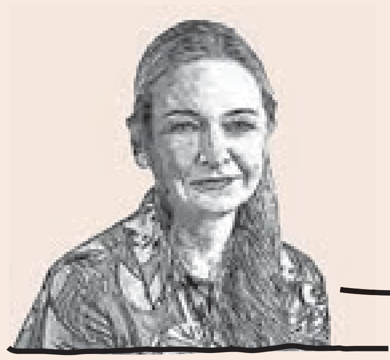
Remuneration Committee Report



Remuneration Committee Meeting Attendance

Karen Caddick (5/5)
Tiffany Hall (4/4)[1]
Mark Allen (2/5)[2]
Andrew Cripps (5/5)
Geoff Drabble (5/5)
Louise Fowler (1/1)[3]
Debbie White (5/5)

1. Tiffany retired from the Board on 17 September 2019.
2. Mark was unable to attend the February and April meetings due to commitments at Dairy Crest and he was unable to attend the November meeting due to health reasons. Mark received all of the meeting papers in advance of the meetings and was able to feedback his views to the Committee Chair.
3. Louise was appointed to the Board on 1 November 2019.

Remuneration Committee Report contents

ANNUAL REMUNERATION COMMITTEE CHAIR STATEMENT

I am pleased to present the Howden Joinery Group Remuneration Committee Report for 2019. The report has been prepared in compliance with the requirements of the Large and Medium-sized Companies and Groups Regulations 2013.

It has been another busy year for the Howdens Remuneration Committee. Our new Remuneration Policy was approved at the AGM in May with more than 97% support from shareholders and the Chair of the Committee retired from the Board in September. I'd like to take this opportunity to thank Tiffany for her efforts in this role and for her support in ensuring a seamless handover over the course of the last year.

I will be presenting a summary of the work of the Committee in 2019 at the Annual General Meeting on 7 May 2020.

POLICY

Our new Remuneration Policy was approved by shareholders at the 2019 AGM with a high level of support from shareholders. This policy is due to expire at the 2022 AGM and a short-form version can be found on page 96. The policy in full can be accessed at www.howdenjoinerygroupplc.com/governance/remuneration-policy

Having consulted widely with our principal shareholders and investor groups on the draft policy (and the application of the policy) prior to the Annual General Meeting, we were able to incorporate much of the feedback we received. The Committee remains committed to ensuring there are appropriate channels for stakeholder feedback on our Executive Director remuneration policy and practices. More information on how we engage with our stakeholders can be found in the Corporate Governance Report on pages 76 to 78.

The Committee were particularly mindful that the new policy continued to reflect the entrepreneurial culture of the business and was able to be cascaded consistently throughout the workforce. Howdens' staff are paid on the profitability 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. This entrepreneurial culture has served our shareholders well.

As such, the updates to the policy were made to ensure continued compliance with the new UK Corporate Governance Code, best practice requirements and to continue to support our long-term strategy. We introduced post-vesting and post-termination holding periods to ensure greater alignment with our shareholders and reduced pension provision for new Executive Director joiners to be in line with the wider workforce.

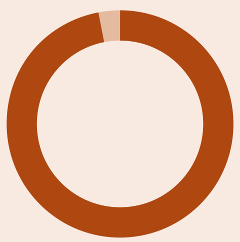
A breakdown of voting for both the Remuneration Policy and Remuneration Reports for the previous three AGMs can be found in the Appendix on page 111.

UK CORPORATE GOVERNANCE CODE

The Committee has also taken time to consider its broader remit under the 2018 UK Corporate Governance Code ('the Code') and we have updated this year's Remuneration Committee Report to reflect this.

The Remuneration Committee is mindful of the increased public and investor focus on Executive pensions, variable pay and the links between remuneration, strategy and long-term success. We have specifically highlighted where the Committee exercised discretion, and the reasons why, in this report.

Vote on the Executive Directors' Remuneration Policy at the 2019 AGM



Votes 'withheld' were not counted in the calculation of the proportion of the votes for and against

We have also mapped how our policy and practices address the six key themes identified in Provision 40: Clarity, simplicity, risk, predictability, proportionality and alignment to culture. You can find this on page 98.

SENIOR MANAGEMENT AND THE WIDER WORKFORCE

The Howdens Remuneration Committee pre-empted the Code's requirement for remuneration committees to set remuneration for senior management. During the year, the Committee updated its Executive Committee Remuneration Policy which details the remuneration parameters for this group.

The Committee also received updates on the ongoing employee benefits review and all-employee remuneration related policies in order to provide the context for, and to ensure alignment with, the policy on Executive Director remuneration. In accordance with the Code, the Committee have adopted a 'Provision 33 dashboard' which shows some of the key internal and external measures that the Committee members should be aware of when determining Executive Director and senior management remuneration. Our template for this dashboard can be found on page 102 of this report.

INTRODUCTION OF A NEW MEASURE FOR THE PERFORMANCE SHARE PLAN ('PSP')

As reported in the 2018 Remuneration Committee report, the Committee was committed to reviewing and introducing a shareholder returns measure from 2020 in respect of the long term incentive plan. I am pleased to confirm that, from 2020, relative Total Shareholder Return ('TSR') will be used as an additional metric to profit before tax. More detail on the analysis of the Committee in determining the appropriate measure, including peer group identification, the weighting of TSR for the 2020 award and calibration of the measure can be found in our case study on page 105.

PENSIONS

During 2019, the Committee considered the updated guidance from the Investment Association which provides that Remuneration Committees should ensure that there is a credible plan to ensure that Executive Director pensions are aligned with the wider workforce by the Company's next policy cycle. Provision 38 of the Code also provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the workforce.

I am therefore pleased to confirm that our incumbent Executive Directors have agreed to reduce their pension benefits to be in line with the wider workforce by the next Executive Director Remuneration Policy approval (at the AGM in May 2022). Andrew Livingston's pension supplement received in lieu of Company pension contributions will reduce in January 2020 by 2% from 20% of basic salary to 18% of basic salary. In January 2021 it will reduce by a further 4% to 14% of basic salary and in May 2022, Andrew's pension supplement will be aligned to the Company pension contributions of the wider workforce, which is currently 4% of basic salary. Similarly, Mark Robson's pension supplement received in lieu of salary will reduce from 30% of basic salary to 24% with effect from January 2020 and will reduce further to 18% of basic salary from January 2021. His pension supplement will then be aligned with the CEO and wider workforce in May 2022.

I would like to thank both Andrew and Mark for their engagement on this matter. These reductions have been entered into voluntarily and demonstrate their commitment to ensuring fairness in Howdens' remuneration practices.

1. The Howdens Remuneration Committee classifies 'senior management' as members of the Executive Committee, excluding Executive Directors, and the Company Secretary.
2. That being the level of pension provision available with the highest level of employee participation.

Remuneration Committee Report continued

KPI link

2019 REWARD OUTCOMES

See page 32

For the 2019 annual bonus, performance was based on the delivery of both profit and cash flow targets. Despite considerable uncertainty in the market due to the lack of clarity of the UK's future relationship with the European Union, Howdens has performed well over the year delivering 4.8% growth in sales on 2018 whilst continuing to deliver a strong gross profit margin of 62.3%. This has resulted in a Profit Before Tax ('PBT') of £260.7m and cash flow of £295.4m. This has allowed us to continue to invest in key strategic opportunities such as depots, digital initiatives, and supply chain resilience which will position us competitively to meet future demand.

