committee has maintained the annual bonus opportunity of 200% of base salary for Executive Directors. The Committee believes that this remains appropriate having reviewed the position, taking into account market data for companies that operate in the same or similar industries and UK listed companies of a similar size and complexity.

For the 2024 annual bonus, we replicated the methodology of PBT and cash flow measures used in the 2023 annual bonus. The measures retain their previous weighting of 85% of maximum opportunity for PBT and 15% of maximum opportunity for cash flow. This maintains the focus on profit in incentives and alignment with the depots, whilst maintaining a healthy stretch between target and maximum bonus levels to ensure strong shareholder alignment.

The Committee has set sufficiently stretching targets for the annual bonus in 2024.

PSP

In 2023, two new measures were introduced to the PSP in addition to the existing performance measures. The four measures: PBT, relative total shareholder returns (TSR), Return on Capital Employed (ROCE) and a basket of complementary Environmental (ESG) measures were intended to retain a strong focus on profitability (which is consistent with Howdens' culture and depot incentives), whilst adding additional focus on returns and strategically important environmental goals. The Committee also wanted to retain a relative measure that aligned Executives' experience with that of our shareholders. The weightings were PBT 60%, TSR 20%, ROCE 10% and ESG 10% of the maximum opportunity.

The Committee believes that these measures and their respective weightings remained appropriate for the 2024 PSP award and they have been retained accordingly. In addition, the Committee retained the methodology for calculating the PBT targets first adopted in 2023.

We signposted in last year's report that we would be moving away from the automatic use of the prior year PBT figure as the base for targets for future grants. Instead, the Committee has adopted a methodology for the PBT target range which reflects a combination of analyst consensus estimates, internal forecasts and our long-term strategic goals. We believe that this approach provides better alignment between vesting outcomes and performance and reduces the risk of volatility in the payment cycle.

To ensure that our remuneration philosophy is upheld, the Committee will continue to ensure that all performance targets are suitably stretching for the level of remuneration available within the context of our internal expectations and external forecasts. Further details of the measures, targets and weightings are set out on page 127.

No changes are proposed to long-term incentive opportunity for 2024, and therefore the CEO will receive an award equivalent to 270% of salary and the CFO will receive an award of 220% of salary.

Pensions

Since May 2022, both Executive Directors' pension benefits have been aligned with the wider workforce. This was in line with the Committee's commitment that there would be alignment by the time of the Company's next policy cycle.

The Directors' remuneration policy provides that new Executive Directors will only participate in the Company's pension arrangements with contributions in line with those of the wider workforce.

A case study on pension arrangements at Howdens can be found on page 121.

Senior management and the wider workforce

In addition to the Executive Directors, the Howdens Remuneration Committee also sets remuneration for senior management. We classify 'senior management' as members of the Executive Committee (excluding Executive Directors), the Company Secretary and the Head of Internal Audit and Risk.

The Committee also received updates on all-employee remuneration related policies in order to provide the context for, and to ensure alignment with, the policy on Executive Director remuneration. In 2019, the Committee adopted a dashboard in line with Provision 33 of the UK Corporate Governance Code 2018, which shows some of the key internal and external measures that the Committee members are aware of when determining Executive Director and senior management remuneration (further detail on the dashboard may be found on page 122).

I hope the information presented within this report provides a clear explanation as to how we have operated our Directors' remuneration policy over 2023 and how we intend to implement it for 2024. The Committee is satisfied that the policy has operated as intended in terms of pay for performance, taking into account the exercise of Committee discretion in relation to the 2023 annual bonus outcome. We continue to be committed to an open and transparent dialogue with our stakeholders, and the Committee would welcome any feedback or comments you have on this report, our policy or how we implement the policy in 2024.

We are due to review our Directors' remuneration policy during 2024 and our new Committee Chair, Vanda Murray, will be consulting with shareholders in the second half of the year. In the meantime, I look forward to answering any questions on the work of the Remuneration Committee from shareholders at our AGM in May.

Karen Caddick
Remuneration Committee Chair

Governance

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

2023 Remuneration Committee activity

H1

January

Committee meeting
- Shareholder feedback on proposed changes to Executive Directors' Remuneration not necessitating a change to Directors' Remuneration Policy
- Executive Director and senior management salary review
- Approval of additional retention awards for certain Executive Committee members (not Executive Directors)

February

Committee meeting
- Update on UK defined contribution pension benefits
- Annual bonus outcome and performance update on awards vesting in 2022
- Shareholder feedback on proposed changes to Executive Directors' Remuneration not necessitating a change to Directors' Remuneration Policy
- 2023 incentive considerations (including workforce reward, shareholder alignment, CEO pay ratio and gender pay gap)
- Approval of an alternative equity structure for senior managers below Executive Committee level
- Draft 2022 Directors' remuneration report
- 2023 share awards planning
- Chair fee review

Shareholder communication
- Conclusions of the Remuneration Committee in relation to proposed changes to Executive Directors' Remuneration not necessitating a change to Directors' Remuneration Policy

March/April

Share award grants
- Replacement share award made to incoming senior manager
- PSP grant to Executive Directors and selected senior management
- Grant of retention awards for certain Executive Committee members (not Executive Directors)

May

AGM
- 2022 Directors' remuneration report approved by shareholders

H2

July

Committee meeting
- Performance update on in-flight variable incentive awards
- Governance update
- Review of the treatment of post-vesting holding period for Good Leavers

August

Share award grants
- SIP Free Shares grant to all eligible UK employees
- Retention award granted for senior manager (not Executive Director)

September

Committee meeting
- Review of Annual Bonus and LTIP measures
- Review of package for incoming Executive Committee member

November

Committee meeting
- Performance update on in-flight variable incentive awards
- Risk and rewards consideration
- 2024 incentives
- Review of LTIP measures
- 2024 Remuneration Committee calendar
- Review of Committee's terms of reference

Fixed Variable

Summary of the Directors' remuneration policy

Howdens' Directors' remuneration policy, as it is set out in our 2021 Annual Report and Accounts, was approved by shareholders at our 2022 AGM. Below is a summary of that policy, how that policy links to strategy, and consideration of some of the factors the Committee addressed when formulating the policy. How the policy has been applied during 2023 and will be applied during 2024 can be found on subsequent pages in the report.

The full Directors' remuneration policy can be viewed at www.howdenjoinerygroupplc.com/governance/remuneration-policy.

Executive Directors

The table below sets out the key components of Executive Directors' pay packages, including why they are used and how they are operated in practice.

Remuneration is benchmarked against rewards available for equivalent roles in a suitable comparator group. In addition to benchmarking, the Committee considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market conditions, and to governance requirements.

Element and how it supports our strategy	Operation	Opportunity	Performance measures
Base salary			
Recognises the market value of the Executive Director's role, skill, responsibilities, performance and experience.	Salaries are reviewed annually, and are effective from 1 January each year. Salaries will not be changed outside of the annual review, except for in exceptional circumstances, such as a mid-year change in role.	Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set with consideration of each Executive Director's performance in role and responsibilities, and within a range defined by a market benchmark derived from companies of a comparable size operating in a similar sector. The peer group used is reviewed whenever benchmarking is performed, and the Committee applies judgement in identifying appropriate peer group constituent companies. The individual's level of total remuneration against the market is considered at the same time. Reviews will also take into account the performance of the individuals, any changes in their responsibilities, pay increases for the wider workforce and internal relativities. 2023 and 2024 salary levels are detailed on page 126.	None.
Benefits			
Provides a competitive level of benefits.	Howdens pays the cost of providing the benefits on a monthly basis or as required for one-off events.	Benefits are based upon market rates and include receipt of a car allowance, health insurance and death-in-service insurance payable by the Company.	None.

