Governance

Corporate Governance Report

INTRODUCTION FROM THE CHAIRMAN OF THE BOARD

Corporate governance has continued to attract attention throughout 2018. This is always true when there are high profile corporate failures and when the interests of stakeholders (be they employees, pensioners, suppliers or shareholders) are compromised. There has been continued focus on executive remuneration, abuse of position, external audit quality and diversity. We welcome the updated Corporate Governance Code and its principles-based approach. Ensuring that directors, Boards and senior management are responsible for their actions and that they can demonstrate that they have understood the impact of their decision making on all stakeholders, can only be positive for the interests of all.

Howdens was founded on the principle that it is worthwhile for all concerned and we will demonstrate throughout this Annual Report (not just in the governance sections) that Howdens remains a values-driven business with a deeply embedded culture of doing the right thing in respect of all our stakeholders. Being worthwhile for all concerned means providing a safe environment in which our employees work, offering them secure employment with prospects for progression, selling great products to our trade account holders, having long-term strategic relationships with our key suppliers, generating value for our shareholders, contributing to the communities in which we operate and ensuring that the business remains in robust financial health so that we can continue to meet our pension commitments.

We recognise that there will always be more that the Board can do on governance matters and we will be increasing our focus on diversity and stakeholder engagement throughout 2019.

CEO Transition

Change in leadership at any point has particular governance challenges. Managing the transition from a founder CEO to their successor is particularly hard given their passion and natural affinity for the business. However, as will be detailed later in these reports, this is a process that had been successfully executed by the Board and Executive team.

In 2018, the Board approved a number of strategic and directional investments. The Company has invested heavily in previous years in supply capacity and capability and we have continued to do so in 2018. In addition, there was also investment in digital programmes which we anticipate will make the way we do business with our customers easier and more efficient. The Board also agreed to extend the roll out of depots in France. All of these initiatives are intended to grow the business for the long-term benefit of our stakeholders.

We will continue our strategic review in 2019. We will do so against a backdrop of extreme political uncertainty and the Board will be rigorous in its assessment of risk as well as its consideration of opportunities.

MEETING ATTENDANCE

The figures below show the number of meetings individual Directors that served during the year could have attended (taking account of eligibility, appointment and retirement dates during the year) and the percentage of those meetings they actually attended.

If a Director is unable to attend a Board meeting, they are nevertheless provided with all the papers and information relating to the meeting and encouraged to discuss the issues arising directly with the Chairman and Executive Directors.

Although members of the Executive Committee have also attended at the invitation of the Chairman and Chief Executive Officer their attendance is not shown below.

In addition to formal Board meetings, the Non-Executive Directors met four times during the year without the Executive Directors present.

	Richard Pennycook*	Mark Allen	Karen Caddick[1]	Andrew Cripps	Geoff Drabble	Tiffany Hall	Matthew Ingle[2]	Andrew Livingston[3]	Mark Robson	Debbie White
No. of meetings	6	6	2	6	6	6	2	4	6	6
Attendance	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Schedule of Matters Reserved for the Board – www.howdenjoinerygroupplc.com/investors/governance/schedule-matters/index.asp

1 Karen was appointed to the Board on 7 September 2018.
2 Matthew retired from the Board on 2 April 2018.
3 Andrew was appointed to the Board on 2 April 2018.
* Denotes Chairman of the Board

Corporate Governance Report

BOARD OF DIRECTORS

Key to Board committee membership

Chair of Committee
Audit Committee
Remuneration Committee
Nominations Committee

The Board is structured to ensure that there is a clear distinction between the strategic functions of the Board and the operational management of the Company. The Board currently comprises two Executive Directors, the Chairman and six Non-Executive Directors.

The Non-Executive Directors have been selected for the diversity of their backgrounds as well as their personal attributes and experience. The current Board members bring a wide range of skills and experience to the Board.

EXECUTIVE DIRECTORS

ANDREW LIVINGSTON
Chief Executive Officer

Andrew was appointed CEO Designate in January 2018 and was appointed to the Board as Chief Executive Officer on 2 April 2018.

Other listed company appointments

Non-Executive Director at LondonMetric Property Plc

Skills and experience

Andrew was the Chief Executive of Screwfix Direct Ltd from 2013, where he had previously held the position of Commercial and Ecommerce Director. Prior to joining Screwfix, Andrew was the Commercial Director and Chief Operating Officer at Wyevale Garden Centres and the Commercial Director of Kitchens and Bathrooms at B&Q. Andrew holds an MBA from London Business School.

MARK ROBSON
Deputy Chief Executive and Chief Financial Officer

Mark was appointed Deputy Chief Executive in May 2014, having joined the Board in April 2005 as Chief Financial Officer.

Skills and experience

Mark spent the six years prior to joining Howdens as Group Finance Director at Delta plc. Between 1985 and 1998, he held a number of senior financial positions with ICI. He is a Chartered Accountant and qualified with Price Waterhouse.

Mark has no external appointments.

CHAIRMAN

RICHARD PENNYCOOK
Non-Executive Chairman

Richard was appointed to the Board in September 2013 and became Non-Executive Chairman in May 2016.

Skills and experience

Richard has extensive experience in logistics, supply chain management, retailing, manufacturing, consumer goods and corporate governance having served as a public company finance director for over 20 years and as Group Chief Executive of The Co-operative Group. Past Non-Executive roles include Senior Independent Director and Chairman of the Audit Committee of Persimmon Plc and Chairman of The Hut Group Limited.

SENIOR INDEPENDENT DIRECTOR

TIFFANY HALL
Senior Independent Non-Executive Director

Tiffany was appointed to the Board in May 2010. She was appointed Remuneration Committee Chair in May 2014 and Senior Independent Director in April 2017.

Other listed company appointments

Non-Executive Director of B&M European Value Retail S.A

Skills and experience

Tiffany has a strong background in marketing, sales, digital and customer service having previously served as Managing Director at BUPA Home Healthcare, Marketing Director at BUPA and Head of Marketing at British Airways. She was also Chairman of Airmiles and BA Holidays and prior to that held other positions at British Airways including Head of Global Sales and Distribution and Head of UK Sales and Marketing. Tiffany is currently Non-Executive Director of B&M European Value Retail S.A. and was also previously a Non-Executive Director of Think London.

NON-EXECUTIVE DIRECTORS

MARK ALLEN
Non-Executive Director

Mark was appointed to the Board in May 2011.

Other listed company appointments

Chief Executive Officer of Dairy Crest Group plc

Skills and experience

Mark has significant experience in operating a vertically-integrated business and in particular in manufacturing, B2B, consumer goods and logistics, distribution and supply chain management. Mark joined Dairy Crest in 1991 as a general manager following a period at Shell and, after being promoted through a variety of roles including Sales & Operations Director and two divisional Managing Director roles, he was appointed to Dairy Crest's main Board in 2002, becoming Chief Executive in 2007.

KAREN CADDICK
Non-Executive Director

Karen was appointed to the Board in September 2018

Skills and experience

Karen is currently the Group Human Resources Director at Saga Plc and has previously been Group Human Resources Director at Millennium & Copthorne Hotels Plc. Karen also spent 10 years in financial services working in a number of HR positions for Royal & Sun Alliance and Barclays Bank. She then went on to hold Human Resources Director roles at Channel Five Broadcasting, The Financial Times, Punch Taverns & Spirit Group Plc and WM Morrison Supermarkets Plc. Karen is Non-Executive Director at Papworth Hospital NHS Foundation Trust. She is ACII and FCIPD qualified.

ANDREW CRIPPS
Non-Executive Director

Andrew was appointed to the Board in December 2015.

Other listed company appointments

Non-Executive Director of Swedish Match AB

Skills and experience

Andrew has extensive experience in finance and accounting having qualified as a Chartered Accountant with KPMG and held executive director roles in the UK and Europe with Rothmans International, where he was the Corporate Finance Director. Andrew is Deputy Chairman of Swedish Match AB and Senior Independent Director and Chairman of the Audit Committee at the 2 Sisters Food Group. Andrew has also been a non-executive director and audit committee chair of a number of public companies with consumer-facing and manufacturing businesses.

GEOFF DRABBLE
Non-Executive Director

Geoff was appointed to the Board in July 2015.

Other listed company appointments

Chief Executive Officer of Ashtead Group Plc

Skills and experience

Geoff has a notable background in the building products and construction markets and is the Chief Executive Officer of Ashtead Group Plc, the FTSE 100 international equipment rental company which operates a model across multiple sites, with incentivised local managers. He was appointed as Chief Executive Officer in January 2007, having served as Chief Executive Designate from October 2006 and as a Non-Executive Director since April 2005. Geoff has also previously held the position of Executive Director of The Laird Group Plc where he was responsible for its Building Products division. Prior to joining The Laird Group, he held a number of senior management positions at Black & Decker.

DEBBIE WHITE
Non-Executive Director

Debbie was appointed to the Board in February 2017.

Other listed company appointments

Chief Executive Officer of Interserve Plc

Skills and experience

Debbie has significant experience of the B2B industry and of finance and accounting. She was appointed Chief Executive Officer of Interserve Plc in September 2017 and prior to this served as Global CEO of Sodexo Healthcare and Sodexo Government. Debbie also held various other positions within Sodexo, including CFO in the UK & Ireland, CFO of Sodexo Inc. and later CEO for Sodexo UK & Ireland. In 2013, she became a trustee of the charity Wellbeing of Women and is now Chair of the Audit Committee. Debbie started her career with Arthur Andersen in the UK, before joining AstraZeneca where she held a range of financial roles. She later became a director at PwC Consulting where she worked across a number of sectors in a global capacity.

INDEPENDENCE

The Board considered that all of the Non-Executive Directors were independent for the full duration of the period being reported on and that Richard Pennycook was independent upon his appointment as Chairman.

NON-EXECUTIVE DIRECTORS' SKILLS AND EXPERIENCE

An exercise was undertaken during 2018 using a skills matrix to highlight where the skills and experience of our Non-Executive Directors were particularly strong, where there were opportunities to further grow the Board's collective knowledge and inform the Board's future composition as Non-Executive Directors naturally rotate off the Board.

Howdens-specific skills

The matrix showed that the Board is rich in skills that are considered to be of high importance to the Howdens business model, strategy and sectors within which the Company operates. These included:

- Vertical integration
- Multi-site depot operation
- Logistics, supply chain management and distribution
- B2B
- Manufacturing
- HR and people management

For further biographical details of each Director, please visit www.howdenjoinerygroupplc.com/about/who-we-are/board/index.asp

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Corporate Governance Report continued

EXECUTIVE COMMITTEE AND COMPANY SECRETARY

The principal purpose of the Executive Committee is to implement the Group's strategy and operational plans. The Committee monitors the operational and financial performance of the business, is responsible for the optimisation of resources and the identification and control of operational risk within the Group. The Committee generally meets weekly.

KEVIN BARRETT

Group Development Director & Commercial Director of the Trade Division

Kevin joined Howdens in September 2015 as a member of the Executive Committee.

Skills and Experience

Before joining Howdens, Kevin spent 10 years at Sainsbury's where he held a variety of roles including Director of Strategy for the whole company, and Head of Distribution for Sainsbury's Bank. He started his career as a management consultant at Accenture.

CLIVE COCKBURN

Chief Information Officer

Clive joined Howdens in October 2002 and has been a member of the Executive Committee since January 2016.

Skills and Experience

Clive was appointed as CIO having joined Howdens in 2002 as Head of IT Infrastructure and Service Delivery. Prior to joining, he held senior IT positions in Hays Logistics UK, United Transport Limited and Exel Logistics Plc.

ROB FENWICK

Chief Operating Officer: Howden Joinery Supply Division

Rob joined Howdens in January 2001 and has been a member of the Executive Committee since April 2005.

Skills and Experience

Since October 2005, he has been responsible for transforming the Supply Division from a vertically integrated operation to a commercial organisation. Prior to joining Howdens, Rob worked in the automotive, FMCG and other industry sectors.