Our strong financial performance has resulted in an annual bonus outcome between on-target and maximum of 114% of salary for our Executive Directors, 76% of the maximum opportunity.

The 2017 Performance Share Plan ('PSP') with performance measured to FY 2019 is based on three year PBT growth per annum. Over the three-year period of the 2017 Performance Share Plan cycle, our PBT has grown by 3.2% per annum In line with performance targets (requiring 3% per annum PBT growth to achieve threshold vesting) the award will vest at 16% of maximum opportunity.

2020 REWARD AND INCENTIVES

The CEO's salary increase in January 2018 was in line with the wider workforce. The Deputy Chief Executive Officer & Chief Financial Officer ('DCEO' & 'CFO') did not receive a salary increase in 2019. The Committee implemented a 3% base salary increase in 2020 for the CEO and DCEO & CFO, which was in line with the wider workforce.

For the 2020 annual bonus, we replicated the methodology and measures used in the 2019 annual bonus PBT and cash flow measures, subject to an aggregate maximum of 150% of basic salary. 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.

For the 2020 PSP, it is our intention to maintain both the target range and opportunity under the 2019 PSP of 220% of salary for a target range of 5% to 15% PBT growth per annum.

Following comments from shareholders that a greater diversity of measures within our long term incentive plans would be desirable, we have introduced relative TSR as a measure for the 2020 PSP. Alignment with the strategy of the business has and will continue to be the central driver for the selection of performance measures and we believe that the relative TSR measure will complement the PBT growth measure whilst retaining the focus on profit across the business as a whole. Given market practice, and the current use of profit within incentives, the Committee has agreed a weighting of 33% for the relative TSR measure and 67% for PBT growth.

I hope the information presented within this report provides a clear explanation as to how we have operated our remuneration policy over 2019 and as to how we intend to implement our Policy for 2020. 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 it for 2020.

Karen Caddick
Remuneration Committee Chair

HOW THE COMMITTEE EXERCISED DISCRETION FOR THE INCENTIVE PERIOD ENDING 28 DECEMBER 2019

The Committee considered the financial performance for the incentive period ending 28 December 2019. Profit before tax for the year was £260.7m and cash flow was £295.4m. The three-year profit before tax growth was 3.2%.

The Committee considered whether the incentive outturns projected for the 2019 annual bonus and 2017 PSP were proportionate to the financial performance, whether the combined quantum of the awards were excessive, and whether there were any other external factors of which the Committee were aware which would make increasing or decreasing the payments under these awards appropriate. In reaching their conclusion, the Committee considered the Remuneration structures and policies for the workforce as a whole, the relative ratios of Executive and employee reward, continued alignment to shareholder value, as well as the predictability, proportionality of the incentives and their ongoing alignment to culture.

Taking all of these matters into consideration, the Committee approved the payment of these awards without adjustment.

2019 REMUNERATION COMMITTEE ACTIVITY

2019

December 2018 - January 2019
Shareholder consultation
- Company and Remuneration Committee Chair consultation with shareholders on draft Remuneration policy

January
Committee meeting (out-of-cycle)
- Consideration of shareholder feedback relating to the draft Remuneration policy
- Consideration of the use of additional measures for the PSP

February
Committee meeting
- Further shareholder feedback was considered prior to approval of the Remuneration Policy to be put for shareholder approval
- Approval of 2019 salaries for Executive Directors and Senior Management as well as payment of the 2018 bonus and lapse in full of the 2016 PSP
- Targets agreed for 2019 annual bonus and 2019 PSP
- Approval of 2018 Remuneration Committee Report
- Governance update

March
Share award grant
- PSP granted to Executive Directors and Executive Committee

April
Committee meeting
- SIP grant to all UK employees approved
- All employee benefits review and gender pay gap data considered

May
AGM
- Remuneration Policy and Remuneration Report approved by shareholders
- New LTIP rules also approved by shareholders

July
Committee meeting
- Governance and AGM update
- Update on outstanding awards
- All employee benefits review update
- Review of shadow PSP measures
- PSP granted to management grades below Executive Committee
- Remuneration Committee advisor review initiated

November
Committee meeting
- Governance update
- 2020 planning and salary benchmarking
- All employee benefits review update and gender pay gap data considered
- Approach to analysing how current reward structure related to key risks identified by the Company considered
- Executive Director pension benefits
- Board Chair fee review
- Review of shadow PSP measures and agreement in principle to use relative TSR as additional measure for 2020 LTIP
- Executive Committee Remuneration Policy and renewal of Interim Group HR Director's contract approved
- Review of Committee's terms of reference
- Remuneration Committee advisor review summary

Remuneration Committee Report continued

Fixed | Variable | KPI link

DIRECTORS' REMUNERATION POLICY SUMMARY

At the Annual General Meeting of shareholders on 2 May 2019, the Directors' Remuneration Policy (the 'Remuneration Policy'), as set out in the 2018 Annual Report and Accounts, was approved by shareholders. Set out 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 2019 can be found on subsequent pages in the report. The Remuneration Policy can be viewed in full online at www.howdenjoinerygroupplc.com/governance/remuneration-policy.

EXECUTIVE DIRECTORS

Fixed Pay

Base Salary	Benefits	Pension
Salaries are reviewed annually and set within a range defined by a market benchmark. This is derived from companies of a comparable size or operating in a similar sector. Our policy is to pay at median.	The Company pays the cost of providing benefits on a monthly basis or as required for one-off events.	Executive Directors appointed after May 2019 are invited to join the auto-enrolment defined contribution pension scheme or receive a salary supplement in lieu of pension in line with the maximum level of benefit they would have received if they had enrolled in the scheme. Company contributions for Executive Directors are aligned with those for the wider workforce.[1] The pension benefits of the incumbent Executive Directors are governed by earlier Remuneration Policies and their contracts of employment. However, the incumbent Executive Directors have voluntarily agreed to reduce their current benefits to be in line with the wider workforce by May 2022, that being the next scheduled renewal by shareholders of this Policy. More detail on the tapering of their benefits is set out on page 93.
Link to strategy: Salaries reflect the market value of the Executive's role in addition to their skill, responsibilities, performance and experience.	**Link to strategy:** Our policy provides a competitive level of benefits.	**Link to strategy:** The Committee remains committed to providing competitive long-term savings opportunities provided they are aligned with the opportunities afforded to the wider workforce.