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Remuneration Committee report continued

Summary of the Directors' remuneration policy continued

Element and how it supports our strategy	Operation	Opportunity	Performance measures
Annual bonus			
Incentivises annual performance over the financial year. Deferral links bonus payout to share price performance over the medium-term.	Performance is assessed annually against targets made up of at least 75% financial metrics. At least 30% of any bonus earned is deferred into shares. Shares are paid out on the second anniversary of deferral date. The Committee has the discretion to adjust the bonus outcome in light of overall underlying performance. Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration. Payment is subject to continued employment. Malus provisions apply for the duration of the performance period and to shares held under deferral. Clawback provisions apply to cash amounts paid for two years following payment. Therefore clawback and/or malus will operate on the award for a total period of up to two years after the performance period. Clawback may be applied in the following scenarios: • material misstatement of accounts; • erroneous assessment of a performance target; • where the number of plan shares under an award was incorrectly determined; or • gross misconduct by a Director.	The threshold for the annual bonus will be dependent on the individual measures used each year. For 2024, the annual bonus will be based on PBT and cash flow, with threshold payout being 20% of salary. The maximum opportunity under the annual bonus is 200% of salary. For FY 2024, the annual bonus level will be 200% of salary, with the position reviewed each year.	For 2024 the annual bonus will be based on PBT and cash flow measures. The Committee retains the flexibility to use alternative measures during the life of this policy, subject to at least 75% of the bonus being based on financial metrics.
Performance Share Plan (PSP)			
Focuses management on longer-term financial growth than addressed by the annual bonus. Long-term financial growth is key to the generation of shareholder value.	Executives have the opportunity to participate in the PSP on an annual basis. The PSP operates over a three-year vesting cycle. Under the PSP, awards will generally be granted towards the beginning of the performance period and vest based on performance over the following three-year performance period. Malus provisions apply for the duration of the vesting period. The Committee has the discretion to adjust the PSP outcome in light of overall underlying performance. Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration. Vested awards are subject to a two-year holding period following vesting, during which no performance measures apply. Clawback provisions apply for the duration of the holding period, through which vested awards maybe reclaimed in the event of: • material misstatement of accounts; • erroneous assessment of a performance target; • where the number of plan shares under an award was incorrectly determined; or • gross misconduct by a Director. No dividends accrue on unvested shares.	The threshold for the PSP will be 15% of maximum. This may be amended by the Committee dependent on the maximum opportunity in a given year. The maximum opportunity under the PSP is 270% of salary and the grant level for the CEO will be 270% and for the CFO will be 220%.	For 2024, the PSP will be based on PBT growth, relative TSR, return on capital employed, and an environmental measure. The Committee retains the flexibility to use alternative measures during the life of this policy, subject to at least 75% of the PSP being based on financial metrics.

Fixed Variable

Element and how it supports our strategy	Operation	Opportunity	Performance measures
Shareholding requirement			
Shareholding requirement strengthens alignment of interests between participants and shareholders.	Executive Directors are expected to retain vested shares from deferred bonus and long-term incentive awards (net of income tax and national insurance contributions) until they reach the minimum requirements. Unvested deferred bonus and long-term incentive shares are not taken into account. PSP shares within a holding period are counted towards the requirement.	Executive Directors will be required to retain 100% of their shareholding requirement (i.e. 200% of base salary or full actual holding if lower) for two years post-cessation from the Board of Howden Joinery Group Plc.	
Pension			
Provides competitive long-term savings opportunities.	Executive Directors will be entitled to participate in the Howdens Retirement Savings Plan with contribution rates in line with the wider workforce. The level of salary supplement is aligned to the maximum pension benefit available to the Executive Director.		None.
All-employee share incentive plan			
To encourage employee share ownership.	Executive Directors are able to participate in the tax-advantaged Share Incentive Plan available to all eligible UK employees.	The maximum participation levels will be set based on the applicable limits set by HMRC.	None.

Remuneration policy for other employees

The remuneration policy described above applies specifically to Executive Directors of the Group. However, the Remuneration Committee believes it is appropriate that all reward received by senior management is directly linked to the performance of the Company and aligned with shareholder value. Accordingly, Executive Committee members and selected senior managers participate in the same incentive schemes as the Executive Directors, at a reduced level, to ensure alignment between the leadership team and our shareholders.

Below Executive Committee level, certain senior management grade participate in a similar annual bonus plan that is linked to PBT and cash flow. The promotion of employee share ownership is also cascaded through all tiers of management. Since 2023, a deferred bonus share arrangement replaced the PSP for these employees. Given the variable pay-outs of the LTIP in recent years and the increasing complex measures being introduced for the Executive award, it was felt that an alternative structure would be more effective, providing a greater level of understanding and engagement, and therefore retention, among this cohort of employees.

Free shares grants are made at a reduced level to a wider population within Howdens that do not use performance conditions to encourage share ownership throughout the Company. Employees can also purchase additional shares in the Company in a tax efficient way through our Buy As You Earn scheme, which operates under the Share Incentive Plan.

Governance

Remuneration Committee report continued

Summary of the Directors' remuneration policy continued

Non-Executive Directors' remuneration policy

The Group's policy on Non-Executive Director (NED) and Board Chair fees and benefits is set out below.

Element and how it supports our strategy	Operation	Opportunity	Performance Measures
Fees			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	The fees for the Non-Executive Directors are determined by the Board Chair and Chief Executive and approved by the Board. The fee for the Board Chair is determined by the Remuneration Committee while the Board Chair is absent. No other services are provided to the Group by Non-Executive Directors.	Fees for Non-Executive Directors are set out in the statement of implementation of policy on page 126. The fees reflect the time commitment and responsibilities of the roles. Accordingly, committee chair, Senior Independent Director (SID) and the Non-Executive Director responsible for employee engagement fees are paid in addition to the NEDs' basic fee. Committee chair fees apply only to the Audit and Remuneration Committees. The Board Chair receives no fees in addition to the Chairman's fee. Fees may be reviewed every year, and are set within a range defined by a market benchmark of comparably sized companies and having regard to the base salary increase payable to the wider workforce. Benchmarking is typically undertaken every three years.	NEDs are not eligible to participate in any performance related arrangements.
Benefits			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	Non-Executive Directors are entitled to receive expenses in respect of reasonable travel and accommodation costs.		None.

Underlying principles

When determining the Directors' remuneration policy, the Committee was mindful of its obligations under Provision 40 of the UK Corporate Governance Code to ensure that the policy and other remuneration practices were clear, simple, predictable, proportionate, safeguarded the reputation of the Company and were aligned to Company culture and strategy. Set out on the following page are examples of how the Committee addressed the factors.