ANDY GAULT

Group Digital Director

Andy joined Howdens in April 2018 as a member of the Executive Committee.

Skills and Experience

Andy has over 20 years' experience in core areas of retail having worked at leading retailers such as Wyevale, Screwfix, and B&Q. His experience encompasses the disciplines of eCommerce, store management, supply chain, buying, strategy, and international. He is also a member of the IMRG Advisory Board and has served on the Google Retail advisory council (EMEA).

GARETH HOPKINS

Interim Group HR Director

Gareth joined Howdens in April 2015 as a member of the Executive Committee.

Skills and Experience

Gareth was appointed Interim Group HR Director having previously worked in the business as a HR consultant for 15 months. He has worked as an interim HR Director in FTSE 250 companies for 15 years and was previously Group HR Director at Dairy Crest and Whitworths.

THERESA KEATING

Group Finance Director

Theresa joined Howdens in September 2000 and has been a member of the Executive Committee since February 2012.

Skills and Experience

Theresa was appointed Group Finance Director in May 2014, having been Group Financial Controller since 2007. She joined the Group Finance team in 2000 having previously held various commercial finance roles at Waterstones, HMV and Heals. Theresa is also a trustee of E-Act, a multi-academy trust.

ANDY WITTS

Chief Operating Officer: Howden Joinery Trade Division

Andy joined Howdens in July 1995 and has been a member of the Executive Committee since September 2008.

Skills and Experience

Andy was one of the founding members of the Howdens depot management team, having joined from Magnet in 1995. He was promoted from the regional team to become Sales Director in January 2007 and was appointed Chief Operating Officer of the Trade Division in January 2014.

FORBES MCNAUGHTON

Company Secretary

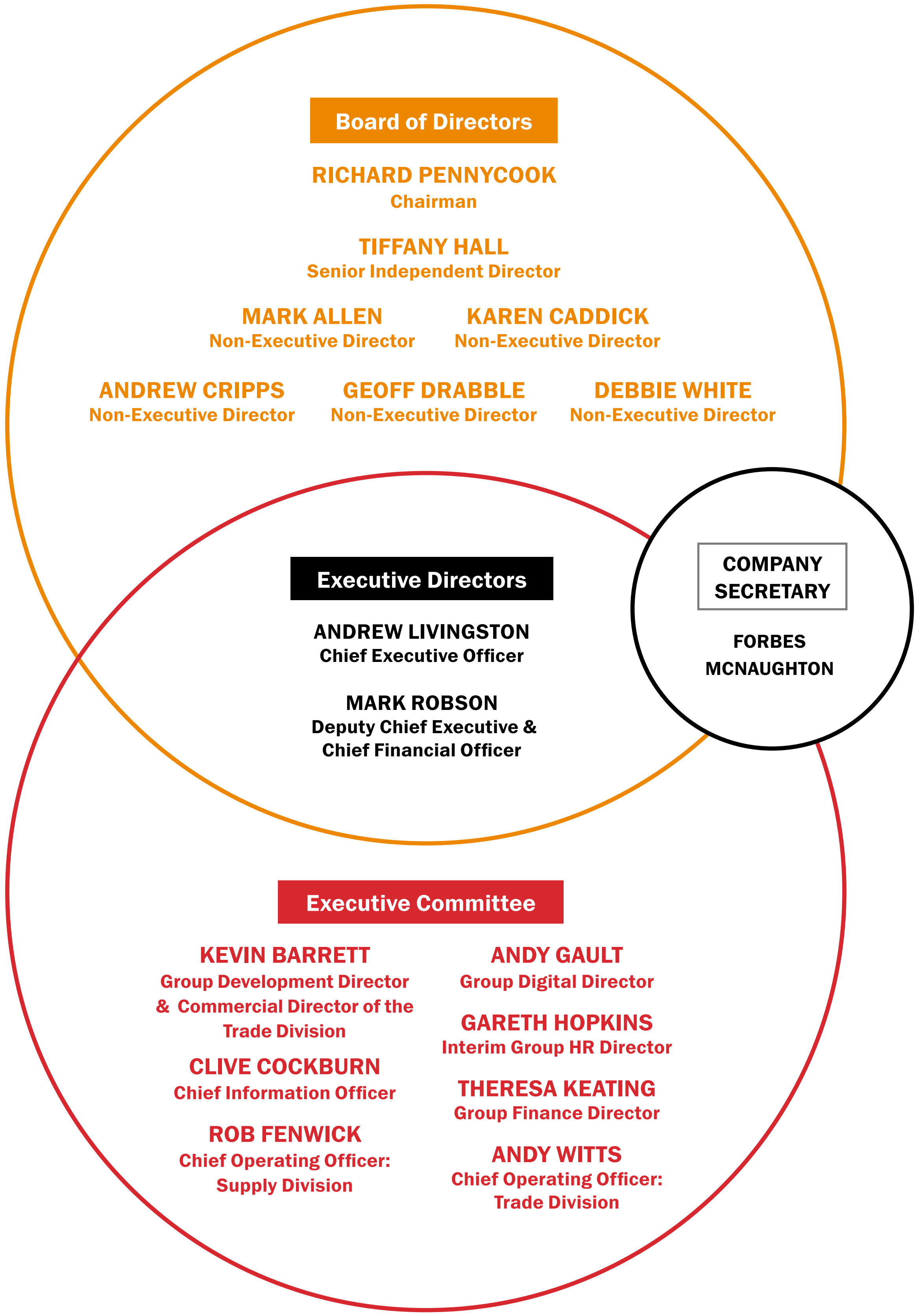
Forbes joined Howdens in July 2012 and was appointed Group Company Secretary in May 2014.

Skills and Experience

Forbes joined the Company as Deputy Company Secretary in 2012 following a period of secondment from KPMG. He is a fellow of the Institute of Chartered Secretaries and Administrators (ICSA) and is Secretary to the Executive Committee as well as to the Board of Directors.

The CEO and DCEO & CFO are also members of the Executive Committee.

2018 CORPORATE GOVERNANCE FRAMEWORK



Corporate Governance Report continued

CORPORATE GOVERNANCE FRAMEWORK

THE BOARD'S ROLE

The role of the Board is to direct the affairs of the Group so that long-term, sustainable performance may be achieved which meets stakeholder and shareholder interests.

The Directors are collectively responsible for developing the strategy of the Group and ensuring there are sufficient resources to successfully implement that strategy. They should challenge the performance and decisions of the senior management team and provide counsel to the senior management team in their day-to-day running of the business. They are also responsible for setting and protecting the culture and values of the business – a role particularly pertinent to Howdens where integrity, respect, individual accountability and recognition are fundamental tenets of the business.

Matters which are reserved for consideration by the Board, and are not delegated to a Board Committee or to the Executive Committee, are detailed in a Schedule of Matters Reserved for the Board (the "Schedule"), which is reviewed annually. This was last reviewed and approved by the Board in November 2018. The Schedule was updated in line with the changes made under the 2018 UK Corporate Governance Code and supporting materials. These matters include setting the Group's values, standards and strategy (as previously described) as well as taking decisions about:

- acquisitions and disposals
- risk management
- internal control
- significant capital projects
- annual budgets
- Group borrowing facilities
- significant financial and operational matters

The Board also considers legislative, environmental, health & safety, governance and employment issues.

THE CHAIRMAN'S ROLE

The Chairman is primarily responsible for the leadership and effectiveness of the Board and for creating a culture of openness, debate and challenge in the boardroom. He is also responsible for ensuring effective communication with our shareholders.

The Chairman is responsible for setting the Board's agenda (with support from the Company Secretary) and ensuring that adequate time is given to discussion of all agenda items at meetings.

THE NON-EXECUTIVE DIRECTORS' ROLE

Non-Executive Directors have the same general legal responsibilities to the Company and the same commitment to its success as the Executive Directors. However, the Non-Executive Directors are removed from the day-to-day management of the Company and so are able to provide independent judgement and oversight, and to constructively challenge senior management.

Non-Executive Directors are also key to providing the business with valuable insights, specialist knowledge and creative solutions gained from experience outside the Company. Our Non-Executive Directors, therefore, have been selected for the diversity of their backgrounds, perspectives, experience and personal attributes, as well as for their impressive business acumen.

THE EXECUTIVE DIRECTORS' ROLE

As well as their general legal responsibilities as Directors of the Company, the Chief Executive Officer and the Deputy Chief Executive and Chief Financial Officer have been delegated the day-to-day running of the Group by the Board and are responsible for satisfactory execution of the policies and strategy agreed by the Board.

THE COMPANY SECRETARY'S ROLE

The Company Secretary is an officer of the Company and shares various legal obligations with the Directors. He provides the Board with guidance and advice on various governance and regulatory matters (under the direction of the Chairman) and ensures that information flows effectively and in a timely manner between the Board and senior management, as well as within the Board and between the Board's Committees.

The Company Secretary is also responsible for developing and overseeing the systems which ensure compliance with various legal and code requirements and for supervising the day-to-day administration of the Company.

THE EXTERNAL ADVISORS' ROLE

External advisors provide a range of services to the Board and its Committees including banking, brokerage, legal, audit, actuarial, financial PR and Executive remuneration, as well as other consulting services. Both the Executive Committee and the Board rely on such advisors to provide counsel and guidance on specialist matters when necessary. The Non-Executive Directors can engage with advisors at the Company's expense, independent of management where appropriate.

The competency, value, length of tenure and independence of advisors is reviewed by the Board on an annual basis. A list of principal advisors to the Company can be found on page 167.

DIVISION OF RESPONSIBILITIES

The roles of Chairman and Chief Executive Officer (CEO) are held by separate members of the Board and are clearly defined. This provides a crucial safeguard so that no one person has unlimited decision-making power and that no one person is responsible for monitoring their own performance. The Senior Independent Director (SID) role also ensures that issues may be raised in the event a principal shareholder feels unable to raise them with the Chairman directly and ensures that there is an alternative communication channel between the Chairman and the Board.

BOARD ACTIVITY DURING 2018

Key Agenda Items Considered

Strategy

The Board considered strategy at various points during the year. In particular, the Board discussed the UK depot opening programme and the revamped depot format, future warehousing capacity, long-term supply agreements, digital trials and website development, and the ongoing European depot tests.

Employee Development

The Board regularly discussed the Group's people agenda during 2018, with particular regard to organisational design and development. Further information about our employees may be found on page 48.

Health & Safety

Divisional H&S updates were provided at each of the scheduled Board meetings during 2018. Updates included information in relation to new training initiatives and an update on the Company's journey to embrace behavioural safety, which builds on the extensive work already carried out on our H&S systems. In particular, the Board considered the 'Safe to Trade' initiative, which is set out in more detail on page 50. Interaction with the Health and Safety Executive and any sanctions for non-compliance were also considered.

Pensions

Matters in relation to the defined benefit scheme were considered by the Board. However, a separate Funding and Investment Strategy Committee consisting of members of the Executive Committee was established in 2017 to provide a vehicle for communication with the Pension Trustees on routine funding and investment matters and this Committee, in conjunction with the Company's actuaries, reported to the Board on these matters twice during the year.

During the year, the Board agreed a Schedule of Payments in relation to the Scheme following the triennial valuation as at 5 April 2017. More information on the Schedule of Payments may be found on page 28.

Governance, Legal and Regulatory

The Board received updates on data protection (GDPR), the updated UK Corporate Governance Code, international financial reporting standards (in particular, the potential impact of IFRS 16), payment practices reporting, gender pay reporting, and the Group Banking facility.

Brexit

During the year the Board received regular updates from the Brexit Readiness Sub-Committee (BRSC), a sub-committee of the Executive Committee tasked with overseeing the Group's preparations for a potential disorderly exit from the EU.

Policies

During 2018, the Board considered and approved updated versions of the following Group policies: anti-bribery and corruption, anti-money laundering, anti-tax evasion, competition law policy, market abuse compliance and disclosure, data protection and privacy, the modern slavery statement, and whisteblowing. The Board's Statement of Intent for both Health and Safety and CSR (which are covered in more detail in the Sustainability Matters report on pages 44 and 45) were also updated and approved.