Variable Pay

See page 32

Annual Bonus	Deferred Bonus	Performance Share Plan
The annual bonus has a maximum opportunity of 150% of base salary. Performance is assessed annually against stretching PBT and cash flow targets.	30% of any bonus earned is deferred into shares. Shares are paid out on the second anniversary of the deferral date. Malus and/or clawback provisions operate on the bonus for a period of up to two years after the performance period.	The vesting of awards is based on performance over a three-year performance period. The maximum opportunity allowed under the award is 270% of salary. Malus provisions apply for the duration of the vesting period. Vested awards are subject to a two-year holding period following vesting, during which no performance measures apply.
Link to strategy: PBT and cash flow targets reflect our key internal performance indicators and the role of sustainable profit growth in our entrepreneurial culture. The annual bonus incentivises performance over the financial year.	**Link to strategy:** Deferral links bonus pay out to share price performance over the medium term.	**Link to strategy:** Focuses management on longer-term financial growth than addressed by the annual bonus. Long-term financial growth is fundamental to the generation of shareholder value. As with the annual bonus, deferral links bonus pay out to share price performance but the post-vesting holding period does this over a longer period.
Performance Period		
1 Year		3 Years
Additional Deferral Period		
	2 Years	2 Years
Time from grant to receipt		
1 Year	**3 Years**	**5 Years**

1. At 28 December 2019, Company contributions to the wider workforce were 4% of basic salary.

Executive Director Shareholdings

Significant shareholdings on the part of our Executive Directors are key to ensuring effective alignment with shareholders. Under the Remuneration Policy, the Executive Directors are expected to have a personal shareholding equal to twice their annual base salary. Shares deferred under the deferred bonus plan and unvested conditional share awards are not counted towards this requirement. Executive Directors are also eligible to receive shares awarded under the Share Incentive Plan, the Company's all-employee share scheme. Shares awarded under the Share Incentive Plan are not counted towards the shareholding requirement.

In 2019 a post-cessation shareholding requirement was introduced in the Remuneration Policy. This requires Executive Directors to hold 100% of their shareholding requirement (or full actual holding if lower) for a period of two years post cessation. See the Appendix on page 110 for a table of total shares in the Company held by the Directors, together with unvested performance shares and those held subject to deferral conditions.

NON-EXECUTIVE DIRECTORS

Non-Executive Directors only receive fees for their services and are not eligible to participate in any performance-related arrangements. There are no shareholding requirements for Non-Executive Directors prescribed by the Remuneration Policy.

Fees are reviewed every year and are set within a range defined by a market benchmark of comparable size companies and with reference to any pay increase awarded to the wider workforce. All fees for 2020 and increases from the prior year are set out below. Non-Executive Directors are also entitled to receive expenses in respect of reasonable travel and accommodation costs.

		Basic NED Fee[1]	Chair Fee	SID Fee	Committee Chair Fee
2020	Fee	£56,650	£257,500	£15,000	£12,500
	% change from 2019	3%	3%	50%[2]	25%
2019	Fee	£55,000	£250,000	£10,000	£10,000
	% change from 2018	0%	0%	0%	0%

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 Committee.
2. In recognition of the additional time requirement necessary to undertake the role of Non-Executive Director responsible for workforce engagement, the SID Fee was increased by £5,000.

Remuneration Committee Report continued

When determining the Remuneration Policy, the Committee were mindful of their obligations under Provision 40 of the 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 below are examples of how the Committee addressed these factors:

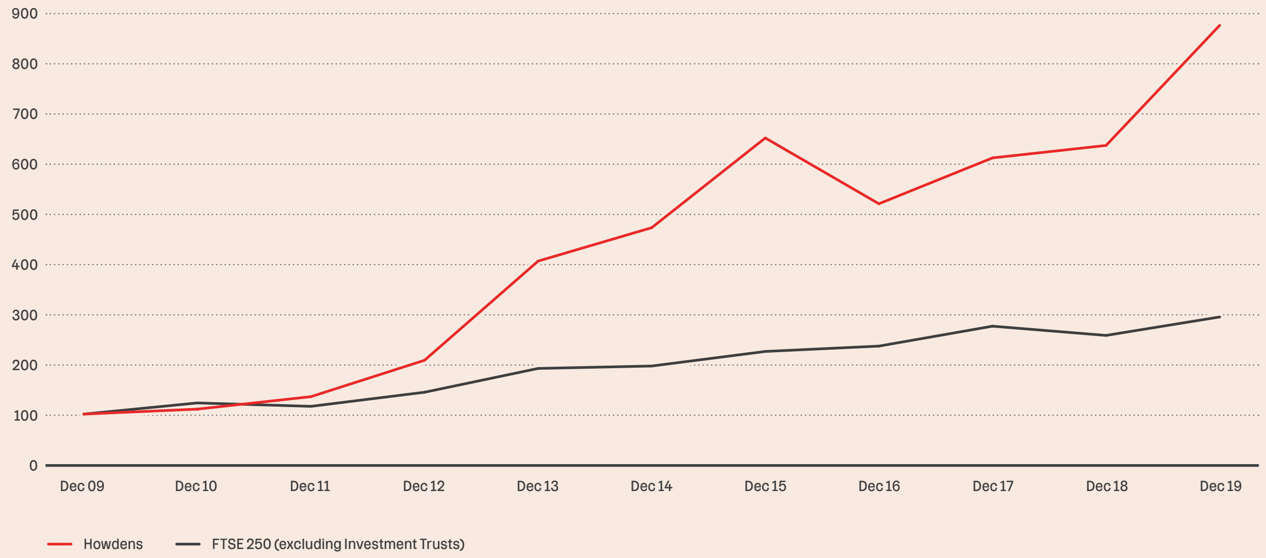
Clarity	Simplicity	Risk
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	*Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.*	*Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risk that can arise from target-based incentive plans, are identified and mitigated.*
The Company invited its principal shareholders and shareholder representative groups to consult on the updated Remuneration Policy and received good feedback. The level of pension benefit for new Executive Directors was reduced and the minimum percentage of variable pay linked to financial measures was increased following input from these meetings. All UK employees are awarded shares in the Company through the Share Incentive Plan. As such they are entitled to attend and vote on the Remuneration Policy and Remuneration Report at the Annual General Meeting.	The Remuneration Policy has received positive feedback from stakeholders in relation to its simplicity. When the Remuneration Policy was updated in 2019 the profit share element of the annual bonus was replaced due to the complexity of the calculation and lack of understanding of its operation. 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.	The Remuneration Committee have a track record of setting maximum levels of award for the PSP below the maximum allowed under the policy. This ensures that such awards do not become excessive due to share price volatility. 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	Proportionality	Alignment to culture
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 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.*	*Incentive schemes should drive behaviours consistent with company purpose, values and strategy.*
The range of possible rewards for the Executive Directors is considered on page 103 and were communicated when the Remuneration Policy was approved by shareholders. The range in relation to the PSP reflects the reduced maximum award for 2020 rather than maximum allowed under the policy. The Committee has a wide range of discretion in relation to variable pay awards, new joiner and leavers which were identified and explained when the Remuneration Policy was approved.	In this Remuneration Report we have linked where measures for individual awards are linked to KPIs. The Committee remains confident that the awards used to ensure continued delivery of strategy and long-term performance are working as intended. In both 2018 and 2019, the annual bonus paid out at about three quarters of maximum opportunity following delivery of good PBT results in challenging market conditions and which were slightly ahead of market expectations. However, as longer-term profit growth remained subdued in the three years leading up to these financial year ends, the PSP lapsed in full in the first year and vested at a low level in the second following a return to growth.	The Committee remain confident that the incentive schemes operated under the 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.