Fixed Variable

Clarity	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	In 2021, the Company invited its principal shareholders and shareholder representative groups to consult on the updated Directors' remuneration policy and received supportive feedback. The draft policy was updated following feedback from shareholders. In 2023, the Company contacted its principal shareholders to consider various changes to remuneration practice that were permitted under the policy. All UK employees are awarded Free Shares in the Company through the Share Incentive Plan (SIP). UK employees are also able to participate in a partnership and matching shares programme which also operates through the SIP. All employees with shares held in the SIP trust are able to exercise voting rights on those shares and vote on the Directors' remuneration report and the Directors' remuneration policy (when applicable) at general meetings of the Company. Further information on workforce engagement can be found on pages 86 and 87.
Simplicity	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Directors' remuneration policy has received positive feedback from stakeholders in relation to its simplicity. The Committee's approach to performance measures had always been that they must be understandable for participants in the schemes in order to ensure they are effective.
Risk	
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Whilst the Committee has consciously not set an absolute annual quantum on Executive remuneration, this is something that the Committee will keep under review. The total pay of the Executive Directors is considered by the Committee as well as pay ratios with the wider workforce and shareholder returns.
Predictability	
The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The range of possible values of rewards for the Executive Directors is considered on page 125. The range of possible values of rewards for the Executive Directors was also communicated in the 2021 Remuneration Committee report when a revised Directors' remuneration policy was communicated to shareholders. The Committee has a wide range of discretion in relation to variable pay awards, new joiners, and leavers, which were identified and explained when the policy was approved.
Proportionality	
The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	The Committee remains confident that the awards used to ensure continued delivery of strategy and long-term performance are working as intended and that they are delivering outcomes in line with our wider stakeholder experience. In 2023, the annual bonus paid out at 24% reflecting the highly challenging market conditions and resultant profit performance during the year. However, despite the challenges during the year, the vesting percentage for the long-term incentive share plan was 100%, which was due to the strong profit and relative TSR performance over the three-year performance period. This demonstrates good alignment of Executive Director remuneration with the long-term performance of the Group.
Alignment to culture	
Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	The Committee remains confident that the incentive schemes operated under the Directors' remuneration policy are aligned with purpose, values and strategy. Howdens' staff are paid on the performance of their local depot or on the profitability of the Group as a whole. This has created an autonomous, entrepreneurial, profit-focused culture and is reflected in the heavy weighting given to profit measures in our incentive schemes for Executive Directors and senior management.

Governance

Remuneration Committee report continued

Directors' remuneration report - Part 1: Company performance and stakeholder experience

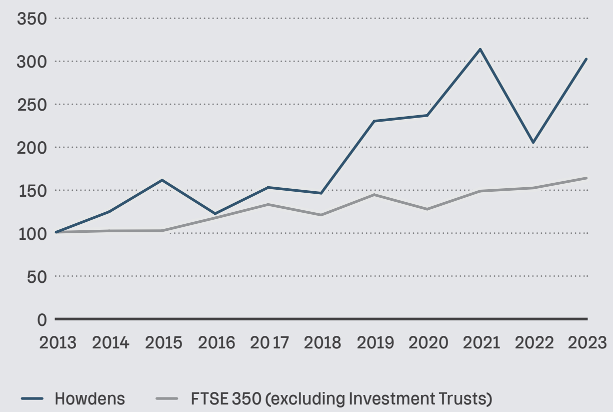
In this section of the Directors' remuneration report, we detail some of the considerations the Committee has regard to when implementing the Directors' remuneration policy. Contained in this section are specific disclosures on Group performance, as well as comparative disclosures on the relative importance of spend on pay, historic CEO single figure, CEO ratio and all-Director remuneration relative to average employees.

Group performance

Total shareholder return (TSR)

The graph below illustrates the Company's TSR performance relative to the constituents of the FTSE 350 (excluding investment trusts) of which the Company is a constituent. It shows that over the past 10 years Howdens has generated significantly higher returns than the FTSE 350 (excluding Investment Trusts).

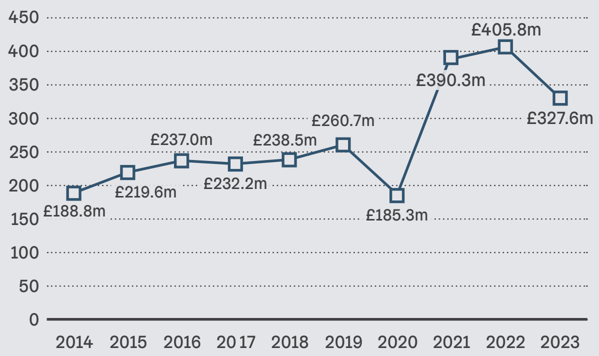
Howdens historical TSR



Profit before tax (PBT)

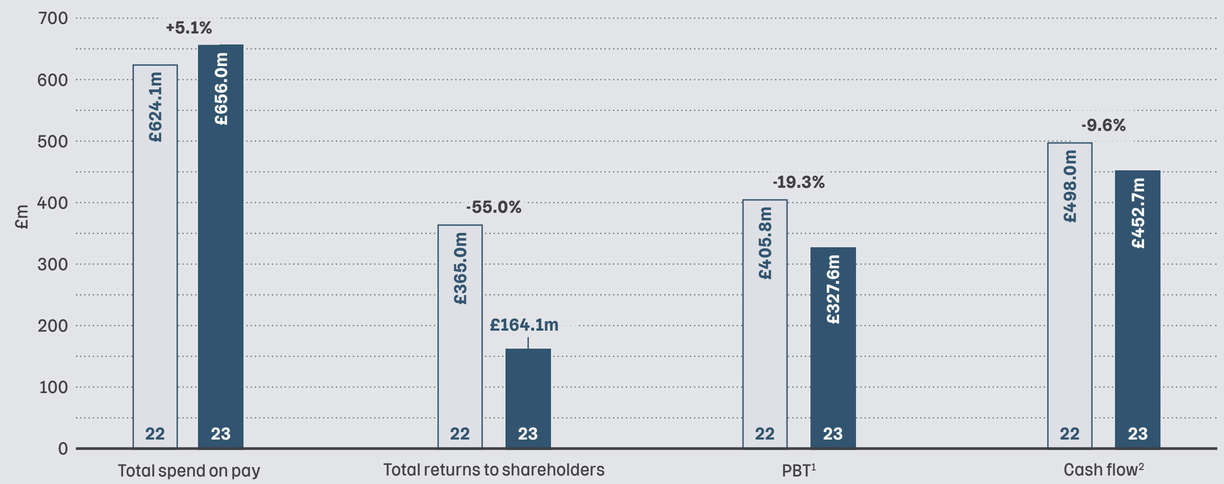
The graph below illustrates the Company's historical PBT performance.

Howdens historical PBT (£m)



Relative importance of spend on pay

The graph below sets out the change in the Group's total remuneration spend from 2022 to 2023 compared to the total returns to shareholders of the Group and the two incentive performance measures PBT and cash flow.



1 See consolidated income statement on page 162.
2 Net cash flow from operating activities is the definition used for the annual bonus scheme (see page 126).

Director pay

Our corporate performance and remuneration

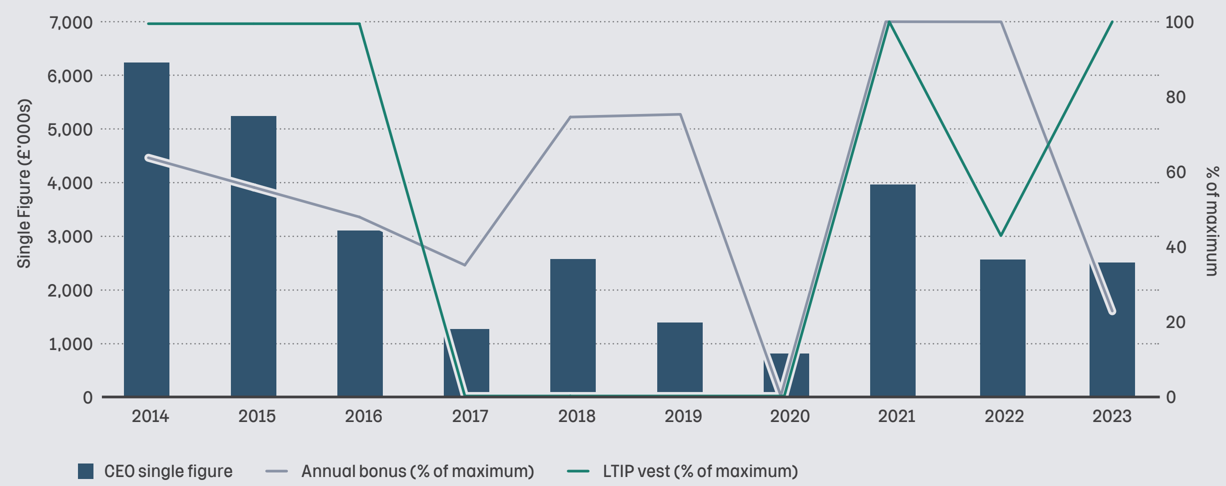
Historical single figure

The table and graph below show the historical CEO single figure and incentive payout levels. They show that the performance of the annual bonus and long-term incentives have reflected the challenging market conditions.