Board Meeting Attendees

In addition to the Executive Directors, the Divisional Chief Operating Officers, the Group Finance Director, the Interim Group HR Director and the Company Secretary were present at all scheduled Board meetings during the year to take questions from the Non-Executive Directors and to provide support during the CEO transition.

Group Financial Performance Monitoring

Outside of Board meetings, the Board were provided with performance updates every four weeks and weekly updates were provided during peak trading. This was intended to complement the more detailed operational and finance reports that were provided at each scheduled meeting throughout the year.

Board Effectiveness Evaluation

The 2018 Board effectiveness evaluation was conducted internally by our Senior Independent Director, Tiffany Hall, with the support of the Company Secretary. Further information about the 2018 Board evaluation and progress since the 2017 evaluation can be found in the Nominations Committee Report on page 78.

Corporate Governance Report continued

SHAREHOLDERS AND SHARE CAPITAL

Relations with Shareholders

The Board's relationship with both the Company's institutional and private investors is very important and the Board readily enters into dialogue with them. The Company remains mindful of the stewardship obligations of institutional investors, as set out in the UK Stewardship Code, and will continue to work with investors to ensure that they are able to satisfy these requirements.

Both of the Executive Directors and the Chairman met with principal shareholders during the year to discuss the ongoing progress of the Company. During Q1 2019, the Remuneration Committee Chair consulted with shareholders on the updated Executive Director Remuneration Policy. All of the Directors make themselves available for meetings with shareholders as required.

The Board receives regular reports from the Head of Investor Relations in relation to major shareholders and developments and changes in their shareholdings. Regular feedback reports are also commissioned by the Board from the Company's joint brokers, UBS and Numis.

The Company's corporate website includes a dedicated investor relations section and provides an effective and easily accessible communication channel for existing and potential investors (www.howdenjoinerygroupplc.com).

Annual General Meeting

The 2019 Annual General Meeting (AGM) will be held at UBS, 5 Broadgate, London, EC2M 2QS on 2 May 2019 at 11:00am. Shareholders will have the opportunity to discuss Howdens' progress and operations directly with the Board at the AGM.

The notice of the AGM will be sent to shareholders at least 21 clear days before the meeting and will detail the resolutions to be voted on.

Share Capital

Issued share classes	Ordinary only (fully paid)
Voting rights at general meetings	One vote per share
Fixed income rights	None
Individual special rights of control	None
Holding size restrictions[1]	None
Transfer restrictions[1]	None

The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of shares or on voting rights.

Treasury shares

The Company held 6,738,280 ordinary shares in Treasury at the end of the period (29 December 2018). Shares held in Treasury have no voting rights and are used solely for the satisfaction of employee share awards.

Employee share awards

Details of employee share schemes are set out in note 24 on page 143. Shares held by the Howden Joinery Group Plc Employee Share Trust abstain from voting at the Company's general meetings.

Acquisition of the Company's own shares

During 2018, the Company returned over £62m to shareholders by repurchasing 12,756,448 of its ordinary shares (representing a nominal value of £1,275,645), which equated to 2.1% of the called up share capital of the Company at the beginning of the period (excluding Treasury shares). Repurchased shares were cancelled.

At the AGM on 2 May 2018, the Directors were granted authority by shareholders to purchase up to 61,977,218 of the Company's ordinary shares through the market[2]. The authority expires at the conclusion of the next AGM or within 15 months from the date of passing the resolution (whichever is earlier).

Substantial shareholdings

As at 27 February 2019, the Company had been notified, in accordance with Rule 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company:

Substantial Shareholder	% of total voting rights	Date of last notification
BlackRock, Inc	Below 5%	Oct 2018
Caisse de dépôt et placement du Québec	3.0%	July 2018
Standard Life Aberdeen plc	4.7%	Apr 2018

The percentage interest is as stated by the shareholder at the time of notification and current interests may vary.

1 Governed by the general provisions of the Articles of Association (which may be amended by special resolution of the shareholders) and prevailing legislation.

2 At prices ranging between 10p and the higher of (a) 105% of the average middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System.

Significant agreements

There are a number of agreements that take effect, alter or terminate upon a change of control such as commercial contracts, bank loan agreements and employee share plans. The only one of these which is considered to be significant in terms of likely impact on the business of the Group as a whole is the bank facility (as described in note 18), which requires majority lender consent for any change of control.

If the lender were not prepared to consent to a change of control, a mandatory repayment of the entire facility would be triggered. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Risk and Internal Control

The Board is responsible for the Group's systems of internal control and for reviewing its effectiveness, whilst the role of management is to implement Board policies on risk and control.

Such a system is, however, designed to manage rather than eliminate the risks of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable assurance against misstatement or loss. The UK Corporate Governance Code recommends that the Board reviews the effectiveness of the Group's system of internal controls at least annually, including financial, operational and compliance controls, and risk management.

The Board has conducted reviews of the effectiveness of the system of internal controls through the processes described within the principal risks and uncertainties section of the Strategic Report on pages 32 and 33 and are satisfied that it accords both with the UK Corporate Governance Code and with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board has not identified or been advised of any failings or weaknesses which it has determined to be significant.

Risk management

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Board.

The Group's assessment of the principal risks and uncertainties, as described within the Strategic Report on pages 32 and 33, outlines the ongoing process for identifying, evaluating and managing the significant risks faced by the Group.

The Board confirms that it has conducted a robust assessment of the principal risks.

Internal control

The Group has an established framework of internal controls, which includes the following key elements:

- The Board reviews Group strategy, and the Executive Committee are accountable for performance within the agreed strategy.
- The Group and its subsidiaries operate control procedures designed to ensure complete and accurate accounting of financial transactions and to limit exposure to loss of assets or fraud.
- The Audit Committee meets regularly and its responsibilities are set out in the Audit Committee Report. It receives reports from the Internal Audit function on the results of work carried out under an annually agreed audit programme. The Audit Committee has full and unfettered access to the internal and external auditors.
- The Internal Audit function facilitates a process whereby operating entities provide certified statements of compliance with specified and appropriate key financial controls. These controls are then cyclically tested by Internal Audit to ensure they remain effective, and are being consistently applied.
- The Audit Committee will annually assess the effectiveness of the assurance provided by the internal and external auditors. Every five years an external assessment is also undertaken with regard to the assurance provided by the Internal Audit department. An external assessment was undertaken by Grant Thornton in 2017.

Conflicts of Interest

The Companies Act 2006 places a duty upon Directors to ensure that they do not, without the Company's prior consent, place themselves in a position where there is a conflict, or possible conflict, between the duties they owe the Company and either their personal interests or other duties they owe to a third party.

If any Director becomes aware that they, or any party connected to them, have an interest in an existing or proposed transaction with the Company, they must notify the Board as soon as practicable. The Board has the authority to authorise a conflict if it is determined that to do so would be in the best interests of the Company.

Corporate Governance Report continued

COMPLIANCE TABLE

We have complied with all the provisions of the April 2016 version of the UK Corporate Governance Code (the "Code").

Throughout the 52 weeks ended 29 December 2018, the Company was fully compliant with the main and supporting provisions of the Code. A full version of the Code may be found on the Financial Reporting Council's website: www.frc.org.uk.

The Code sets standards of good practice in relation to board leadership and effectiveness, accountability, remuneration and relations with shareholders. This Corporate Governance Report explains how the Board has applied the main principles of the Code. Below we have stated how we have addressed each of the main principles in turn.

The Company will disclose how it has applied the principles and provisions of the 2018 version of the Code in the 2019 Annual Report and Accounts.

SECTION A: LEADERSHIP

A1 THE ROLE OF THE BOARD

"Every company should be headed by an effective board which is collectively responsible for the long-term success of the company."

- The Board held six formal meetings during 2018. Individual Directors' attendance may be found on page 59. The number of meetings and the attendance of each Board Committee may also be found on the following pages:
  - Nominations Committee: page 72
  - Remuneration Committee: page 80
  - Audit Committee: page 102
- A formal schedule of matters which only the Board may take decisions on is available on the Howdens website.
- The Company maintains appropriate insurance cover against legal action brought against it or its subsidiaries, Directors and Officers. It has also provided indemnities to the Directors (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office. Neither the indemnity nor insurance provides cover in the event that the Director is proved to have acted dishonestly or fraudulently.

A2 DIVISION OF RESPONSIBILITIES

"There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision."

- The roles of Chairman and Chief Executive Officer are separate and clearly defined. They are not exercised by the same individual.
- The responsibilities of each role have been set out in writing and agreed by the Board.
- Further information about the separation of the roles and how they work together for the success of Howdens may be found on page 64.

A3 THE CHAIRMAN

"The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role."

- The Chairman was considered independent on appointment.
- The Chairman sets the agendas for all Board meetings and ensures sufficient time is given to each agenda item.
- The Chairman ensures the full Board receives accurate and clear information in a timely fashion (please see B5 'Information and Support' on page 69 for further information).
- All the Directors are encouraged by the Chairman to participate in constructive and open discussions during meetings.

A4 NON-EXECUTIVE DIRECTORS

"As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy."

- The diversity of skills, experience, approach and mindset of our Non-Executive Directors mean that they are well placed to effectively scrutinise both strategy and operational management. In addition to the Executive Directors, members of the Executive Committee are frequently present in person at Board meetings where Non-Executive Directors can hold them directly accountable.
- Tiffany Hall is the Senior Independent Director. She provides a valuable sounding board for the Chairman and intermediary for the other Directors. She is also available for shareholders to contact with concerns which cannot be resolved via the Chairman or the Executive Directors.

SECTION B: EFFECTIVENESS

B1 BOARD COMPOSITION

"The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively."

- The Nominations Committee regularly reviews the size, composition and structure of the Board and makes recommendations to the Board for all new appointments and reappointments. It considers whether there are any gaps in skill, experience or knowledge on the Board when assessing Board effectiveness. Details of the work of the Nominations Committee may be found on pages 72 to 79.
- At least half of the Directors were independent throughout the year. Further information on Board composition may be found on pages 60 and 61.

B2 BOARD APPOINTMENTS

"There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board."

- The Nominations Committee is responsible for leading any process of appointing new directors to the Board.
- The Nominations Committee will only recommend individuals for appointment who subscribe to Howdens' shared values. They must also understand and be sympathetic to our entrepreneurial culture and unique business model.
- Further detail regarding CEO succession may be found on page 76.
- Further information on Boardroom diversity may be found on page 75 of the Nominations Committee Report.

B3 COMMITMENT

"All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively."

- Each of the Directors' external commitments is set out in their biographies on pages 60 and 61. None of our Non-Executive Directors currently holds more than two non-executive directorships in other UK publically-listed companies and none of our full time Executive Directors holds any directorship in a FTSE 100 company.
- Each Director's conditions of appointment is made available for inspection at the AGM and at the Company's registered office during normal business hours.

B4 DEVELOPMENT

"All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge."

- A tailored induction programme is undertaken by all new Directors. Further information on inductions can be found on page 77.
- Non-Executive Directors are invited to attend Howdens' events at different locations and to meet with employees of all levels.
- Individual training and development needs are considered as part of the annual Board evaluation process. Formal training is also provided when there are specific legal and regulatory developments.

B5 INFORMATION AND SUPPORT

"The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties."

- With the support of the Company Secretary, the Chairman ensures accurate, quality and timely information is available to the Board via an electronic portal. The use of an electronic portal ensures information is disseminated quickly and securely.
- The Company Secretary, under the Chairman's direction, ensures information flows effectively within the Board and its Committees and between the Executive Committee and the Non-Executive Directors.
- The Company Secretary ensures that all Board procedures are complied with and that all of the Directors have direct access to his advice and services.

B6 EVALUATION

"The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors."

- The 2018 Board evaluation was lead by the Senior Independent Director, Tiffany Hall, with the support of the Company Secretary. Details of the evaluation, including recommendations, may be found on page 78.

B7 RE-ELECTION

"All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance."