OUR CORPORATE PERFORMANCE

Total Shareholder Return ('TSR')

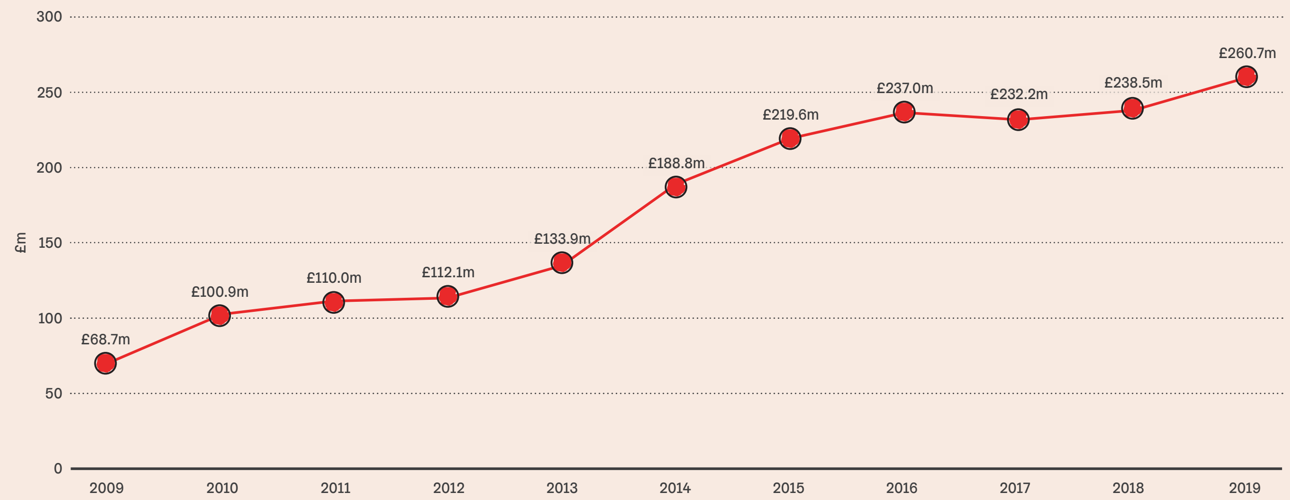
The graph below illustrates the Company's TSR performance relative to the constituents of the FTSE 250 (excluding investment trusts) of which the Company is a constituent. It shows that over the past 10 years Howdens has generated significantly higher returns than the FTSE 250 (excluding Investment Trusts).



Profit Before Tax ('PBT')

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

Howdens historic PBT



Remuneration Committee Report continued

DIRECTORS' REMUNERATION REPORT

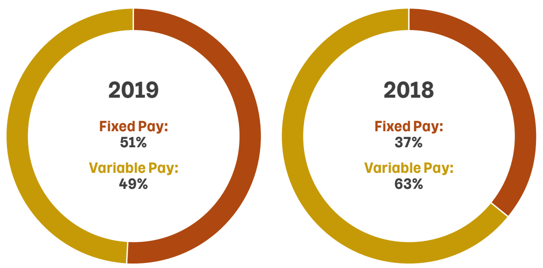
SINGLE FIGURE OF REMUNERATION: EXECUTIVE DIRECTORS (AUDITED)

£000s	Salary 2019	Salary 2018	Benefits 2019	Benefits 2018	Pension 2019	Pension 2018	Bonus 2019	Bonus 2018	LTIP 2019	LTIP 2018	Recruitment award 2019	Recruitment award 2018	Total Remuneration 2019	Total Remuneration 2018
Executive Directors:														
Andrew Livingston*	564	413	72	81	113	83	643	462	-	-	-	1,530	1,391	2,569
Mark Robson	441	441	62	51	134	182	502	494	210	0	-	-	1,349	1,168
Former Executive Directors														
Matthew Ingle	-	145	-	78	-	44	-	163	-	0	-	-	-	430
Total	1,005	999	134	210	247	309	1,145	1,119	210	0	-	1,530	2,740	4,167

* Andrew was appointed to the Board on 2 April 2018 and therefore only received his salary, benefits, pension and annual bonus as CEO for a proportion of 2018.

£000s	Total (Fixed) 2019	Total (Fixed) 2018	Total (Variable) 2019	Total (Variable) 2018
Executive Directors:				
Andrew Livingston	748	577	643	1,992
Mark Robson	637	674	712	494
Former Executive Directors				
Matthew Ingle	-	267	-	163
Total	1,385	1,518	1,355	2,649

Total Executive Director Fixed vs Variable Pay



NOTES TO THE SINGLE FIGURE TABLE

Salary, benefits, pension

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 (policy is to pay median). Salaries for 2020 can be found on page 103. 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.

Benefits are based upon market rates and include receipt of a car allowance, non-exclusive use of a driver, health insurance and death-in-service insurance payable by the Company. Following Andrew Livingston's appointment as CEO, the Remuneration Committee agreed that the Company would pay reasonable hotel costs in order to provide flexibility whilst he undertook the logistical demands of the role. During 2019 the Committee agreed that the Company would continue to pay reasonable hotel costs until he had successfully relocated.

Mark Robson opted-out of the Defined Benefit Pension Scheme on 31 December 2018. Under the terms of his employment contract and the Remuneration Policy agreed by shareholders in 2016 he received pension benefit in lieu of 30% of basic salary for the remainder of the financial year. More information about future Executive Director pension benefits can be found on page 93.

Recruitment award

Andrew Livingston's recruitment award figure is higher than reported in the 2018 Remuneration Committee Report due to the growth in the Company's share price since the award was made. The calculation of the value of the award was therefore updated to take account of this growth. More information on the recruitment awards can be found on page 109.

Annual Bonus (Audited)

Targets for 2019

Our annual bonus for 2019 was based on PBT and cash flow measures subject to an aggregate maximum of 150% of salary. The PBT and cash flow measures were weighted as follows:

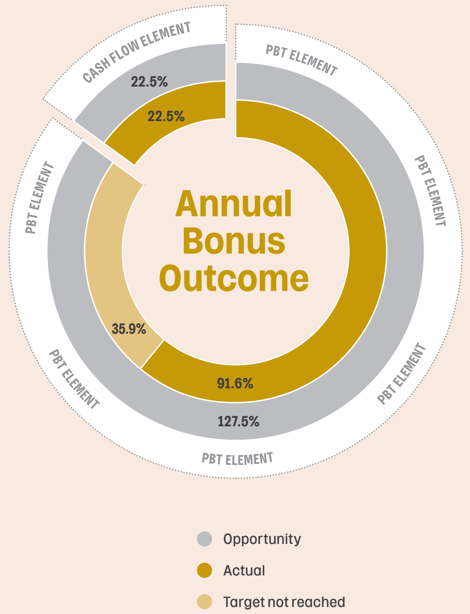
	PBT component	Cash flow component
Threshold	£242.3m (17% of salary)	£243.0m (3% of salary)
Target	£255.1m (63.75% of salary)	£259.0m (11.25% of salary)
Outperformance	£267.9m (127.5% of salary)	£269.0m (22.5% of salary)

70% of the annual bonus was paid in cash and 30% of the annual bonus was deferred as shares, which will 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 £260.7m (between target and outperformance). The cash flow figure for the year in relation to the bonus was £295.4m (above outperformance). In aggregate, the Executive Directors will receive an annual bonus of 114% of salary for 2019.