From 2016 to 2022, the maximum bonus opportunity reduced from 200% of basic salary to 150%. In 2023, following consultation with shareholders, the maximum bonus opportunity returned to 200% of basic salary.

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CEO single figure (£'000)	6,221	5,225	3,098	1,268	2,569	1,391	816	3,951	2,571	2,517
Annual bonus (% of maximum)	64%	56%	48%	35%	75%	76%	0%	100%	100%	24%
LTIP vest (% of maximum)	100%	100%	100%	0%	0%	0%[1]	0%	100%	43%	100%

1 Andrew Livingston was appointed as CEO in April 2018 and therefore he was not granted an award under the LTIP in 2017.



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Directors' remuneration report - Part 1: Company performance and stakeholder experience continued

CEO pay ratio table

Howdens has calculated the CEO pay ratio for 2023 in line with the Directors' Remuneration Reporting Regulations. The data used to calculate the CEO pay ratio was accurate as at 31 December 2023. In accordance with section 17 of The Companies (Miscellaneous Reporting) Regulations 2018, method A was used in the calculation of the pay ratios; ranking the pay and benefits of all our UK employees for the relevant financial year to identify the 25th, 50th, and 75th percentile-ranked employees and using the pay and benefits figures for these three UK employees to determine the pay ratios at each quartile. Method A has been used as it has been identified by the Department for Business, Energy and Industrial Strategy in its guidance as the most statistically accurate method for identifying the pay ratios.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2023	A	76:1	65:1	54:1
2022	A	74:1	64:1	53:1
2021	A	135:1	113:1	93:1
2020	A	31:1	25:1	21:1
2019	A	71:1	58:1	48:1
2018	A	122:1	100:1	81:1

It should be noted that the CEO did not receive any remuneration relating to long-term incentive share awards in 2019 or 2020 as he was appointed to the Board in 2018. He also did not receive any annual bonus in 2020 during which time all other employees received variable performance bonus pay. The combination of these factors resulted in a lower than anticipated CEO pay ratio in 2019 and 2020. In 2021, the CEO pay ratio increased due to the vesting in full of the 2019 long-term incentive share award. In 2022, the ratio reduced as the 2020 long-term incentive share award vested at 43% of maximum and the share price upon which the award was valued was lower than in 2021. As the total incentive payout level for 2023 performance is broadly similar to 2022, and there was no share price appreciation in relation to the 2021 LTIP vesting, the 2023 ratio represents only a slight increase from the prior year's ratio.

The total pay, benefits, and salary of each employee who is the best equivalent of the 25th, 50th, and 75th ranked employee is as follows:

	25th percentile	50th percentile	75th percentile
Total pay and benefits (FTE)	£33,278	£38,735	£46,836
Salary (including overtime) (FTE)	£23,916	£28,055	£34,694

The pay and benefits of employees was calculated in line with the Single Total Figure of Remuneration methodology. In our calculations we used actual pay from 1 January 2023 to 31 December 2023. Joiners, leavers and part time employees' earnings have been annualised on an FTE basis (excluding any payments of a one-off nature). Where bonus payments are made on a weekly, monthly or quarterly basis, we included payments made in the 2023 compensation year; however, for annual bonus payments, we estimated the bonus due to employees for the 2023 compensation year (payment is due in March 2024). P11D values are based on the 2022/23 reportable values, however, they have been annualised accordingly.

Howdens' vertically integrated business means that our workforce is made up of a wide range of roles from kitchen designers to skilled engineers, from warehouse staff to senior management. We work on the premise that Howdens must be worthwhile for all concerned and our reward structures across the business are designed to reflect the levels of personal autonomy and outperformance we expect from every individual. Our pay structures vary between roles to deliver an appropriate balance between fixed and variable pay. Emphasis on profit in our reward structures, from the depots to the Executive Directors, helps to provide some alignment of reward across the business.

It is a feature of our pay structure that senior management often receive a larger proportion of their total pay through incentives and the outcome of incentives is likely to be the main cause of variability in the ratio in future years. The Remuneration Committee is regularly updated on the benefits provided across the business and are mindful that consistency of approach and fairness are two key principles and important drivers for change.

Case study

Pensions at Howdens

Alignment of Executive remuneration with our depot staff has always been culturally important at Howdens. This starts with a strong link between pay and profitability but extends across a number of other incentives and benefits. First and foremost, Howdens should be worthwhile for all concerned.

When the Board agreed to close the Defined Benefit pension in 2020 (it had been closed to new members since 2012), it recognised that there was an opportunity to improve the fairness of pension provision at Howdens and remove the two-tier benefit structure in place. The Remuneration Committee also recognised that, following the decision taken in the 2019 remuneration policy to align the pension benefits of new Executive Directors with those of the wider workforce, there was an opportunity to significantly improve contributions under the existing Defined Contribution scheme (now called the Howdens Retirement Savings Plan or HRSP). The resulting HRSP provides highly competitive retirement benefits for Executives but also throughout the whole of Howdens.

In 2023, Howdens contributed £42m towards employee pensions. This was more than any other incentive during the year. Participation in the HRSP is high with opt-out levels at 2% at the end of December 2023. One feature of the HRSP is that it enables employees to reduce their contributions below the default contribution level (to zero if needed) and still receive an employer contribution of 8% of their base salary.

This has been particularly important with household incomes squeezed in recent years and means that employees can continue to increase their retirement savings without compromising their take-home pay. Employees are encouraged to contribute themselves towards their pension to help maximise their benefit and are annually enrolled back on the default employee contribution but they have the option to reduce their contributions again if needed.

This flexibility has been well received by employees and resulted in very low opt-out levels. At the end of December 2023, only 3% of employees had flexed their contribution level below the default contribution level. Employees paying more than the default employee contribution level is high at 45%, with 27% maximising their employer contribution of 12%.

Howdens employees really see the benefit in the HRSP. 62% of employees who were not automatically enrolled opted to join and 32% of those are contributing more than the default contribution level.

The Remuneration Committee will continue to receive regular updates from management on participation and employee engagement with the HRSP in the coming year and continue to ensure alignment with the wider workforce and fairness remain central tenets when determining Executive pay.

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Directors' remuneration report - Part 1: Company performance and stakeholder experience continued

All-Director remuneration relative to average employees

Listed companies are required to disclose the annual change in each director's pay in comparison to the average change in employee pay. This comparison is made on salary, bonus, and taxable benefits, and as such does not include some of the elements disclosed under the single figure of remuneration table such as pension contribution or long-term incentives. While there is only a requirement for a listed entity to provide employee pay information for that entity (i.e. not on a group-wide basis), a 'Group' comparator has also been included in the table below as this provides a more representative comparison, noting that Howden Joinery Group Plc did not employ any individuals during 2019 to 2023.