- At the 2019 Annual General Meeting, each Director will stand for election or re-election. For further discussion of the composition and independence of the Board, please see pages 74 and 75 of the Nominations Committee Report.

Corporate Governance Report continued

COMPLIANCE TABLE CONTINUED

SECTION C: ACCOUNTABILITY

C1 FINANCIAL AND BUSINESS REPORTING

"The board should present a fair, balanced and understandable assessment of the company's position and prospects."

- Howdens' annual performance, business model and strategy may be found within the Strategic Report (pages 7 to 57).
- The Directors' going concern and viability statements may be found on page 38.

C2 RISK MANAGEMENT AND INTERNAL CONTROL

"The board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems."

- The Board is responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. The Board is assisted with these responsibilities by the Audit Committee.
- The principal risks and uncertainties facing Howdens may be found on pages 35 to 37.

C3 AUDIT COMMITTEE AND AUDITORS

"The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors."

- The Audit Committee is comprised of six independent Non-Executive Directors. The Chairman is not a member of the Audit Committee.
- The Audit Committee has at least one Audit Committee member with recent and relevant financial experience (please see page 110 of the Audit Committee Report for more information).
- The Audit Committee, as a whole, has competence in the various relevant sectors which Howdens operates within (please see page 110 of the Audit Committee Report for more information).
- The Audit Committee has recommended that the auditor, Deloitte LLP, be reappointed at the 2019 Annual General Meeting. Information about audit rotation can be found on page 107.

SECTION D: REMUNERATION

D1 LEVEL AND COMPONENTS OF REMUNERATION

"Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied."

- Our remuneration policy is designed to incentivise our Executive Directors by aligning the way we reward them with the long-term strategic ambitions of Howdens. This in turn aligns the interests of the Executive Directors with those of our shareholders.
- Howdens' executive remuneration policy is predicated on the principles of fairness and proportionality. It has been designed with the intention that it is easy to understand, that it is aligned with the wider reward practices for the wider workforce and provides safeguards against payment for sub-standard performance.

D2 PROCEDURE

"There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration."

- The Remuneration Committee is responsible for setting the remuneration of our Executive Directors. The Remuneration Committee Report may be found on pages 80 to 101.
- The Remuneration Committee is made up of six independent Non-Executive Directors. The Chairman of the Board is not a member of the Remuneration Committee.
- No Director is involved in deciding their own remuneration.
- PwC provides remuneration consultancy services to the Remuneration Committee.

SECTION E: RELATIONS WITH SHAREHOLDERS

E1 DIALOGUE WITH SHAREHOLDERS

"There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place."

- Both Executive and Non-Executive Directors met with shareholders during the year to discuss strategy, performance and governance matters.
- Non-Executive Directors receive regular updates from the Deputy Chief Executive and Chief Financial Officer at Board meetings as to share price movement, shareholder sentiment and significant changes to the share register. The Company Secretary updates the Board at regular intervals as to wider Corporate Governance developments.

E2 CONSTRUCTIVE USE OF GENERAL MEETINGS

"The board should use general meetings to communicate with investors and to encourage their participation."

- The Annual General Meeting provides an opportunity for shareholders to meet with the Board and to ask questions pertaining to the business of the meeting, as well as about the business more generally.
- Where shareholders cannot attend the Annual General Meeting, we encourage them to submit their votes via a proxy.
- The full Board attends the Annual General Meeting and the Chairs of the Board committees are available to answer questions.
- Separate resolutions will be proposed on each substantially separate issue and the numbers of proxy votes cast for and against each resolution will be made available to shareholders via the corporate website and the London Stock Exchange news service once voting has been completed.

By order of the Board

Richard Pennycook
Chairman

27 February 2019

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Nominations Committee Report

INTRODUCTION FROM THE CHAIR OF THE COMMITTEE

With succession comes change and with change some uncertainty about future execution and impacts on the culture of the business. Ensuring that there are robust succession plans in place at both Board and Executive level is fundamental to the long term prospects of the business. It is the job of the Nominations Committee to ensure that the succession plans leverage the opportunities of change whilst minimising the risks.

Succession planning for a high-performing founder CEO presents a particular challenge given that the business and its culture has been formed in the founder's image. It is not limited to identifying and securing the services of a suitable successor. Ensuring that there is a rigorous induction programme and smooth transition period are of equal importance. We consider this in more detail in the case study on page 76.

In addition to the work undertaken on CEO succession, during 2018 the Nominations Committee also considered succession planning for the Board as a whole and in particular, the succession of the Remuneration Committee Chair and Senior Independent Director (Tiffany Hall). This culminated in the recommendation to the Board to appoint Karen Caddick. Karen will shadow Tiffany as Remuneration Committee Chair for twelve months as we take our Remuneration Policy out for shareholder approval. Karen has a broad skill set which will complement the Board's other strengths but in particular she will have a key role in providing non-executive support to the business' people, colleague inclusion and diversity agendas.

The Committee also oversaw Andy Gault's appointment to the Executive Committee and the formation of a diversity working group. Specific updates were provided from management on organisational design and Group benefits in additional to the routine business of the Nominations Committee which is considered in more detail throughout this report.

The last external Board effectiveness review was undertaken in 2016 and we will externally facilitate this review again in 2019. The 2018 review was undertaken in line with policy to externally facilitate every three years and as such was undertaken by the Senior Independent Director with support from the Company Secretary. More detail about the methodology and recommendations can be found on page 78.

The updated UK Corporate Governance Code places the onus on Nominations Committees to look beyond the Board and to the Group as a whole when considering matters such as succession and diversity. We welcome the changes and the understanding that the Board and the Company should be completely aligned in terms of policies, practices and culture. I look forward to developing these themes further in the 2019 Nominations Committee report.

MEETING ATTENDANCE

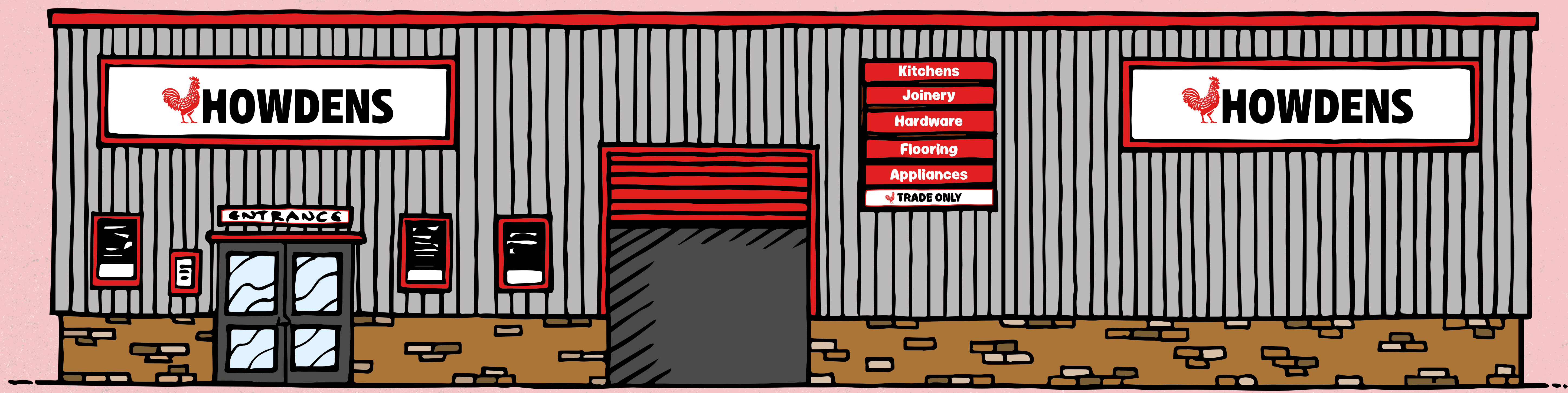
The Committee meets at least twice a year and at any other such time as the Chair of the Committee requires. In 2018 we met 4 times. Only the attendance of members of this committee is shown in the table below, although other Directors, where appropriate, have also attended at the invitation of the Committee Chair.

In compliance with the UK Corporate Governance Code and the Committee's terms of reference, during the year the Nominations Committee consisted wholly of independent Non-Executive Directors and the Chairman of the Board. As additional governance, the Committee terms of reference require that any Director joining the Committee must have completed their period of induction with the Company. Subject to successful annual re-election to the Board, appointments to the Nominations Committee are for a period of three years, which may be extended by the Committee provided the Director remains independent.

	Richard Pennycook*	Mark Allen	Andrew Cripps	Geoff Drabble	Tiffany Hall	Debbie White
No. of meetings	4	4	4	4	4	4
Attendance	100%	100%	100%	100%	100%	100%

Nominations Committee Terms of Reference – www.howdenjoinerygroupplc.com/investors/governance/nomination/index.asp

* Denotes Chair of Committee



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Nominations Committee Report continued

BOARD COMPOSITION

Role of the Nominations Committee

- To review on a regular basis the structure, size and composition of the Board and make recommendations to the Board with regard to any changes. In undertaking this review, the Committee must take into account the skills, knowledge, experience of members of the Board and of the diversity of background, views, gender and race as well as and length of service of the Board as a whole
- To formulate and execute succession plans for both Executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive Officer. Succession plans should take into account the challenges and opportunities facing the Company, and therefore what skills and expertise are needed on the Board in the future
- Where needed, the Committee should identify and nominate candidates to fill Board vacancies as and when they arise, for the approval of the Board
- As part of the process for nominating candidates for appointment, the Committee will obtain details of and review any interests the candidate may have which conflict or may conflict with the interests of the Company. This process also includes assessing whether the candidates have any other significant appointments of which the Board should be aware
- To keep under review the leadership needs of the organisation, both Executive and Non-Executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace
- To make recommendations to the Board regarding the membership of the Executive, Audit, Nominations and Remuneration Committees in consultation with the chair of each committee
- To recommend the re-appointment of any Non-Executive Director at the conclusion of their specified term of office and the re-election by shareholders of any Director under the annual re-election provisions, in each case having given due regard to their performance and ability to continue to contribute to the Board
- To consider any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provisions of the law and their service contract

Supporting actions, processes and information:

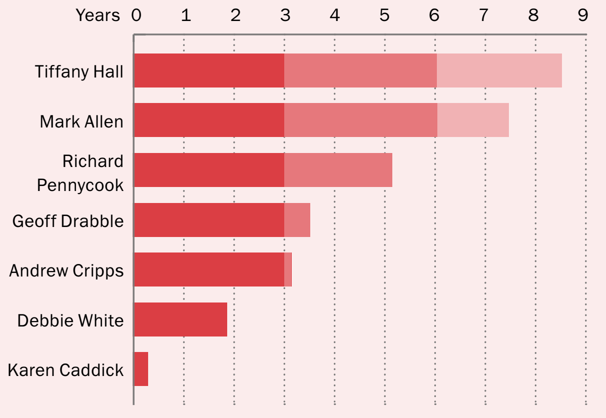
DIRECTOR SUCCESSION

An effective Nominations Committee will establish a stable leadership framework. Part of its work must also be to proactively manage change to reassess the future leadership needs of the Company.

As detailed in the remainder of this report and in the case study on page 76, the Nominations Committee has successfully managed a Board succession programme which has ensured a smooth introduction of both Executive and Non-Executive Directors to the Board.

The Nominations Committee remains committed to a programme of reviewing and refreshing the Non-Executive membership of the Board to ensure there is sufficient balance between the introduction of fresh perspectives and the maintenance of continuity and stability. Where possible, the Board will ensure a phased transition of Non-Executives in order to avoid wholesale changes to the make-up of the Board (see chart to the right for tenures of the Non-Executive Directors).

Non-Executive Tenure as at 29 December 2018



At the Nominations Committee meeting in July 2018, the Committee recommended to the Board that it appoint Karen Caddick as Non-Executive Director. Based on Karen's professional experience, it was felt that she provided strong diversity of perspective and cultural fit to help with the leadership of the business in the long-term and it was also acknowledged that Karen had particular strengths in organisational development, delivery of diversity programmes and executive remuneration. This recommendation was unanimously approved by the Board.