	Andrew Livingston	Mark Robson
PBT (% of salary)	91.6%	91.6%
Cash Flow (% of salary)	22.5%	22.5%
Total Bonus (% of salary)	114%	114%
Total Bonus (£'000)	643	502



Performance Share Plan ('PSP') (Audited)

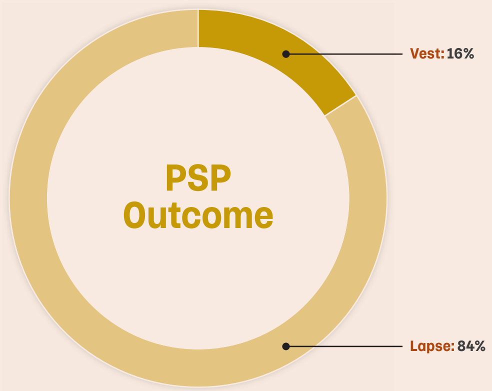
Targets for 2019

2020 is the first year in which the PSP award will vest. The PSP awards granted from 2016 to 2019 have been measured against PBT growth over a three year period. The PBT growth for the 2017 award was measured between FY 2017 to FY 2019. Any PSP award that vests is subject to a two-year holding period for serving Executive Directors.

Outcomes for the year

The 2017 PSP had a threshold requirement of 3% p.a. and a maximum requirement of 15% p.a. 2019 PBT was £260.7m, and therefore growth on FY 2016 was 3.2% p.a. The award will therefore vest at 16% of maximum opportunity at the end of March.

£59,830 of Mark Robson's 2019 long-term incentive award was attributable to share price increases. The share price at the date of grant was 430.9p and the three month average to 28 December 2019, the price on which the value of the award is calculated, was 602.2p.



Remuneration Committee Report continued

Single figure of Remuneration: Non-executive directors (Audited)

The table below sets out the remuneration received by Non-Executive Directors in 2018 and 2019.

		Remuneration (£'000)	
Non-Executive Director	**Notes**	**2019**	**2018**
Richard Pennycook		260	250
Mark Allen	Retired from the Board in December 2019	50	55
Karen Caddick	Appointed Remuneration Committee Chair in September 2019	61	17
Andrew Cripps		65	65
Geoff Drabble	Appointed Senior Independent Director in September 2019	58	55
Louise Fowler	Appointed to the Board in November 2019	9	-
Tiffany Hall	Retired from the Board in September 2019	53	75
Debbie White		55	55
Total		611	572

WIDER WORKFORCE CONSIDERATIONS

The Remuneration Committee received regular updates from the Interim Group HR Director in respect of the ongoing all-employee benefits review. This review incorporates all aspects of employee reward at Howdens. The Committee also adopted the template dashboard shown below in 2019. This dashboard, known as our Provision 33 Dashboard, shows some of the key internal and external measures and information that the Committee must be mindful of when they determine Executive Director and senior management remuneration. These measures are considered in addition to wider workforce-related policies and the alignment of incentives with the culture of the organisation. The Provision 33 Dashboard is populated with up-to-date information prior to each meeting where it is to be considered.

Provision 33 Dashboard template

Workforce Reward

- Salary
- Pensions
- Benefits
- Bonus
- Shares

External Ratios

CEO Ratio as at YE2019

25th percentile (vs prior year), 50th percentile (vs prior year), 75th percentile (vs prior year)

Gender Pay Gap

Group	Prior Year	Current
Mean pay gap		
Median pay gap		
Bonus mean gap		
Bonus median gap		

Provision 40

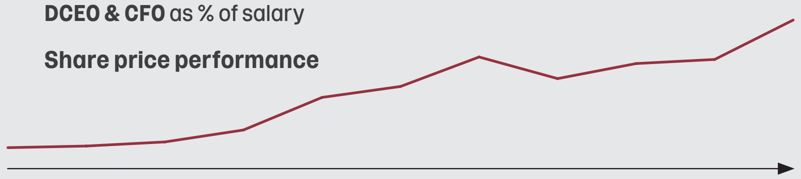
- Clarity
- Simplicity
- Risk
- Predictability
- Proportionality
- Alignment to culture

Shareholder Alignment

Executive Director shareholdings

CEO as % of salary
DCEO & CFO as % of salary

Share price performance



The Committee also considers the appropriateness of introducing an absolute quantum for Executive reward during the year.

Fixed Variable

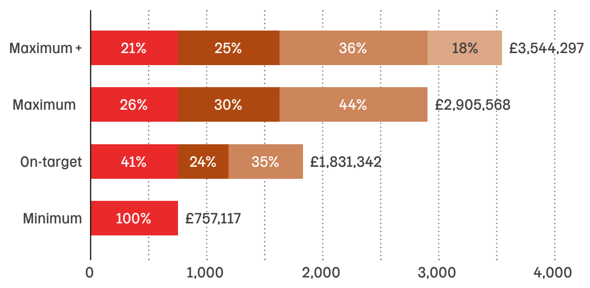
IMPLEMENTATION OF REMUNERATION POLICY FOR 2020

2020 REMUNERATION SCENARIOS

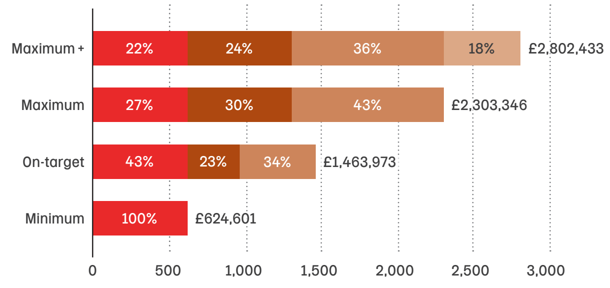
The remuneration package for the Executive Directors is designed to provide an appropriate balance between fixed and variable performance-related components, with a significant proportion of the package weighted towards long-term variable pay. The Committee remains satisfied that the composition and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

Value of package (£'000)

Andrew Livingston



Mark Robson



Fixed elements of remuneration Annual Bonus LTIP LTIP (attributable to 50% share price appreciation)

Fixed elements of remuneration consist of the annual salary that the Executive Director will receive for 2020, alongside their 2020 pension entitlement, and actual benefits received in 2018/19 (as a proxy for 2020).

Annual bonus is based on a maximum opportunity of 150% of salary and an on-target opportunity of 75% of salary.

LTIP is based on a maximum opportunity of 220% of salary in line with the 2020 grant (noting that the overall policy maximum is 270% of salary). Target opportunity is calculated as 50% of maximum (110% of salary).

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 performance share plan.

The composition and value of the Executive Directors' remuneration packages in a range of performance scenarios are set out in the charts above. These show that the proportion of the package delivered through long-term performance is in line with our 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 below the charts.

Base salaries

Base salary increases from 2020 are set out in the table below. The salary increase awarded to Andrew Livingston and Mark Robson were in line with the average increase that will be made to our workforce in 2020.