Footnotes have been included beneath the table in relation to the 2022 to 2023 period. Footnotes relating to prior years can be found in the previous applicable annual report.

	% change in Basic Salary				% change in Benefits				% change in Bonus			
	2022-23	2021-22	2020-21	2019-20	2022-23	2021-22	2020-21	2019-20	2022-23	2021-22	2020-21	2019-20
Average Howdens Group employee remuneration	9%	5%	1%	4%	5%	(9)%	(15)%	9%	(18)%	(4)%	38%	12%
Executive Directors												
Andrew Livingston[1]	6%	3%	12%	3%	40%	5%	(85)%	84%	(67)%	3%	100%	(100)%
Paul Hayes	6%	3%	-	-	(6)%	80%	-	-	(67)%	3%	-	-
Non-Executive Directors												
Karen Caddick	4%	6%	3%	18%	0%	100%	0%	(89)%	-	-	-	-
Andrew Cripps[2]	11%	6%	3%	5%	0%	0%	0%	0%	-	-	-	-
Louis Eperjesi[3]	-	-	-	-	-	-	-	-	-	-	-	-
Louise Fowler	0%	3%	4%	515%	25%	300%	0%	100%	-	-	-	-
Peter Ventress[4]	101%	-	-	-	0%	-	-	-	-	-	-	-
Debbie White[1]	0%	3%	4%	3%	600%	(100)%	(50)%	390%	-	-	-	-
Former Directors												
Geoff Drabble[5]	(64)%	4%	3%	22%	100%	0%	0%	0%	-	-	-	-

1 Andrew Livingston's and Debbie White's '2022 to 2023' benefits figures increased by a relatively large amount in percentage terms but remained in line with expectations in absolute terms.

2 Andrew Cripps was appointed Senior Independent Director in July 2023 and therefore received an additional pro-rated fee for this role in 2023. The increase shown in his fees for '2022 to 2023' is due to this change.

3 Louis Eperjesi was appointed to the Board in June 2023 and therefore comparative figures cannot be calculated for any of the periods reported above.

4 Peter Ventress was appointed to the Board in July 2022 and therefore did not receive a full year of fees until 2023. The percentage change between 2022 and 2023 was therefore substantial as the figures are not pro-rated for the purposes of the above calculations.

5 Geoff Drabble retired from the Board in May 2023 and therefore did not receive a full year of fees in respect of 2023. The percentage change between 2022 and 2023 was therefore substantial as the figures are not pro-rated for the purposes of the above calculations.

Wider workforce considerations

The Remuneration Committee received updates from the interim Group HR Director in respect of average salary of an employee in 2023 compared to previous years for depot, manufacturing, and logistics roles. When determining the base salary, benefits and variable pay awards for the Executive Directors and senior management, the Committee had regard to the information contained in a Provision 33 Dashboard, which includes information such as the CEO pay ratio, gender pay gap statistics, and the salary, bonus, pensions, benefits and share plan arrangements available to the wider workforce.

Fixed Variable

Directors' Remuneration Report - Part 2: Application of policy in 2023

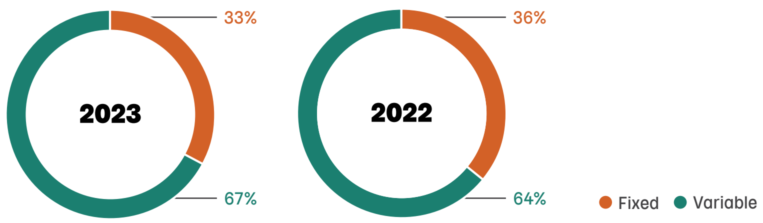
In this section of the Directors' remuneration report we set out how the Committee has executed policy for 2023. Disclosures in this section are retrospective and where applicable are shown against prior year comparator.

Single figure of remuneration (audited)

	Fixed								Variable							
	Salary/Fees		Taxable Benefits		Pension		Total Fixed		Bonus		LTIP		Total Variable		Total Remuneration	
£000s	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022*	2023	2022*	2023	2022*
Executive Directors:																
Andrew Livingston	710	670	28	20	85	84	823	774	334	1,004	1,360	793	1,694	1,797	2,517	2,571
Paul Hayes	464	438	34	36	56	48	554	522	218	657	889	-	1,107	657	1,661	1,179
Total	1,174	1,108	62	56	141	132	1,377	1,296	552	1,661	2,249	793	2,801	2,454	4,178	3,750
Non-Executive Directors:																
Karen Caddick	77	74	2	2	-	-	79	76	-	-	-	-	-	-	79	76
Andrew Cripps	82	74	0	0	-	-	82	74	-	-	-	-	-	-	82	74
Geoff Drabble Retired May 2023	27	76	1	0	-	-	28	76	-	-	-	-	-	-	28	76
Louis Eperjesi Appointed June 2023	36	-	0	-	-	-	36	-	-	-	-	-	-	-	36	-
Louise Fowler	60	60	5	4	-	-	65	64	-	-	-	-	-	-	65	64
Peter Ventress Appointed July 2022	325	162	0	0	-	-	325	162	-	-	-	-	-	-	325	162
Debbie White	60	60	6	0	-	-	66	60	-	-	-	-	-	-	66	60
Total	667	506	14	6	-	-	681	512	-	-	-	-	-	-	681	512

* The vesting value of the 2020 PSP award for Andrew Livingston has been restated to reflect the actual share price on vesting on 7 August 2023 of £7.3676.

Total current Executive Director fixed vs variable pay



Notes to the single figure table

Executive Directors

Salary

Salaries will not be changed outside of the annual review, unless there are exceptional circumstances, such as a mid-year change in role. Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set within a range defined by market benchmark derived from companies in a similar sector. Salaries for 2024 can be found on page 126. The peer group used is reviewed whenever benchmarking is performed, and the Committee applies judgement in identifying appropriate peer group constituent companies. The individual's level of total remuneration against the market is considered at the same time.

Taxable benefits

Executive Directors' benefits are based upon market rates and include receipt of a car allowance, health insurance, and death-in-service insurance payable by the Company. Non-Executive Directors are entitled to receive expenses in respect of reasonable travel and accommodation costs.

Pension

Both Executive Directors received a cash benefit in lieu of pension during the year. More information about Executive Director pension benefits can be found on pages 129. A case study on pensions may be found on page 121.

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Remuneration Committee report continued

Directors' remuneration report - Part 2: Application of policy in 2023 continued

Notes to the single figure table continued

Annual bonus (audited)

Targets

Our annual bonus for 2023 was based on PBT and cash flow measures subject to an aggregate maximum of 200% of salary. The PBT and cash flow measures were weighted as follows (percentages are of salary):

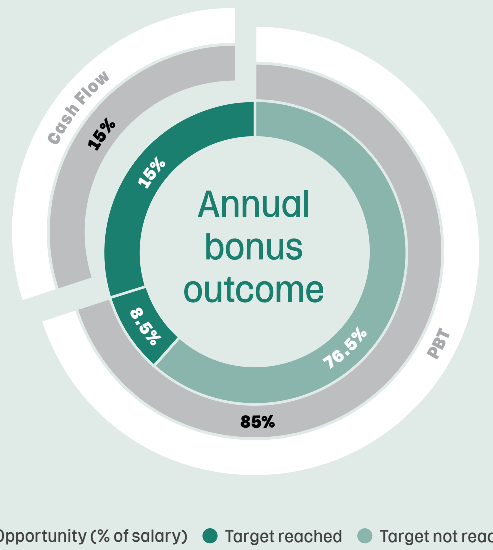
	PBT component	Cash flow component
Threshold	£340m (17%)	£407m (3%)
Target	£350m (85%)	£419m (15%)
Outperformance	£389m (170%)	£431m (30%)

70% of any annual bonus is paid in cash and 30% is deferred as shares, which vest two years following the deferral date (subject to continued employment).