BOARD COMPOSITION CONTINUED

After careful consideration, the Committee also recommended to the Board that both Geoff Drabble and Andrew Cripps should be reappointed as Non-Executive Directors with effect from July and December 2018 respectively. Having served on the Board for three years, Geoff and Andrew's appointments were both agreed by the Board and extended for a further three years.

The Nominations Committee also considers Executive Director succession as part of its routine succession planning process and during 2018 it recommended to the Board that Andrew Livingston be appointed as successor to Matthew Ingle as Chief Executive Officer. The Board unanimously accepted this recommendation.

Remuneration Committee Chair and Senior Independent Director Succession

Tiffany Hall will retire from the Board during 2019 having been appointed in May 2010. Karen Caddick will succeed Tiffany as Remuneration Committee Chair upon Tiffany's retirement which will allow for an extended handover period and also ensure that Karen will have served on the Howden Joinery Group Plc Remuneration Committee for a period of more than twelve months.

Following an internal process, the Nominations Committee recommended to the Board that Geoff Drabble be appointed as Tiffany's successor as Senior Independent Director. This recommendation was unanimously accepted by the Board, and Geoff will succeed Tiffany upon her retirement.

DIVERSITY

Boardroom Diversity Policy

The Board recognises the importance of ensuring that there is diversity of perspective, background and approach in its management team and on its Board. Since the business was established in 1995, it has sought to enable individuals to progress within the organisation regardless of age, gender, background or formal qualifications.

We believe that it is in the interests of the business and of its shareholders for us to build a stable, cohesive and representative Board. Whilst the setting of targets on particular aspects of diversity may be relevant in many cases, we feel that this could be given inappropriate focus within the context of a smaller board, resulting in the possible overlooking of certain well- qualified candidates.

The Nominations Committee will continue to seek diversity of mindset as well as of gender, race, and background when considering new appointments in the period to 2020, and it will continue to review this policy on an annual basis to ensure it remains appropriate. More widely, we are committed to developing a long-term pipeline of executive talent that reflects the diversity of Howdens' business and its stakeholders. As at 29 December 2018, 33% of Board members were women.

Both of the Executive Directors were male.

Group diversity policy

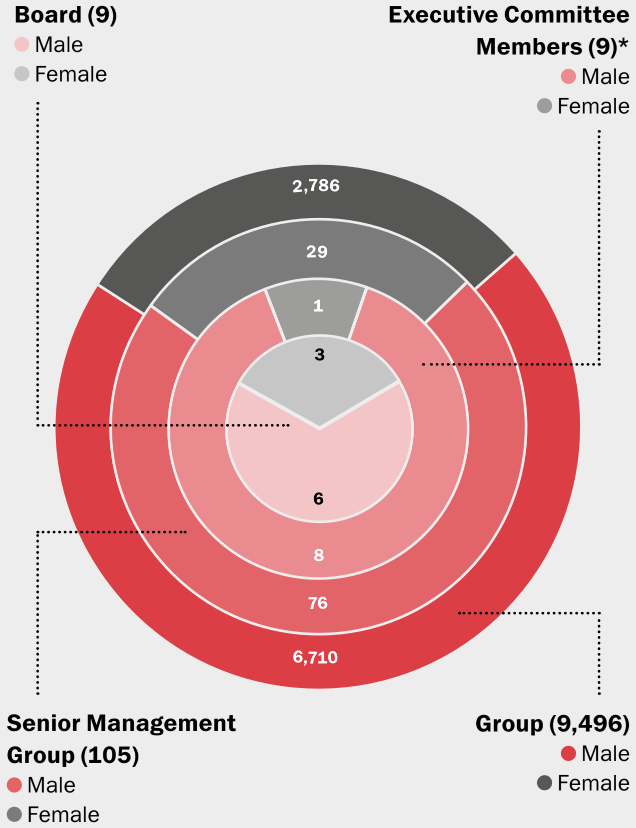
The Group promotes the importance of diversity and adopts an Equal Opportunities Policy under which training and career development opportunities are available to all employees, regardless of gender, religion or race.

The Group is committed to meeting the code of practice on the employment of disabled people and full and fair consideration is given to disabled applicants for employment. It aims to do all that is practicable to meet its responsibility towards the employment and training of disabled people. The Group welcomes, and considers fully, applications by disabled persons, having regard to their particular aptitudes and abilities. It is also the Group's policy to retain employees who may become disabled while in service and to provide appropriate training.

Group Gender Diversity Statistics

The Nominations Committee reviews the gender statistics shown in the chart below against Office for National Statistics (ONS) averages each year and, in relation to gender diversity in the Board, against other FTSE250 company averages. Similarly, where other data is available, this is presented to the Committee in order to determine whether there are any implicit diversity issues.

Group Gender Diversity (as at 29 December 2018)



* including Executive Directors

Nominations Committee Report continued

Case Study: CEO induction

Andrew Livingston joined Howdens on 29 January 2018 as CEO Designate. Between joining the business and his appointment as CEO in April 2018, it was imperative to ensure that he received a comprehensive and dynamic induction programme.

The Nominations Committee tasked the Group HR Director and the Company Secretary with developing his induction programme. Given the unique nature of Howdens' culture, it was apparent from the outset that the retiring CEO would be instrumental in both formulating and helping to deliver the programme.

In order to ensure as immersive induction as possible, Executive Committee meetings were held weekly between the end of January and April 2018 at different locations across the business. Effectively a weekly programme in each of the business units, the incoming CEO was able to spend time with senior management and employees across the business in the following areas:

- Depots: Andrew visited depots in all nine regions and attended regional board meetings in each region during the induction. This meant that all field based management and depot managers had the opportunity to meet with Andrew before he became CEO. He also received briefings on health and safety and from the commercial, product and marketing teams.
- Manufacturing and logistics: Meetings with senior supply chain managers were held at each of the main manufacturing and logistics sites as part of the induction programme. This part of the programme also included a number of meetings with suppliers. Andrew attended the biennial kitchen exhibition, Eurocucina, in Italy in April.
- Support services: Andrew also received briefings from the support functions including IT, Group finance and accounting, internal audit and risk, and governance and legal. He met with all of the Group's principal advisors including brokers, auditors, lawyers and actuaries during the course of his induction.

The induction culminated at the senior management conference held at the end of March when the CEO role effectively transitioned from Matthew to Andrew, with thanks going to the former and the latter setting out his strategic vision based on trade convenience, product leadership and value.

The Non-Executive Directors were available to support the incoming CEO and members of the Executive Committee both during and post-transition.

Following his appointment as CEO in April, Andrew has met with representatives of various stakeholder groups including suppliers at the annual Supplier Conference, the Chairman of the Pension Trustees and the teams responsible for delivering on the Group's charity and community objectives.

BOARD EFFECTIVENESS

Role of the Nominations Committee

- To provide appropriate and timely training, both in the form of an induction programme for new Directors and on an ongoing basis for all Directors
- To annually review the time required from Non-Executive Directors and undertake a performance evaluation to assess whether Non-Executive Directors are spending enough time to fulfil their duties
- To ensure that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside Board meetings

Supporting actions, processes and information:

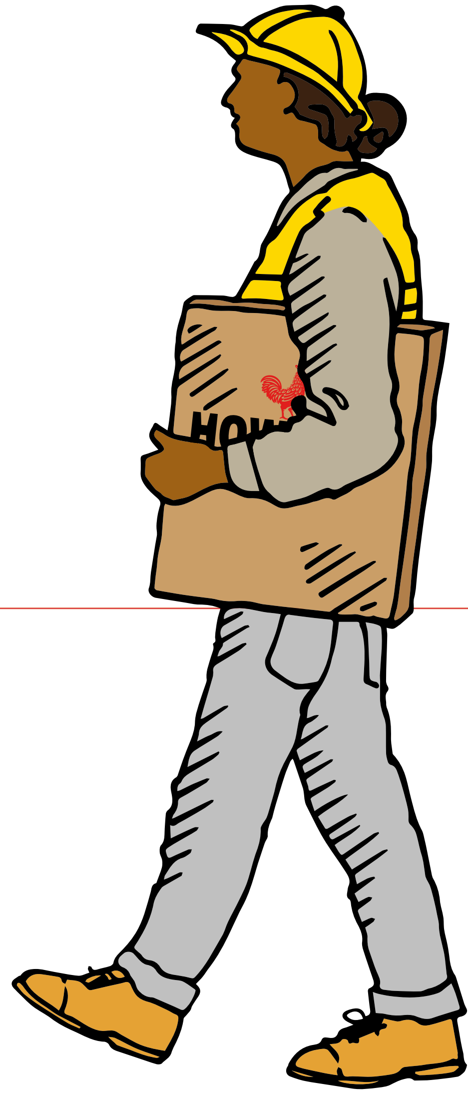
DIRECTOR INDUCTION AND TRAINING

All new Directors undertake an induction programme upon joining the Board. Whilst each induction programme is tailored to the specific needs of the individual, we strive to provide a dynamic introduction to the real nature of the business through the provision of specifically selected information, by meeting with individuals (both internal and external) who are central to the ongoing success of the business and by visiting key sites such as depots, manufacturing sites and distribution centres. We have considered the induction delivered to the Chief Executive Officer in some detail in the case study on page 76.

The Nominations Committee recognises that regular re-acquaintance with the culture of the business underpins the effectiveness of Non-Executive Directors. Non-Executive Directors are encouraged to meet with Howdens' employees at all levels in order to maintain a broad view of the business. Non-Executive Directors are also invited to attend Howdens' events following their initial induction.

The individual training and development needs of Directors are also considered as part of the annual Board evaluation process. Ongoing training and development for the Directors includes attendance at formal conferences and internal events as well as briefings from external advisers.

Directors are also encouraged to attend external seminars and briefings as part of their continuous professional development. All members of the Board are members of the Deloitte Academy which provides in-depth updates on financial reporting and corporate governance matters.



Nominations Committee Report continued

BOARD EFFECTIVENESS EVALUATION

In line with the Board's policy to undertake an external Board effectiveness review every three years and following the evaluation conducted by Independent Board Evaluation (IBE) in 2016, the 2018 review was undertaken by the Senior Independent Director with support from the Company Secretary and focused on the following areas:

- The appointment and transition of Chief Executive Officer
- Role and performance of the Chairman
- Shareholder relations: accountability and communication
- Strategy
- Governance, compliance and risk
- Board dynamics, focus and priorities
- Succession planning: Board and Executive Committee
- Board Composition: culture, skills and diversity
- Decision-making: objectivity, process and outcomes
- Board papers and presentations
- 2017 Recommendations
- Emerging issues and future challenges for the Board

Methodology

September 2018
The evaluation methodology and agenda were agreed with the Chairman and Company Secretary.

October to December 2018
Interviews with Board members, the Company Secretary and the external audit lead partner.

December 2018
The conclusions of the evaluation, including the observations and recommendations for the main Board are presented to the Chairman.

January 2019
The main observations and recommendations from the evaluation are presented to the Nominations Committee and the Board.

Summary conclusions and recommendations

The Board was deemed effective by the evaluation participants and the significant events which occurred during the year, particularly the handover between CEOs had been well managed by the Board. All Board members gave positive feedback in relation to stakeholder accountability and relationships, governance, compliance and risk, board focus and succession planning. The Board were mindful that the incoming CEO would have a different approach to strategy and that this would develop during 2019. More specific recommendations were made across a number of areas and the Chairman, Senior Independent Director and Company Secretary have agreed to progress these during 2019.

GOVERNANCE

Role of the Nominations Committee

- To give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate

Supporting actions, processes and information:

THE NOMINATIONS COMMITTEE IN 2019

The Nominations Committee is scheduled to meet at least twice during 2019.

The Committee will continue to consider Board succession and review the balance of skills on the Board. In addition, it will also assess the time commitment and performance of Non-Executive Directors, plan the external board evaluation process, discuss boardroom diversity, and review the Committee's terms of reference.