	2020		2019	
Executive Directors	**Salary (£'000)**	**% increase**	**Salary (£'000)**	**% increase**
Andrew Livingston	581	3.0%	564	2.5%
Mark Robson	454	3.0%	441	-

Remuneration Committee Report continued

Fixed Variable

Annual Bonus measures

The table below sets out Annual Bonus measures for 2020. 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 2020 Remuneration Committee Report.

Bonus measure	Definition	Performance level	Pay out level
PBT	Pre-exceptional profit before tax from continuing operations	Threshold	17% of salary
		Target	63.75% of salary
		Maximum	127.5% 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	3% of salary
		Target	11.25% of salary
		Maximum	22.5% of salary

Performance Share Plan measures

As reported earlier in this report and in the case study on page 105 the Remuneration Committee have introduced a relative Total Shareholder Returns ('TSR') measure in 2020 in addition to the existing PBT measure. Set out below are the performance measures and relative weightings for each of the measures. For 2020 the maximum opportunity under the PSP remains 220% in line with the approach taken in 2019. The performance period is three years, measured over the relevant financial years, starting with the financial year of grant. For scheme interests awarded in 2019 see the Appendix on page 108.

PSP measure	PBT growth
Measure weighting	67%

	PBT growth performance condition	Payout level
PBT component vesting schedule	15% p.a.	100% of maximum
	Straight-line vesting between these points	
	5% p.a.	15% of maximum
	Less than 5% p.a.	0

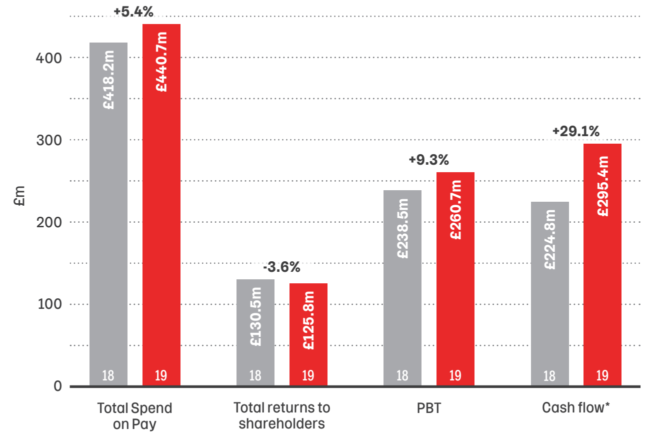
PSP measure	Relative TSR
Measure weighting	33%
Comparator group and averaging period for TSR performance	• Companies ranked up to 50 above and 50 below Howdens by market capitalisation in the FTSE All Share index at or shortly before the start of the performance period (excluding Investment Trusts). • One month TSR average for the month preceding the first day of the performance period and one month TSR average for the final month 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

Under the terms of the Remuneration Policy approved by shareholders at the 2019 Annual General Meeting, the 2020 PSP awards will be subject to a two-year post-vesting holding period.

Relative importance of spend on pay

The graph below sets out the change in the Group's total remuneration spend from 2018 to 2019 compared to the total returns to shareholders of the Group and the two incentive performance measures PBT and cash flow.

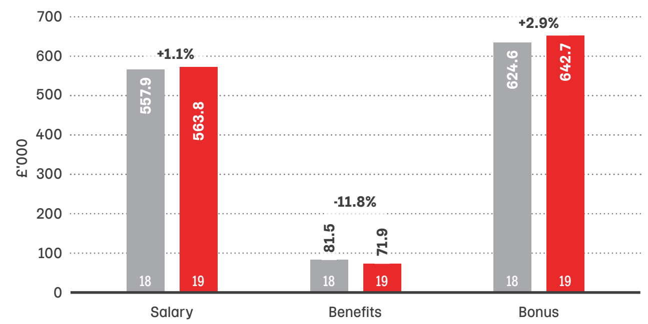


* Net cash flow from operating activities, being the definition used for the annual bonus scheme (see page 104)

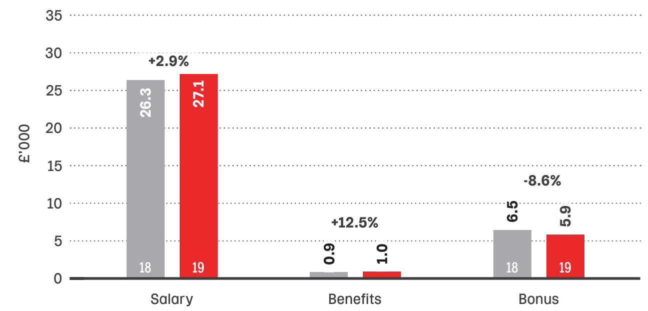
Percentage change in remuneration of Director undertaking the role of Chief Executive Officer

The graphs below set out the change in short-term pay from 2018 to 2019 of the CEO compared to all employees (on a per capita basis).

CEO



All full time employees (per capita)



Case Study

Additional measure for the Long Term Incentive Plan

In the 2018 Remuneration Committee Report we committed to introducing a greater diversity of measures for our long-term incentives following shareholder feedback. The Committee stated that, from 2020 onwards, a returns measure would be introduced into our long-term incentive program alongside the PBT measure and throughout 2019 we would monitor them against internal targets to ensure we could appropriately calibrate these metrics. This ensured that they were well understood within the senior management population before they were formally introduced.

In January 2019, the Committee discussed with management a number of potential measures and it was agreed that Relative Total Shareholder Returns ('TSR') and Return On Invested Capital ('ROIC') would provide greatest alignment with shareholder interests and best complement the existing PBT measure.

Performance against these two measures were considered at the Committee meeting in July as well as more detailed analysis on the most appropriate definitions of ROIC and the TSR peer group. Wider market analysis and benchmarking was undertaken and considered by the Committee.

In November, the Committee approved the use of TSR as the returns measure for the 2020 PSP. Due to its widespread adoption, both the Committee and management agreed that a TSR measure was a more relevant comparator externally which would safeguard against complexity and provide the best alignment with shareholder interests.

The Committee also agreed the weighting of the measure (33%), performance period, comparator group, average period for TSR performance assessment. More detailed information about the operation of the TSR measure can be found on page 104.

Alignment with the strategy of the business and the avoidance of rewarding failure has and will always be the central drivers for the selection of performance measures and the Committee is confident that the introduction of the TSR measure continues to provide this alignment without introducing unnecessary complexity.