Outcomes for the year

The PBT figure for the year in relation to the annual bonus is £340m. As explained in the Chair's annual statement, the Committee applied judgment in reviewing whether the PBT outcome was appropriate taking into account all relevant factors, and it determined that it would be appropriate to exercise discretion to reduce the outcome for the PBT component to threshold performance. The cash flow figure for the year in relation to the bonus was £452.7m. In aggregate, the Executive Directors will receive an annual bonus of 47% of salary for 2023, which is equivalent to 24% of the maximum bonus opportunity. 30% of the bonus will be deferred into Company shares for two years.

	Andrew Livingston	Paul Hayes
PBT (% of salary)	17%	17%
Cash Flow (% of salary)	30%	30%
Total Bonus (% of salary)	47%	47%
Total Bonus (£'000)	**334**	**218**



Performance Share Plan (PSP) (audited)

Targets

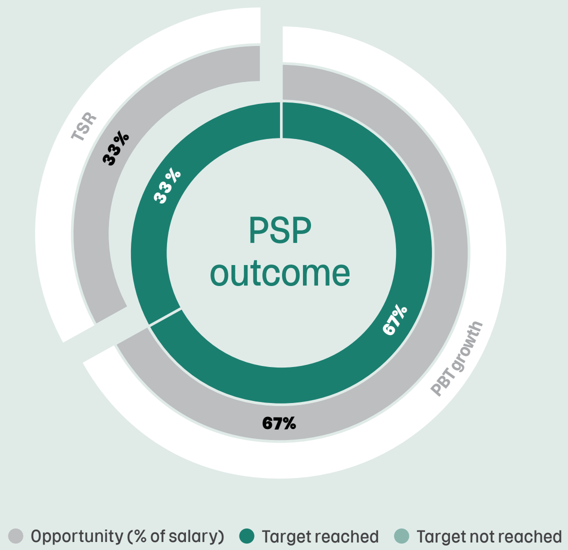
The 2021 PSP award is measured against PBT growth and relative total shareholder returns (TSR) over a three-year period between FY 2020 to FY 2023. Any shares that vest under the PSP award are subject to a two-year post-vest holding period for serving Executive Directors.

Outcomes for the year

67% of the 2021 PSP award was based on a PBT growth threshold requirement of 5% p.a. and a maximum requirement of 15% p.a. At the threshold requirement, 15% of the PBT growth component of the award would vest. The PBT for 2023, calculated on an unadjusted basis, was £327.6m, and therefore growth on FY 2020 was 21% p.a. This component of the award will vest at 100% of maximum opportunity.

33% of the 2021 PSP award was based on a relative TSR measure. The threshold vesting for the TSR component of the award was where the Company was ranked 'median' compared to the comparator group of companies. The maximum vesting was where the Company ranked 'at or above upper quartile'. At threshold, 15% of the TSR component would vest. Based on performance to FY 2023, the Company was ranked 'upper quartile' compared to the comparator group and therefore 100% of the TSR component of the award will vest.

The overall final vesting of the 2021 PSP award is 100% of the maximum opportunity. The share price at the date of grant was 745.4p and the three month average to 30 December 2023, the price on which the value of the award is calculated, was 708.9p. Therefore, none of the value of the LTIP awards shown in the single figure table is attributable to share price appreciation.



Fixed Variable

Directors' remuneration report - Part 3: Implementation of policy in 2024

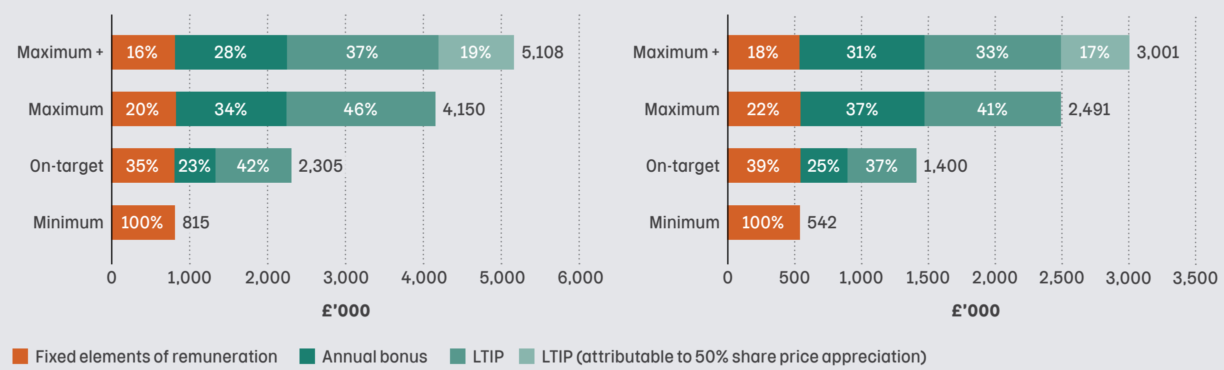
In this section of the Directors' remuneration report we set out how the Committee has implemented policy for 2024. Disclosures in this section are forward looking. The outcome of any variable award for Executive Directors will be reported in the Remuneration Committee report for the financial year 2024.

2024 remuneration scenarios

The remuneration package for the Executive Directors is designed to provide an appropriate balance between fixed and variable performance-related components, with a significant proportion of the package weighted towards long-term variable pay. The Committee remains satisfied that the composition and structure of the remuneration packages is appropriate, clearly supports the Company's strategic ambitions and does not incentivise inappropriate risk-taking. The Committee reviews this on an annual basis.

The composition and value of the Executive Directors' remuneration packages in a range of performance scenarios are set out in the charts below. These show that the proportion of the package delivered through long-term performance is in line with our Directors' remuneration policy and changes significantly across the performance scenarios. As a result, the package promotes the achievement of superior long-term performance and aligns the interests of the Executive Directors with those of other shareholders. A brief description of each remuneration scenario is set out beneath the charts.

Value of package



Fixed elements of remuneration consist of the annual salary that the Executive Director will receive for 2024, alongside their 2024 pension entitlement, and actual benefits received in 2023 (as a proxy for 2024).

Annual bonus is based on a maximum opportunity of 200% of salary and an on-target opportunity of 100% of salary.

LTIP is based on a maximum opportunity of 270% of salary for Andrew Livingston and 220% of salary for Paul Hayes. The overall policy maximum is 270% of salary. Target opportunity is calculated as 50% of maximum (135% of salary for Andrew Livingston and 110% of salary for Paul Hayes).

The 'maximum +' includes share price appreciation of 50%. This column is calculated on the same basis as the maximum column however includes an uplift of 50% total over three years for the PSP.

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Directors' remuneration report - Part 3: Implementation of policy in 2024 continued

Non-Executive Director fees

Current fee levels for Non-Executive Directors are set out in the table below. They will next be reviewed during 2024 with any increase taking effect from 1 April 2024.

		Basic NED fee[1]	Chair fee	SID fee	NED Responsible for Workforce Engagement fee	Committee Chair fee
2024	Annual Fee	£60,250	£325,000	£10,600	N/A	£17,000
	Effective date			Until 31 March 2024		
2023	Annual Fee	£60,250	£325,000	£10,600	£5,400	£17,000
	Effective date			1 January 2023		

1 The Chair of the Board of Directors does not receive the basic Non-Executive Director fee or an additional fee for chairing the Nominations and Sustainability Committees.