In recognition of the new requirements of the UK Corporate Governance Code, the Committee will also ensure that plans are in place for orderly succession to senior management positions, including the Company Secretary, taking into account the challenges and opportunities facing the Company. The Committee will review how talent is managed throughout the organisation and how succession plans support the development of a diverse talent pipeline, in particular the gender balance of senior management and their direct reports. The Committee will be taking an active role in the setting, meeting and monitoring of the impact of diversity objectives and strategies for the Group as a whole.

Appointments and Re-appointments

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the UK Corporate Governance Code, the Companies Act and related legislation. On that basis, during 2018, the Nominations Committee began a search for a new Non-Executive Director as a replacement for Mark Allen.

Russell Reynolds Associates was engaged by the Committee to assist with the identification of suitable candidates. Further details on the outcome of this search will be provided following its conclusion in 2019 and reported in full in the 2019 Annual Report. Russell Reynolds Associates does not have any other business relationship with the Company.

During 2019, the Nominations Committee will continue to ensure that a continuous transition process between new and long-serving Non-Executive Directors occurs.

Annual General Meeting (AGM) elections and re-elections

As stated in the Corporate Governance Report, all of the Directors not appointed since the last AGM will retire in accordance with the UK Corporate Governance Code and each will offer themselves for re-election in accordance with Article 118 of the Articles of Association at the 2019 AGM.

Karen Caddick, having been appointed since the last AGM, will offer herself for election in accordance with Article 117 of the Articles of Association.

In proposing their re-election, the Chairman confirms that the Nominations Committee has considered the formal performance evaluation in respect of those Directors seeking re-election, and the contribution and commitment of the Directors that are required to offer themselves for re-election. He has confirmed to the Board that their performance and commitment is such that the Company should support their re-election.

By order of the Board

Richard Pennycook
Nominations Committee Chair

27 February 2019

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Remuneration Committee Report

ANNUAL REMUNERATION COMMITTEE CHAIR STATEMENT

I am pleased to present the Howden Joinery Group Remuneration Committee Report for 2018. The report has been prepared in compliance with the requirements of the Large and Medium-sized Companies and Groups Regulations 2013.

Our existing policy was approved by shareholders at the 2016 AGM and therefore is due to expire at the 2019 AGM. At the AGM on 2 May 2019, we will therefore be seeking approval of both the Annual Report on Remuneration and the revised Executive Director Remuneration Policy. Our updated policy remains broadly unchanged with some minor revisions to ensure our policy remains in line with best practice. It is structured to be aligned to our strategy and to maintain an aligned approach to rewarding performance between Executives and the wider workforce with a focus on profitability measures in executive remuneration as well as monthly bonuses paid to depot staff. This approach promotes individual and collective responsibility and reaffirms our entrepreneurial culture with our employees. We have invited our principal shareholders to comment on the draft policy and we have taken their feedback into account in the policy set out later in the report.

A summary of our proposed changes are set out later within this letter with the full policy set out on pages 82 to 89.

2018 reward outcomes

2018 represents the third year of operation for our remuneration policy, which was approved by shareholders at the 2016 AGM (see chart on page 101 for AGM voting outcomes), and applies for three years from that date. This policy is summarised on page 90.

For the 2018 annual bonus, performance was based on the delivery of both profit and cash flow targets. Despite the challenging headwinds in the market Howdens has performed well over the year delivering 7.7% growth in sales on 2017 whilst continuing to deliver a strong gross profit margin of 61.7%. This has resulted in a Profit Before Tax (PBT) of £238.5m and cash flow of £224.8m. 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.

Howdens incurred a one-off charge of £3.8m in respect of GMP equalisation in 2018. This charge applied to all defined benefit pension schemes and related to the equalisation benefits for men and women in respect of guaranteed minimum pension provision. Equalisation was only applicable for pre-1997 pensionable service. Due to the one-off nature of this charge, and because it was both historic and outside of management's control, the Remuneration Committee agreed to exercise discretion and discount the charge in respect of the 2018 bonus.

Our strong financial performance has resulted in an annual bonus outcome just above target of 112% of salary for our Executive Directors.

The 2016 Performance Share Plan (PSP) with performance measured to FY 2018 is based on three year PBT growth p.a. Over the three year period of the 2016 Performance Share Plan cycle, our PBT has grown by 2.8% p.a., however due to the stretching nature of this award (requiring 8% per annum PBT growth to achieve threshold vesting) the award will lapse in full.

The CEO's salary was last agreed by the Remuneration Committee in July 2017 as part of his recruitment package. As such, the Committee has implemented a 2.5% base salary increase for 2019. This increase is in line with the increase being implemented for the wider workforce. No salary increase has been implemented for the Deputy Chief Executive Officer & Chief Financial Officer (DCEO & CFO) for 2019 as the Committee were mindful that the DCEO & CFO receives a pension provision at a higher rate than current policy under his contract of employment. It should be noted that the DCEO & CFO opted-out of the defined benefit plan at the end of 2018 and that will reduce his ongoing pension benefits going forwards.

2019 remuneration policy review

During the year the Committee undertook a comprehensive review of the remuneration arrangements for Executive Directors in light of the Company's strategic priorities and developing corporate governance and investor expectations. Our current remuneration policy has supported the success of our business through a challenging time, and continues to be aligned with our long term strategy and wider market norms. As such, based on our review we have decided that the current remuneration structure continues to be the best framework for Howdens with some minor revisions to ensure continued alignment to best practice.

There is no change to the annual bonus opportunity which we believe continues to be appropriate for the business and aligned to market practice in comparable sized companies. We will retain existing full flexibility in bonus performance metrics with measures subject to annual review by the Committee to ensure that they remain fit for purpose (subject to at least 75% of performance measures being based on financial targets). Annual bonus deferral will be increased such that 30% of any bonus earned in a year is deferred in shares for a period of two years. This change supports a strong alignment between management and shareholders whilst maintaining an appropriate cash flow to participants.

We are also introducing a post-cessation holding period such that Executive Directors will be required to retain 100% of their shareholding requirement (200% of salary) for a period of two years post-cessation. We believe that this change will also strengthen the alignment between Executive Directors and shareholders.

We believe the current PSP continues to be fit for purpose and is strongly aligned to our strategy therefore we will make no change to the structure or opportunity level. Our remuneration philosophy is (and historically has been) one of above market levels of reward for above market levels of performance. In line with this, the PSP maximum opportunity will continue to be 270% of salary.

Shareholders should take comfort however that the 270% opportunity level will only be available for exceptionally stretching levels of performance. In practice the 270% award level was only applied at a time when the associated PBT target range was 8% – 20%. In 2017 and 2018 the Committee reduced the maximum opportunity to 220% when the target range was reduced.

The Committee recognises the provisions of the new UK Corporate Governance Code around Executive Director pensions, and the views held by our shareholders in this regards. As such, under our revised policy the pension provision for new Executive Directors has been reduced to 4% of salary. Andrew Livingston, who was appointed under our previous policy, receives a salary supplement of 20% of salary in lieu of pensions. Mark Robson, who has been in role for a number of years, will receive a salary supplement of 30% of salary in lieu of pensions having opted-out of the Company's defined benefit plan at the end of 2018.

We are currently undertaking a comprehensive review of pensions across our wider workforce, and will continue to keep Executive Director pensions under review.

2019 incentives

For the 2019 annual bonus we will replace the historic profit share structure within the annual bonus PBT measure with a conventional threshold to maximum approach. Upon review, whilst the profit share component has historically served the business well and created alignment to depot management, who also participate in a profit share arrangement, we now believe that it creates undue complexity. A more conventional profit measure still maintains the focus on profit in incentives and alignment with the depots but reduces complexity for participants and investors.

Performance measures for the 2019 annual bonus will remain the same as 2018 being PBT and cash flow. For the 2019 PSP, in consideration of internal expectations and external forecasts, it is our intention to maintain both the target range and opportunity under the 2018 PSP of 220% of salary for a target range of 5% to 15% PBT growth per annum.

The Committee has for some time been cognisant of the emphasis in our incentives on PBT. This reflects the focus on profit throughout the business, and has aligned management with our entrepreneurial culture, the wider workforce and the delivery of value to shareholders through share price growth and shareholder returns.

However, we note the comments from some shareholders that a greater diversity of measures within our long-term incentive plans would be desirable. Alignment with the strategy of the business has and will continue to be the central driver for the selection of performance measures. Therefore from 2020 onwards we intend to introduce a returns measure into our long-term incentive program. Through 2019 we will set internal targets and monitor this against investments to ensure we can appropriately calibrate this metric and that it is well understood within the senior management population before it is formally introduced.

I hope the information presented within this report provides a clear explanation as to how we have operated our 2016 remuneration policy over 2018 and as to how we intend to operate our proposed remuneration policy for 2019. We continue to be committed to an open and transparent dialogue with our investors, and the Committee would welcome any feedback or comments you have on this report, our proposed remuneration policy or how we implement it for 2019.

MEETING ATTENDANCE

The Committee meets at least three times a year and at any other such time as the Chair of the Committee requires. Only the attendance of members of this committee is shown in the table below, although other Directors, where appropriate, have often also attended at the invitation of the Committee Chair.

In compliance with the UK Corporate Governance Code and the Committee's terms of reference, during the year the Remuneration Committee consisted wholly of independent Non-Executive Directors. Subject to successful annual re-election to the Board, appointments to the Remuneration Committee are for a period of three years, which may be extended by the Committee provided the Director remains independent.

	Tiffany Hall*	Mark Allen[1]	Karen Caddick[2]	Andrew Cripps	Geoff Drabble	Debbie White
No. of meetings	4	3	1	4	4	4
Attendance	100%	75%	100%	100%	100%	100%

Remuneration Committee Terms of Reference – www.howdenjoinerygroupplc.com/investors/governance/remuneration/index.asp

1 Mark was unable to attend the meeting on 19 July 2018 due to a prior commitment
2 Karen was appointed to the Board and Remuneration Committee on 7 September 2018.
* Denotes Chair of Committee

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DIRECTORS' REMUNERATION POLICY

Howdens' Remuneration Policy, as set out in our 2015 Annual Report and Accounts, was approved by shareholders at our 2016 AGM. Our current Policy expires at the 2019 AGM and therefore we present a revised policy, following careful review, below with the intention that it will apply for three years from the date of the 2019 AGM. The policy has supported the success of our business through a challenging period and continues to be aligned both with our long-term strategy and wider market norms. The changes detailed in the summary below demonstrate that the policy remains broadly unchanged from the version approved by shareholders in 2016, albeit there are minor revisions to ensure continued alignment with best practice.

Summary of changes to the Remuneration Policy

Remuneration Element	Proposed changes
Pension	The pension provision for new Executive Directors has been reduced to be in line with the wider workforce, which is currently 4% of salary.
Annual bonus deferral	Annual bonus deferral changes from any bonus earned in excess of 100% of salary being deferred in two tranches, to 30% of any bonus earned deferred for a period of two years.
Post-cessation shareholding requirement	From 2019, Executive Directors will be required to retain 100% of their shareholding requirement (or full actual holding if lower) for two years post-cessation.

Future policy table – 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'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 within a range defined by a market benchmark derived from companies of a comparable size operating in a similar sector (policy is to pay median). 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. 2018 and 2019 salary levels are detailed in the "Implementation of Director policy in 2019" section on page 94.	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; non-exclusive use of a driver; health insurance and death-in-service insurance payable by the Company.	None.
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 cash flow and PBT targets. 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 2019, 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 150% of salary. The Committee has the flexibility to apply a maximum opportunity of up to 200% of salary in exceptional circumstances. If the Committee considers it appropriate to use a maximum opportunity of over 150% of salary, we will notify our largest shareholders in advance, and discuss with them the rationale for such an exceptional award. The exceptional maximum would not be used on a retrospective basis, and would be based on pre-determined and stretching performance targets.	For 2019 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.