Remuneration Committee Report continued

OUR CORPORATE PERFORMANCE AND REMUNERATION

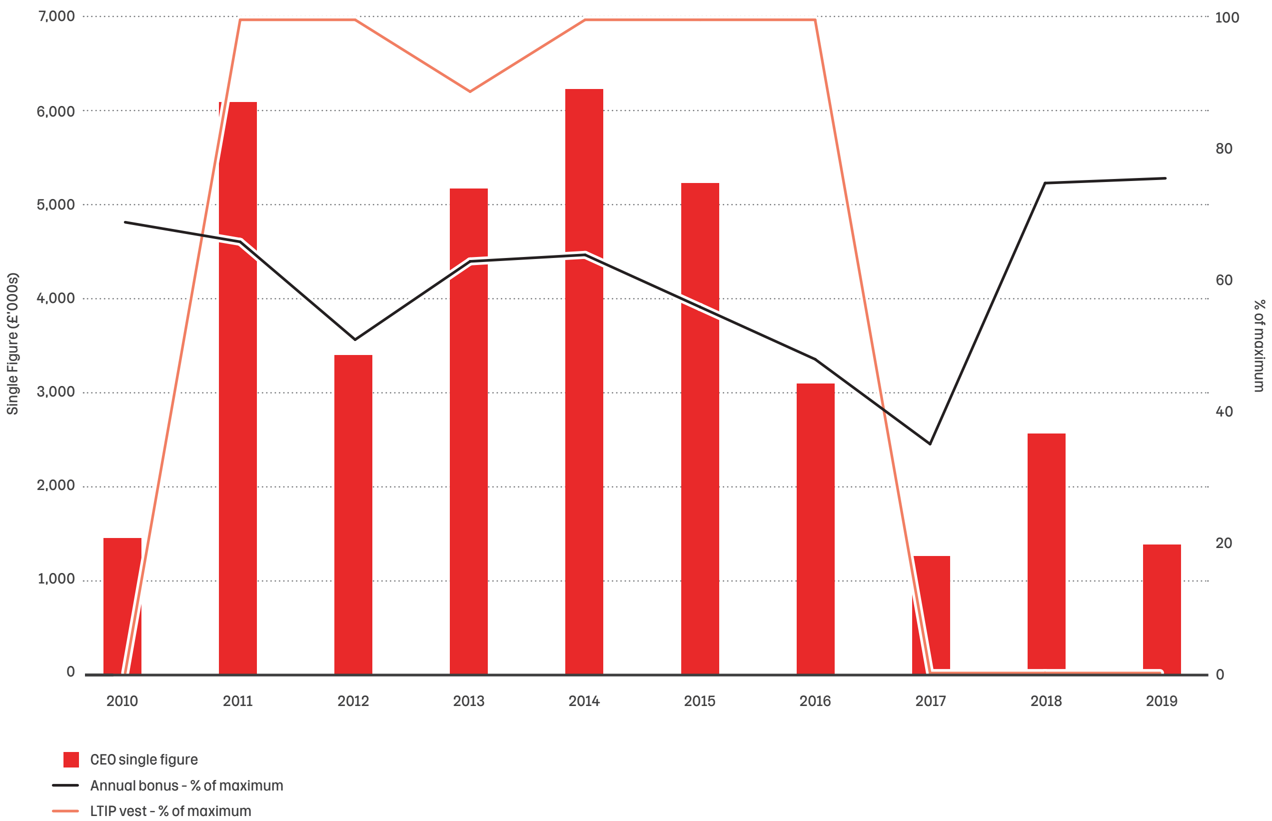
Historic single figure

The table and graph below show the historic CEO single figure and incentive pay-out levels. They show that the annual bonus has performed strongly and that long-term incentives have reflected the challenges that faced the Company after 2008 and the challenging market conditions following the 2016 referendum on membership of the European Union.

The maximum bonus opportunity reduced from 200% of basic salary to 150% following the approval of the Directors' Remuneration Policy by shareholders in May 2016.

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
CEO single figure (£'000)	1,458	6,083	3,401	5,168	6,221	5,225	3,098	1,268	2,569	1,391
Annual bonus (% of maximum)	69%	66%	51%	63%	64%	56%	48%	35%	75%	76%
LTIP vest (% of maximum)	0%	100%	100%	89%	100%	100%	100%	0%	0%	0%*

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



CEO PAY RATIO TABLE

Financial Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	A	71:1	58:1	48:1
2018	A	122:1	100:1	81:1

During 2019, Howdens has identified the CEO pay ratio in line with the updates to the Directors' Remuneration Reporting Regulations. The data used to calculate the CEO pay ratio was accurate as at 31 December 2019.

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 ('BEIS') in its guidance as the most statistically accurate method for identifying the pay ratios.

The total pay, benefits and salary of each colleague 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')	£24,743	£30,185	£36,783
Salary (including overtime) ('FTE')	£19,353	£23,782	£28,792

The pay and benefits of our colleagues was calculated in line with the Single Total Figure of Remuneration methodology. In our calculations we used actual pay from 1 January 2019 to 31 December 2019. 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 2019 compensation year; however, for annual bonus payments, we estimated the bonus due to employees for the 2019 compensation year (payment is due in March 2020). P11D values have been based on the 2018/19 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. Pay structures vary between roles in order to deliver an appropriate balance between fixed and variable pay but our emphasis on profit in our reward structures, from the depots to the Executive Directors, helps to provide some alignment of reward across the business.

The significant decrease in the CEO pay ratio from 2018 to 2019 was primarily the result of the inclusion of the CEO's one-off recruitment award in the single pay figure for 2018 which was not repeated in 2019. The 2018 figures excluding this award were broadly in line with those reported for 2019 (2018: 25th Percentile 62:1, 50th percentile 50:1 and 75th percentile 41:1). It is a feature of our pay structure that senior management receive a larger proportion of their total pay via incentives and the outcome of incentives is likely to be the main cause of variability in the ratio in future years. Andrew Livingston did not join the Board until April 2018 and will not be in receipt of a long-term incentive award until 2021 at the earliest. Should his long-term incentive awards vest, they will increase the ratio.

The Remuneration Committee are regularly updated on the benefits review across the business and are mindful that consistency of approach and fairness are two important drivers for change.

Remuneration Committee Report continued

Fixed Variable

DIRECTORS' REMUNERATION REPORT APPENDIX

In this Appendix a number of key disclosures are set out that provide further clarity to investors and other readers of this report on the implementation of our remuneration policy in the year under review.

TOTAL PENSION ENTITLEMENTS (AUDITED)

Executive Directors who joined the business before 2012 were eligible to participate in the Howden Joinery Group Pension Plan (the 'Plan'). The Plan closed to new joiners in 2012 and new Executive Directors are invited to participate in the Howden Joinery Auto-Enrolment Pension Scheme or receive an amount in lieu of membership of the Scheme. More information on pension entitlements for Executive Directors can be found in the Remuneration Policy at www.howdenjoinerygroupplc.com/governance/remuneration-policy

The table below sets out the accrued pension for the Executive Directors who served during the year, with pension values calculated using the HMRC method. No additional benefits become receivable if Executive Directors retire early. Mark Robson has chosen to opt-out of the memberships of the plan and therefore received a salary supplement of 30% of base salary in lieu of pension in 2019.