Executive Director base salaries

Executive Directors' base salary increases from 1 April 2024 are set out in the table below. The rationale for the increases may be found in the Annual Remuneration Committee Chair statement on page 110. For 2024, salary increases for the wider workforce will be, on average across the Group, 3% of salary.

	2024		2023	
Executive Directors	Salary (£'000)	Effective date	Salary (£'000)	Effective date
Andrew Livingston	731	1 April 2024	710	1 January 2023
Paul Hayes	478	1 April 2024	464	1 January 2023

Annual bonus measures

The table below sets out annual bonus measures for 2024. Targets for these measures are considered commercially sensitive by the Board and so are not disclosed here. Performance targets, together with achievement against them, will be set out in full in the 2024 Remuneration Committee report.

Bonus measure	Definition	Performance level	Pay out level
PBT	Pre-exceptional profit before tax from continuing operations	Threshold Target Maximum	17% of salary 85% of salary 170% of salary
Cash Flow	Net cash flow from operating activities, taking into account the efficiency with which working capital is used, and adjusted for exceptional items	Threshold Target Maximum	3% of salary 15% of salary 30% of salary

Fixed Variable

Performance Share Plan (PSP) measures

Set out below are the performance measures and relative weightings for each of the measures. Further detail about the measures first introduced for the 2023 PSP may be found in the Annual Remuneration Committee Chair statement of the 2022 Annual Report and Accounts. The maximum opportunity under the PSP is 270% of base salary for Andrew Livingston (CEO) and 220% of base salary for Paul Hayes (CFO). The performance period is three years, measured over the relevant financial years. See page 130 for scheme interests awarded in 2023. Under the terms of the Directors' remuneration policy approved by shareholders at the 2022 AGM, the 2024 PSP awards will be subject to a two-year post-vesting holding period.

PBT - 60% weighting

	PBT performance condition	Payout level
PBT component vesting schedule	£420m	100% of maximum
	Straight-line vesting between these points	
	£340m	15% of maximum
	Less than £340m	0% of maximum

Relative TSR - 20% weighting

Comparator group and averaging period for TSR performance	• Companies ranked up to 50 above and 50 below Howdens by market capitalisation in the FTSE All Share index at or shortly before the start of the performance period (excluding Investment Trusts). • TSR average for the two months preceding the first day of the performance period and two months TSR average for the final two months of the performance period.

	Performance against comparator group	Payout level
Performance assessment	Equal to or above upper quartile	100% of maximum
	Straight-line vesting between these points	
	Equal to median	15% of maximum
	Below median	0% of maximum

Return on Capital Employed (ROCE) - 10% weighting

ROCE component measurement details	Calculated by dividing the Group operating profit by the average capital employed under management's control, expressed as a percentage. The capital employed will include investments in assets, working capital and related balances but will exclude balances that relate to historic or long-term financing or are outside the control of current management. Excluded items include: cash, pension deficit repair contributions, deferred tax and long-term financing of the Group, such as lease liabilities and borrowings.

	ROCE performance condition	Payout level
Performance assessment	28%	100% of maximum
	Straight-line vesting between these points	
	23%	15% of maximum
	Less than 23%	0% of maximum

Environmental measure - 10% weighting

Environmental component measurement details	All carbon emission and waste targets to be achieved by 31 December 2026. Base year for all targets is 2021.

	Performance condition	Payout level
Improving our carbon intensity ratio Year-on-year cumulative average Scopes 1 and 2 carbon emissions reduction, based on tCO_2e per £m	4.2% p.a. reduction	50% of maximum
	Straight-line vesting between these points	
	4.0% p.a. reduction	7.5% of maximum
	Below 4.0% p.a. reduction	0% of maximum
Fleet emissions reduction UK primary fleet only, based on CO_2KG/km	15% reduction	50% of maximum
	Straight-line vesting between these points	
	12% reduction	7.5% of maximum
	Below 12% reduction	0% of maximum

A target of a minimum average over three years of 99% waste avoiding landfill across UK operations will apply which, if not achieved, will result in a downward modifier to the outcome under this Environmental measure.

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Remuneration Committee report continued

Directors' remuneration report - Part 4: Additional disclosures

In this section of the Directors' remuneration report, more detail is provided in respect of a number of key disclosures. These disclosures include Executive Director pension entitlements, shareholdings, external appointments and contractual arrangements. More detail is also provided on the operation of the Remuneration Committee and AGM voting performance.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee met five times during 2023 and discussed a number of items for which it is responsible. Under its terms of reference, which are reviewed on an annual basis, the Committee is responsible for determining the broad policy and specific remuneration packages for Executive Directors and senior management (that being the members of the Executive Committee, the Company Secretary and the Head of Internal Audit and Risk), including pension rights and, where applicable, any compensation payments. The Committee is also regularly updated on pay and conditions applying to other employees in the Company.

Service contracts and letters of appointment

All Executive Directors' employment contracts are not fixed term, but have twelve months' notice of termination on both sides. In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation. In other circumstances, Executive Directors may be entitled to receive compensation for loss of office which will be paid monthly for a maximum of twelve months. Such payments will be equivalent to the monthly salary that the Executive Director would have received if still in employment with the Company. Executive Directors will be expected to mitigate their loss within a twelve month period of their departure from the Company.

In their service contracts, Executive Directors have the following remuneration-related contractual provisions:

- Receipt of a salary, which is subject to annual review.
- Receipt of a car allowance.
- Health insurance and death-in-service insurance payable by the Group.
- Eligibility to participate in any bonus scheme or arrangement which the Company may operate from time to time, subject to the plan's rules.
- Participation in the Company's pension plan.

Non-Executive Director appointments are for an initial period of three years. They are subject to re-appointment annually at the Annual General Meeting in accordance with the UK Corporate Governance Code. Non-Executive Directors are not entitled to any form of compensation in the event of early termination for whatever reason. Copies of the Directors' service contracts and letters of appointment are available at the Company's registered office during usual business hours.

Loss of office payments or payments to past Directors (audited)

No loss of office payments or payments to past Directors were made in the year under review.

External appointments

It is recognised that Executive Directors may be invited to become non-executive directors of other companies and that exposure to such duties can broaden their experience and skills, which will benefit the Company. Howdens allows Executive Directors and other appropriate senior employees to accept a maximum of one external non-executive appointment outside the Company, subject to permission from the Committee, provided this is not with a competing company nor likely to lead to conflicts of interest. Andrew Livingston is currently Non-Executive Director of LondonMetric Property Plc, a FTSE 250 REIT. Andrew received £58,687 in fees in respect of his role as Non-Executive Director. Andrew held this position upon appointment. Paul Hayes does not have any external appointments. Executive Directors may retain the fees paid to them in respect of their non-executive duties.

Fixed Variable

Total pension entitlements (audited)

Executive Directors are invited to participate in the Howdens Retirement Savings Plan (the 'Plan') or receive an amount in lieu of membership of the Plan. More information on pension entitlements for Executive Directors can be found on pages 111 and 115 and in the Directors' remuneration policy at www.howdenjoinerygroupplc.com/governance/remuneration-policy. The table below sets out the payments made in lieu of membership of the Plan for the Executive Directors who served during the year. No additional benefits become receivable if Executive Directors retire early.