Remuneration Committee Report
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Element and how it supports our strategy	Operation	Opportunity	Performance Measures
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 cycle. Under the PSP, awards will 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 may be 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 performance share plan 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.	2019 awards will be based in full on PBT growth. The Committee retains the flexibility to use alternative financial performance measures during the life of this policy.
Pension Provides competitive long-term savings opportunities.	New Executive Directors will be entitled to participate in the auto-enrolment defined contribution scheme in line with the wider workforce, which is currently 4% of basic salary or receive a salary supplement in lieu of pension. The level of salary supplement is aligned to the maximum pension benefit available to the Executive Director. The current CEO receives a salary supplement of 20% of salary in lieu of pension. The current DCEO & CFO receives a salary supplement of 30% in lieu of pension.		None.
All-employee share incentive scheme To encourage share ownership across the Company.	Executive Directors are able to participate in HMRC approved share plans available to all employees of the Company.	The maximum participation levels will be set based on the applicable limits set by HMRC.	None.
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 are expected to build up a holding of 200% of base salary. Executive Directors will be required to retain 100% of their shareholding requirement (i.e. 200% of base salary) for two years post-cessation (or full actual holding if lower).	None.

Performance measures and targets
As part of the Committee's review of our remuneration arrangements, we have considered the appropriateness of the performance measures we have historically used, as well as the potential merits of incorporating measures which deliver increased focus on other elements of our financial performance. Following careful review, the Committee believes that the current measures continue to be appropriate for our business, and therefore for the 2019 awards PBT and cash flow will continue to be the measures used within incentives.

The Committee does however recognise the feedback received by shareholders and the undue complexity that exists in our current profit share arrangement included as part of the annual bonus calibration.

We therefore have decided to replace the historic profit share structure with a PBT measure operating under a conventional threshold to maximum calibration. Upon review, whilst the profit share component has served the business well and created alignment to depot management, we now believe that it creates undue complexity. A more conventional profit measure still maintains the focus on profit in incentives but reduces complexity for participants and investors.

Cash flow continues to be a key internal metric for Howdens. We believe that the incorporation of this measure in the bonus focuses our leadership on strong working capital management, supports strong sustainable profit growth and the delivery of returns to our shareholders.

The Committee has for some time been cognisant of the emphasis in our incentives on PBT. This reflects the focus on profit throughout the business, and has aligned management with our entrepreneurial culture, the wider workforce and the delivery of value to shareholders through share price growth and the dividend.

However, we note the comments from some shareholders that a greater diversity of measures within our plans would be desirable. Alignment with the strategy of the business has and will continue to be the central driver for the selection of performance measures. Therefore from 2020 onwards we intend to introduce a returns measure into our long-term incentive program.

Through 2019 we will set internal targets and monitor this to ensure we can appropriately calibrate this metric from 2020 onwards and that it is well understood within the senior management population before it is formally introduced.

We want to continue to ensure that the Committee is positioned to maintain alignment between incentives and the challenges facing the business, as such, during the life of this policy it may become appropriate to amend the performance measures used for our incentives. It is for this reason that we maintain the flexibility in our policy to change performance measures, subject to at least 75% of the bonus and 100% of the PSP being based on financial metrics.

Annual bonus – 2019
The table below sets out additional information on performance conditions relating to the 2019 annual bonus:

Measure	Definition	How targets are set
PBT	Pre-exceptional profit before tax from continuing operations.	Set by the Remuneration Committee in light of Howdens' budget, brokers' forecasts and prior year PBT.
Cash flow	Net cash flow from operating activities, taking into account the efficiency with which working capital is used, and adjusted for exceptional items.	Cash flow targets generated by Howdens' financial model, based on modelled scenarios under which threshold, target and outperformance levels of PBT are achieved.

Commercial sensitivity precludes the advance publication of bonus targets but targets will be disclosed retrospectively in the Annual Report on Remuneration. For 2018 targets please see the annual bonus targets and outcomes table on page 92.

Performance Share Plan – 2019
The PSP will be based solely on nominal PBT performance for the 2019 award. Targets are considered by the Remuneration Committee to provide a range which represents long-term success for Howdens, and are kept under review in light of brokers' forecasts and inflation forecasts. In the event that inflation significantly increases, the Committee will reconsider the operation of this measure to ensure that the use of nominal targets is appropriate.

The intended targets for 2019 PSP grants are detailed in the "Implementation of Director policy in 2019" section on page 94.

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 (a further seven individuals) participate in the same incentive schemes as the Executive Directors at a reduced level to ensure alignment between the leadership team with each other and with our shareholders.

Remuneration Committee Report

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Below this level, the encouragement of share ownership is cascaded through all tiers of management. Individuals within the upper tiers of the organisation participate in a similar bonus plan that is linked to PBT and cash flow. These individuals also participate in a PSP, which vests dependent on the same performance measures as the PSP awarded to Executive Directors.

Share grants are made at a reduced level to a wider population within Howdens that do not use performance conditions. These awards are made in order to encourage share ownership throughout the Company.

NED fee policy

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

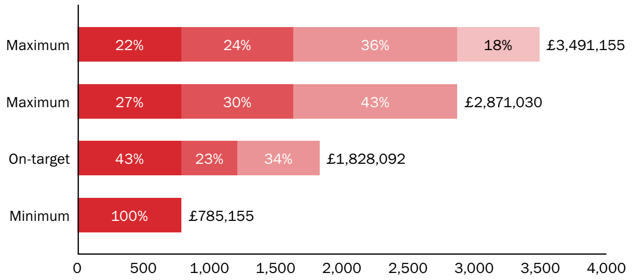
Element and how it supports our strategy	Operation	Opportunity	Performance Measures
Fees for Non-Executive Directors To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	The fees for the Non-Executive Directors are determined by the Chairman and Chief Executive. The fee for the Chairman is determined by the Remuneration Committee while the Chairman 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 97. The fees reflect the time commitment and responsibilities of the roles. Accordingly, committee chairmanship and Senior Independent Director (SID) fees are paid in addition to the NEDs' basic fee. Committee chairmanship fees apply only to the Audit and Remuneration Committees. The Chairman 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. Benchmarking is typically undertaken every three years.	NEDs are not eligible to participate in any performance related arrangements.

2019 remuneration scenarios

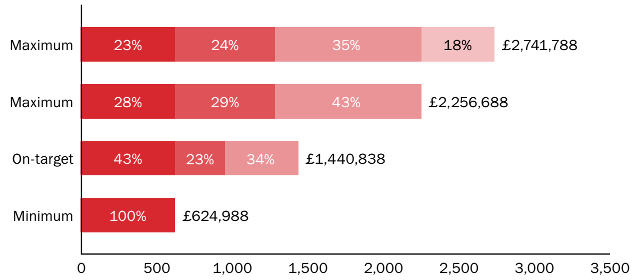
The remuneration package for the Executive Directors is designed to provide an appropriate balance between fixed and variable performance-related components, with a significant proportion of the package weighted towards long-term variable pay. The Committee is satisfied that the composition and structure 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 2019, alongside their 2019 pension entitlement, and actual benefits received in 2018 (as a proxy for 2019).

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 2019 grant (noting that the overall policy maximum is 270% of salary). Target opportunity is calculated as 50% of maximum (110% of salary).

The 'maximum (including share price appreciation of 50%)' 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 below. 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.

Statement of consideration of employment conditions elsewhere in the Group

The Committee has carefully reviewed the requirements of the revised 2018 UK Corporate Governance Code ("the Code"). Embedding the new Principles of the Code, including increasing awareness of the pay arrangements across the wider group will be a significant focus for the Committee during 2019 as the Board continues to seek to adopt leading standards of governance.

When making decisions on Executive reward, the Remuneration Committee will continue to consider the wider economic environment and conditions within the Company and will review and enhance its processes in this regard. In particular, the Committee considers pay conditions for the wider workforce when reviewing base salaries for Executive Directors in addition to a range of applicable pay ratios. For 2019, salary increases for the wider workforce are around 2.5% of salary.

Additionally, some of the Company's workforce are unionised or belong to a works council. Howdens maintains open lines of communication with these bodies and the Committee is always made aware of any relevant information in relation to remuneration policy.

In addition, and in order to provide increased transparency we have decided to early adopt the requirement to disclose the ratio of CEO to UK workforce pay.

Statement of consideration of shareholder views

The Committee remains committed to maintaining an ongoing and transparent dialogue with its shareholders. This Executive remuneration policy was shared with our major shareholders and shareholder representation bodies in advance of the publication of this report.

Feedback received was carefully considered by the Committee and incorporated where appropriate into the proposed policy.

Approach to recruitment remuneration

The treatment and design of the various elements of remuneration paid to new recruits is set out in the table below. The Committee's policy is to pay no more than is necessary to attract appropriate candidates to the role. However, in unusual circumstances, an arrangement may be established specifically to facilitate recruitment of a particular individual. Any such arrangement would be made only where critical to the recruitment of an exceptional candidate, and within the context of minimising the cost to the Company.

Component	Policy
General	The Committee's approach to recruitment remuneration is to pay no more than is necessary to attract appropriate candidates to the role. Any new Executive Director's ongoing package would be consistent with our remuneration policy as set out in this report.
Base salary and benefits	The salary level will be set taking into account the responsibilities of the individual and the salaries paid to similar roles in comparable companies (policy is to pay median). In certain circumstances the Committee may initially position the Executive Director's salary below the market level and increase it to market levels through exceptional increases over an appropriate period of time. The Executive Director will be eligible to receive benefits in line with Howdens' benefits policy as set out in the remuneration policy table. Should relocation of a newly recruited Executive Director be required, reasonable costs associated with this relocation will be met by the Company. Such relocation support could include but not be limited to payment of legal fees, removal costs, temporary accommodation/hotel cost, a contribution to stamp duty, replacement of non-transferable household items and related taxes incurred. In addition, and in appropriate circumstances, the Committee may grant additional support in relation to the payment of school fees and provision of tax advice.
Pension	The Executive Director will be able to participate in the auto-enrolment defined contribution scheme or to receive a supplement payment in line with the wider workforce.

Remuneration Committee Report
continued

Component	Policy
Annual bonus	The Executive Director will be eligible to participate in the annual bonus scheme as set out in the remuneration policy table. The maximum potential opportunity under this scheme is 150% of salary, although in exceptional circumstances the Committee may choose to apply a maximum of up to 200% of salary.
Long-term incentives	The Executive Director will be eligible to participate in the PSP set out in the remuneration policy table. Accordingly, the Executive Director may be offered a maximum opportunity under the PSP of the 270% of salary in performance shares.
Replacement awards	The Committee may grant the Executive Director awards to replace awards from a previous employment that are forfeited. Should replacement awards be made, any awards granted would be no more generous overall in terms of quantum or vesting period than the awards due to be forfeited. In determining the quantum and structure of these commitments, the Committee will take into account the fair value and, as far as practicable, the timing and performance requirements of remuneration foregone.

Service contracts and letters of appointment

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 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 and non-exclusive use of a driver
- 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, subject to the approval of the Board

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.

Copies of the Directors' service contracts and letters of appointment are available at the Company's registered office during usual business hours.

Policy on payment for loss of office

The treatment of the various elements of remuneration payable to Executive Directors in a loss of office scenario is set out in the table below. In exceptional circumstances an arrangement may be established specifically to facilitate the exit of a particular individual, however any such arrangement would be made within the context of minimising the cost to the Company. The Committee will only take such a course of action where it considers it to be in the best interests of shareholders. Full disclosure of any payments will be made in accordance with the new Remuneration Reporting regulations.