	Current Executive Directors	
	Andrew Livingston	Mark Robson
Accrued pension at 28 Dec 2019 (£'000)	-	46
Normal retirement date	-	16/01/2019
Pension value in the year from defined benefit component (£'000)	-	2
Pension value in the year from defined contribution component (£'000)	-	-
Pension value in the year from cash allowance (£'000)	**113**	**132**
Total	113	134

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED)

During 2019 the Executive Directors were invited to participate in the Performance Share Plan, as follows:

Nature of award	**Restricted shares awarded under the PSP**		
Level of award	**Executive**	**Number of awarded shares**	**Face value of award[1]**
	CEO	246,766	£1,283,183
	Deputy CEO & CFO	193,036	£1,003,787
PBT component vesting schedule	**PBT growth performance condition**		**Vesting**
	15% p.a.	220% of salary (100% of maximum)	
	Straight-line vesting between these points		**Straight-line vesting**
	5% p.a.	33% of salary (15% of maximum)	
	Less than 5% p.a.	0	
Performance period	Performance measured from FY2019 to FY2021		
Vesting date	3 May 2022		

1. Based on a share price of £5.20, being the closing price on 2 May 2019.

Free shares awarded under the Share Incentive Plan				
Executive	Number of awarded shares	Face value of award[1]	Date of grant	Performance criteria
Andrew Livingston	100	£517	8 April 2019	n/a
Mark Robson	100	£517	8 April 2019	n/a

1. Based on a share price of £5.17, being the closing price on 5 April 2019.

RECRUITMENT AWARDS (AUDITED)

Andrew Livingston forfeited a number of awards from his previous employment on leaving that role, including performance based awards and awards of restricted shares not subject to performance conditions. As per our approved 2016 recruitment policy, these awards were replaced by awards of similar structure, fair value, and timing as far as practical.

Awards not previously subject to performance conditions were replaced with awards of restricted shares, with equivalent remaining periods to release of awards foregone.

Performance based awards were replaced with restricted share awards of an equivalent expected value and release date. Due to the short period (of less than one year) between Andrew's date of appointment and the original vesting date of the foregone performance awards, it was not considered appropriate to apply performance conditions to the replacements for these awards, but rather to mirror the expected value of the number of shares granted.

In total, 249,330 shares were awarded to replace those forfeited from previous employment with a total value of £1,233,233. The table below sets out details for each tranche of the replacement awards made to Andrew:

(Audited)	Number of shares	Vesting date	Value of shares (£)[1]
	131,639	31 March 2018	605,025
	69,397	1 March 2019	337,408
	48,294	1 March 2020	290,800

1. As the recruitment awards were granted in 2018, the value of the awards were based on actual date of vest, or three month average share price to 28 December 2019 of £6.02 if unvested.

Andrew will retain these shares as part of his shareholding requirement as CEO (200% of salary), subject to disposals to cover tax liabilities arising.

As reported in the 2018 Remuneration Committee Report, Andrew forfeited his 2017 annual bonus on leaving his previous role. In line with our approved policy, this was replaced with a like-for-like cash award of £296,413. This amount was determined to be an appropriate estimate of the value of the bonus foregone, pro-rated for time in role.

SERVICE CONTRACTS/NOTICE PERIOD

All Executive Directors' employment contracts 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 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 of the Company.

Non-Executive Director appointments are for an initial period of three years. They are subject to re-appointment annually 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.

PAYMENTS TO PAST DIRECTORS (AUDITED)

Matthew Ingle retired from the Board on 2 April 2018 and from the Group on 31 July 2018. For his services provided to the Group to 31 July 2018, Matthew received a pro-rated long-term incentive award under the PSP. In light of the 2017 PSP outcome, as set out on page 101, Matthew received 21,087 shares with a total value of £126,973 based on the three month average share price at 28 December 2019 of £6.02. £36,110 of Matthew Ingle's long-term incentive award was attributable to share price increases. The share price at the date of grant was £4.31. No post-vest holding period will be applied to this award.

Remuneration Committee Report continued

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 FTSE250 REIT. Andrew received £54,083 in fees in respect of his role as Non-Executive Director. Andrew held this position upon appointment. Mark Robson does not have any external appointments. Executive Directors may retain the fees paid to them in respect of their Non-Executive duties.

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 shares and those held subject to deferral conditions.

	Current Executive Directors	
	Andrew Livingston	Mark Robson
Shareholding requirement %	200%	200%
Shareholding requirement (number of shares)	187,247	146,310
Owned outright (including connected persons)	109,388	153,020
Share awards subject only to continued employment	48,494[2]	300[3]
Share awards subject to performance conditions and continued employment[4]	511,536	623,700
Options subject to performance conditions	-	-
Vested but unexercised options	-	-
Current shareholding (% of salary)[1]	117%	209%
Guideline met	N	Y

1. Based on a share price of £6.02, being the three-month average price to 28 December 2019. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons.
2. Recruitment Plan and Share Incentive Plan.
3. Share Incentive Plan.
4. Performance Share Awards under the Long Term Incentive Plan.

NON-EXECUTIVE DIRECTOR SHAREHOLDINGS (AUDITED)

There is no shareholding requirement for Non-Executive Directors.

	Non-Executive Director:					
	Karen Caddick	Andrew Cripps	Geoff Drabble	Louise Fowler	Richard Pennycook	Debbie White
Shareholding:	6,000	3,000	3,000	-	54,663	4,562

No changes to the Executive and Non-Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 26 February 2020.

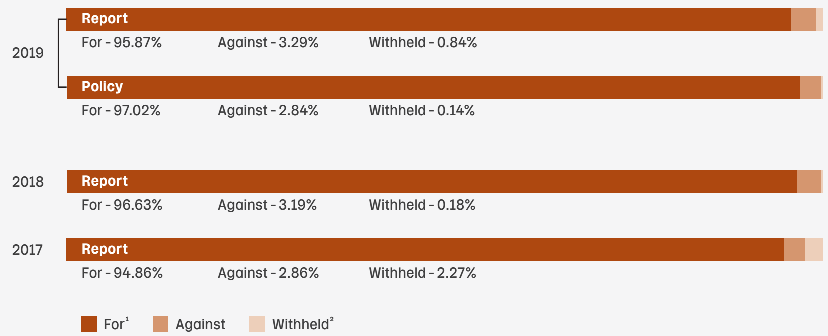
CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Committee met five times during 2019 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 Company Secretary and members of the Executive Committee), 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.

VOTING AT THE 2019 ANNUAL GENERAL MEETING ('AGM')

The results of the advisory vote in respect of the Directors' Remuneration Report and the binding vote on the Directors' Remuneration Policy at the 2019 AGM may be found in the chart below.

AGM VOTING OUTCOMES



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

ADVISORS TO THE COMMITTEE

The Committee regularly consults with the CEO 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. PricewaterhouseCoopers LLP ('PwC') is the Committee's retained independent advisor and provided advice to the Committee during the year. PwC has been independent advisor to the Committee since 2007 and was appointed by the Committee as the result of a tender process. During the year, the Committee reviewed the ongoing independence of PwC as adviser to the Committee and agreed to retain them following a short external search. It was satisfied that PwC was providing robust and professional advice.

Work undertaken by PwC 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. A representative from PwC attends each meeting of the Remuneration Committee. Fees paid to PwC in relation to remuneration services provided to the Committee in 2019 totalled £130,550 with fee levels based on the quantity and complexity of work undertaken. PwC also provided consultancy advice and support to the internal audit function to the Company during 2019.

PwC is a member of the Remuneration Consultants' Group which operates a code of conduct in relation to executive remuneration consulting.

By order of the Board

Karen Caddick
Remuneration Committee Chair

26 February 2020