	Executive Directors	
	Andrew Livingston	Paul Hayes
Accrued pension at 30 December 2023 (£'000)	-	-
Normal retirement date	-	-
Pension value in the year from defined benefit component (£'000)	-	-
Pension value in the year from defined contribution component (£'000)	-	-
Pension value in the year from cash allowance (£'000)	85	56
Total	85	56

Director shareholdings (audited)

In order that their interests are aligned with those of shareholders, Executive Directors are expected to build up and maintain a personal shareholding in the Company of at least 200% of salary. The table below sets out the total shares held together with unvested Performance Share Plan awards and those held subject to deferral conditions. Neither of the Executive Directors held share options that were subject to performance conditions or held share options that were vested but unexercised.

	Current Executive Directors	
	Andrew Livingston	Paul Hayes
Shareholding requirement (% of salary)	200%	200%
Shareholding requirement (number of shares)[1]	200,226	130,907
Shares owned outright (including by connected persons)[2,5]	387,863	23,694
Current shareholding (% of salary)[1]	387%	36%
Guideline met	Y	N
Unvested deferred bonus shares	42,968	28,094
Share awards subject only to continued employment[3]	181	153
Share awards subject to performance conditions and continued employment[4]	714,669	403,978

1 Based on a share price of £7.089, being the three-month average price to 30 December 2023, and basic salary as at 30 December 2023. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons at 30 December 2023 and the Executive Director's salary at that date.
2 Includes Share Incentive Plan (SIP) partnership and dividend shares.
3 Includes only SIP free and matching shares.
4 Performance Share Plan awards under the Long-Term Incentive Plan.
5 Between 30 December 2023 (the end of the period) and 28 February 2024, Andrew Livingston has acquired 38 SIP Partnership Shares. No other changes to the Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 28 February 2024.

Non-Executive Director shareholdings (audited)

There is no shareholding requirement for Non-Executive Directors. The shareholding figures below include any shares held by connected persons. With the exception of Debbie White and Geoff Drabble, who were not members of the Board as at 28 February 2024[1], the Company can confirm that no changes to the Non-Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 28 February 2024.

	Non-Executive Director						
	Karen Caddick	Andrew Cripps	Geoff Drabble[1]	Louis Eperjesi	Louise Fowler	Peter Ventress	Debbie White[1]
Shareholding:	6,000	7,500	3,000	3,100	470	20,316	4,562

1 Geoff Drabble retired from the Board on 4 May 2023 and Debbie White retired from the Board on 30 December 2023. Their respective reported shareholdings are therefore given as at the date they each retired from the Board.

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Remuneration Committee report continued

Directors' remuneration report - Part 4: Additional disclosures continued

Scheme interests awarded during the financial year (audited)

During 2023, the Executive Directors were invited to participate in the Performance Share Plan (PSP) and Share Incentive Plan (SIP), as set out in the table below. Further information on conditional shares and SIP free and matching shares may be found in note 23 beginning on page 199:

Nature of award:	Conditional Shares under the PSP			
	CEO		CFO	
Number of shares under award:	288,310		153,601	
Face value of award[1]:	£1,916,108		£1,020,832	
	Performance Period	Grant Date	Vest Date	Additional Holding Period
	See individual Performance Conditions below	6 April 2023	6 April 2026	Two years

Performance Conditions:		
Profit Before Tax (PBT) vesting schedule (60% weighting) Performance Period: FY2022 to FY2025	PBT at end of Performance Period	Proportion of PBT component of Award that may vest
	£484m	100%
	Straight line vesting between these two points	
	£400m	15%
	Less than £400m	0%
Relative Total Shareholder Returns (TSR) vesting schedule (20% weighting) Performance Period: FY2022 to FY2025	Howdens' rank versus comparator group	Proportion of TSR component of Award that may vest
	At or above upper quartile	100%
	Straight line vesting between these two points	
	At median	15%
	Below median	0%
Return on Capital Employed (ROCE) vesting schedule (10% weighting) Performance Period: FY2022 to FY2025	ROCE achieved	Proportion of ROCE component of Award that may vest
	30%	100%
	Straight line vesting between these two points	
	25%	15%
	Less than 25%	0%

Environmental measure (EM) vesting schedule (10% weighting) Performance Period: All carbon emission and waste targets to be achieved by 31 December 2025. Base year for all targets is 2021.	Improving our carbon intensity ratio		Fleet emissions reduction		Carbon neutral status of manufacturing sites		Waste avoiding landfill
	Per annum reduction	Proportion of EM that may vest	Reduction	Proportion of EM that may vest	Number of sites	Proportion of EM that may vest	A target of a minimum average over three years of 99% waste avoiding landfill across UK operations will apply which, if not achieved, will result in a downward modifier to the outcome under this Environmental measure.
	4.2%	33.3%	15%	33.3%	Four	33.3%	
	Straight-line vesting between these points		Straight-line vesting between these points		Straight-line vesting between these points		
	4.0%	7.5%	12%	7.5%			
	Below 4.0%	0%	Below 12%	0%	Two	0%	

1 Based on a share price of £6.646, being the closing price on 5 April 2023.

Nature of award:	Free and Matching Shares under the SIP[1]					
	Award type	Award date	Vest date	Number of shares under award	Award price[2]	Face value of award[2]
CEO	Matching Shares	19 May 2023	19 May 2026	7	£6.880	£48.16
	Matching Shares	19 Jun 2023	19 Jun 2026	7	£6.832	£47.82
	Matching Shares	19 Jul 2023	19 Jul 2026	7	£6.798	£47.59
	Matching Shares	18 Aug 2023	18 Aug 2026	6	£7.392	£44.35
	Free Shares	29 Aug 2023	29 Aug 2026	35	£7.030	£246.05
CFO	Free Shares	29 Aug 2023	29 Aug 2026	35	£7.030	£246.05

1 Free and Matching Share awards under the SIP do not have performance conditions; however, there is a service condition of three years from the Award date during which time the participant must remain employed by a UK Howdens Group company to avoid forfeiting the award.

2 The face value of the award is calculated using the share price at grant (the 'Award price').

Fixed Variable

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Advisors to the Committee

The Committee regularly consults with the CEO, CFO and the Interim Group HR Director on matters concerning remuneration, although they are never present when their own reward is under discussion. The Company Chair attends the Remuneration Committee by invitation except when his own remuneration is determined. The Company Secretary acts as secretary to the Committee but is never present when his own reward is determined.

The Committee also has access to detailed external information and research on market data and trends from independent consultants. A representative from the Committee's independent advisor usually attends each meeting of the Remuneration Committee. Korn Ferry was appointed by the Committee as its retained independent advisor in September 2022. Korn Ferry is a member of the Remuneration Consultants' Group, which operates a code of conduct in relation to executive remuneration consulting, and it does not provide any other services to the Group.

The Committee is satisfied that Korn Ferry provided robust and professional advice during the year. Work undertaken during the year for the Committee included updating the Committee on trends in compensation and governance matters and advising the Committee in connection with benchmarking of the total reward packages for the Executive Directors and other senior members of staff. Total fees paid to Korn Ferry in relation to remuneration services provided to the Committee totalled £77,388 with fee levels based on the quantity and complexity of work undertaken.

Voting at the 2023 AGM

The results of the advisory vote in respect of the Directors' remuneration report ('Report') at the 2023 AGM is shown in the chart below. The 2021 AGM results and the 2022 AGM results (which included a binding vote on the Directors' remuneration policy ('Policy')) are also shown in the chart below.

1 A vote 'for' includes those votes giving the Chair discretion.
2 A vote 'withheld' is not a vote in law.

By order of the Board

Karen Caddick
Remuneration Committee Chair

28 February 2024