Component	Policy
General	When determining any loss of office payment for a departing individual, the Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time. As an overriding principle there should be no element of reward for failure.
Base salary and benefits	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.
Pension	Prior to plan normal retirement age, an enhanced pension may be payable to participants of the defined benefit pension plan in the event of retirement through ill-health. There is no scope for enhancements to individuals' accrued pension entitlements for other loss of office scenarios.
Annual bonus	Where an Executive Director's employment is terminated after the end of a performance year but before the payment is made, the Executive may be eligible for an annual bonus award for that performance year subject to an assessment based on performance achieved over the period. No award will be made in the event of gross misconduct. Where an Executive Director's employment is terminated during a performance year, a pro-rata annual incentive award for the period worked in that performance year may be payable subject to an assessment based on performance achieved over the period.
Long-term incentives and deferred annual bonus	The treatment of outstanding deferred annual bonus is governed by written agreements with individuals and the treatment of long-term incentive awards by the rules of the relevant plan. Individuals are defined as either a good or bad leaver for the purposes of outstanding incentive awards. Good leavers are those leaving under pre-specified circumstances (such as retirement, ill-health or disability) or those deemed by the Committee at its absolute discretion as a good leaver given the circumstances surrounding the loss of office. All other leavers are bad leavers. If an individual is a good leaver or dies then they will either continue to hold the award which will vest on the normal vesting date based on Howdens' performance (where applicable), or the Committee may exercise discretion to accelerate vesting of the award, pro-rated to reflect the extent to which the performance targets have been met (allowing for the curtailed performance period). In both scenarios, the amount vesting is pro-rated for the proportion of the period elapsed when the individual leaves. If an individual is a bad leaver then all awards to which they are conditionally entitled will lapse in full.
Post-cessation shareholding requirements	Upon departure individuals will be required to retain 100% of their shareholding requirement (or full actual holding if lower) for a period of two years post-cessation.

Remuneration Committee Report

continued

DIRECTORS' REMUNERATION REPORT

How to use this report

Within this Remuneration Committee Report we have used colour coding to denote different elements of remuneration.

The colours are: Salary Benefits Pension Annual bonus Deferred bonus LTIP

EXECUTIVE DIRECTORS

Our remuneration policy for Executive Directors (as applied in 2018)

	2018	2019	2020	2021	2022	2023	Link to strategy
Base Salary							Salaries are reviewed annually and are effective from 1 January each year. Recognises the market value of the Executive's role, skill, responsibilities, performance and experience.
Benefits							Provides a competitive level of benefits.
Pension							For Executives appointed before April 2013, a hybrid defined benefit, occupational pension plan operates. It is closed to new entrants. Executives appointed after April 2013 are invited to participate in the auto-enrolment defined contribution scheme or receive a salary supplement of 20% of pensionable salary.
Annual Bonus							The annual bonus has a maximum opportunity of 150% of salary. It is subject to stretching PBT and cash flow targets, reflecting our key internal performance indicators and the role of sustainable profit growth in our entrepreneurial culture. Above target, a profit share is used, aligned to the incentive structure that extends into the organisation.
Deferred Bonus							For the 2018 award, any bonus in excess of 100% of salary is deferred into shares, which are paid out in two equal tranches on the first and second anniversary of the deferral date. Clawback and/or malus provisions operate on the bonus for a total period of up to two years after the performance period.
LTIP (Performance Share Plan)				Holding Period	Holding Period		Three year performance period followed by a two year holding period. Performance is based on stretching PBT growth targets, aligning management with our longer term financial growth and reflecting the value we are able to deliver to shareholders. Clawback provisions operate for the duration of the holding period.

For additional detail together with our joiner and leaver policies please see the full policy online at www.howdenjoinerygroupplc.com/investors/governance/remuneration/remuneration-policy.asp.

Salary Benefits Pension Annual bonus Deferred bonus LTIP

Executive Director shareholdings

The Committee believes that significant shareholdings on the part of our Executive Directors are key to ensuring effective alignment with shareholders.

Under the share ownership guidelines, the Executive Directors are required to have a personal shareholding equal to twice their base salary. Shares deferred under the deferred bonus plan and unvested incentives shares are not counted towards this requirement. There are no shareholding guidelines for Non- Executive Directors.

See the appendix on page 100 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.

In line with the revised UK Corporate Governance Code, for 2019 we have introduced a post-cessation shareholding requirement. This requires executives to hold 100% of their shareholding requirement (or full actual holding if lower) for a period of two years post cessation.

Single figure of remuneration (Audited)

£000s	Salary		Benefits		Bonus		LTIP		Pension		Recruitment Award		Total	
Executive Directors	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Andrew Livingston	413	–	81	–	462	–	–	–	83	–	1,431	–	2,470	–
Mark Robson	441	428	51	53	494	223	0	0	182	177	–	–	1,168	881
Former Executive Directors														
Matthew Ingle	145	581	78	211	163	302	0	0	44	174	–	–	430	1,268
Total	**999**	**1,009**	**210**	**264**	**1,119**	**525**	**0**	**0**	**309**	**351**	**1,431**	**0**	**4,068**	**2,149**

Notes to the single figure table

Salary, benefits and pension

Our policy

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 2019 can be found on page 94. 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.

Remuneration Committee Report
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Salary
Benefits
Pension
Annual bonus
Deferred bonus
LTIP

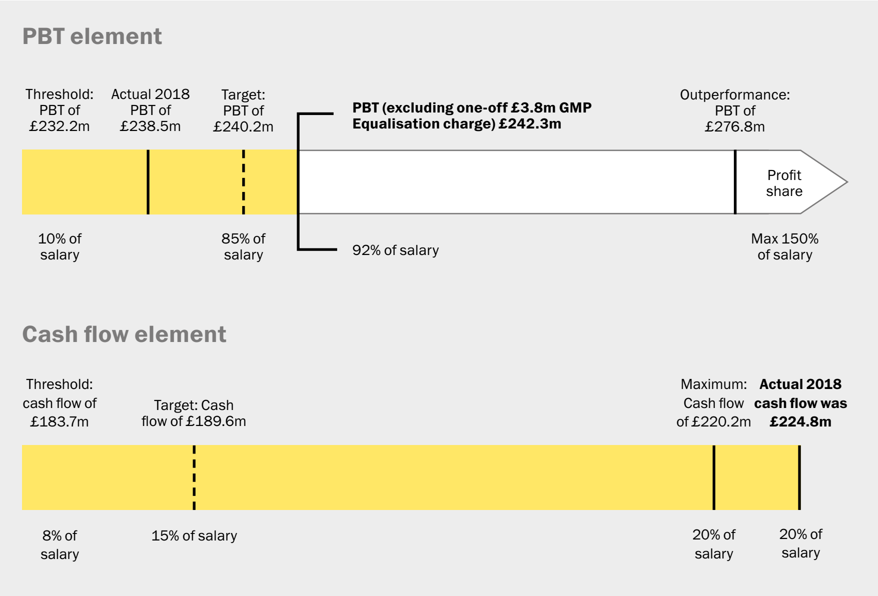
Annual Bonus (Audited)

Our policy for 2018 outcomes

Our annual bonus for 2018 was based on PBT and cash flow measures subject to an aggregate maximum of 150% of salary.

Under the PBT measure, payouts from threshold to target are made as a percentage of salary, with performance above target resulting in a profit share award (subject to an overall cap set out above).

Awards of up to 100% of salary were paid in cash, with the remainder deferred as shares, vesting in two equal tranches, 1 and 2 years following the deferral date subject to continued employment.



Outcomes for the year

Howdens incurred a one-off charge of £3.8m in respect of GMP equalisation in 2018. This charge applied to all defined benefit pension schemes and related to the equalisation benefits for men and women in respect of guaranteed minimum pension provision. Equalisation was only applicable for pre-1997 pensionable service. Due to the one-off nature of this charge, and because it was both historic and outside of management's control, the Remuneration Committee agreed to exercise discretion and discount the charge in respect of the 2018 bonus.

The adjusted annual PBT figure for the year in relation to the annual bonus is £242.3m. This is between target and outperformance, resulting in an annual bonus payout of 92% of salary under the PBT component for 2018. Cash flow for the year was £224.8m resulting in a payment under this element of 20% of salary. Therefore in aggregate Executive directors will receive an annual bonus of 112% of salary for 2018.

	PBT (% of salary)	Cash flow (% of salary)	Total bonus (% of salary)	Total bonus (£000)
Andrew Livingston	92%	20%	112%	462
Mark Robson	92%	20%	112%	494
Matthew Ingle (former CEO)	92%	20%	112%	163

Matthew Ingle's bonus outcome was pro-rated in respect of time served to his retirement date of 31 July 2018. As Matthew stepped down from the Board on 2 April 2018, the bonus disclosed in the table above is in respect of his time served to this date. The additional portion earned between 2 April and 31 July is set out in the payment to past directors section on page 100.

Performance Share Plan (PSP) (Audited)

Our policy for 2018 outcomes

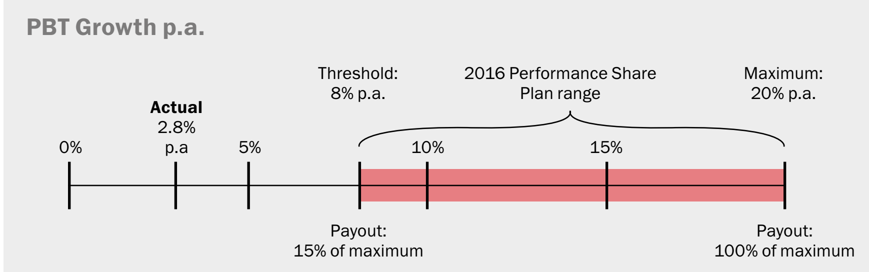
2019 is the first year in which the PSP vests, having first been granted in 2016 under the 2016 remuneration policy.

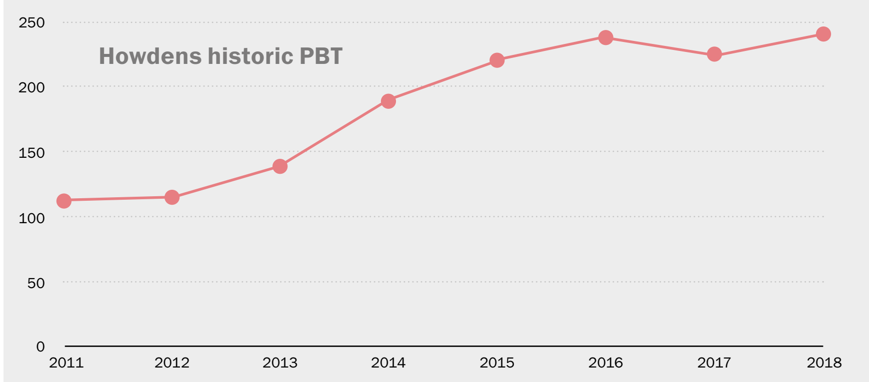
Our PSP was measured against PBT over the three year period from FY 2016 to FY 2018.

Any PSP award that vests is subject to a two year holding period.

Outcomes for the year

The 2016 PSP had a threshold requirement of 8% p.a. and a maximum requirement of 20% p.a. 2018 PBT was £238.5m, and therefore growth on 2016 was 2.8% p.a. The award therefore lapsed in full.





Recruitment awards (Audited)

Our new CEO, 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. For 2018 Andrew 131,639 performance based awards vested on 31 March 2018 with a total value of £605,025.

Additionally, 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.

Full details of the awards granted to Andrew are set out on page 99.

Remuneration Committee Report

continued

IMPLEMENTATION OF DIRECTOR POLICY IN 2019

Executive Directors

Base salaries and fees

Base salary increases from 2018 are set out in the table below. The salary increase awarded to Andrew Livingston is in line with the average increase that will be made to our workforce in 2019.

Matthew Ingle received his base salary until his retirement date in July 2018. Andrew Livingston received his salary from his commencement date in January 2018.

	2019		2018	
Executive Directors	Salary (£000)	Percentage increase	Salary (£000)	Percentage increase
Andrew Livingston	564	2.5%	550	–
Mark Robson	441	0%	441	3%
Former Executive Directors				
Matthew Ingle	–	–	581	0%

Annual Bonus measures

The table below sets out Annual Bonus measures for 2019. 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 2019 Remuneration Committee Report.

	Definition	Performance level	Payout level
PBT	Pre-exceptional profit before tax from continuing operations	Threshold	20% 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	Target	75% of salary
		Maximum	150% of salary

Performance Share Plan measure and targets

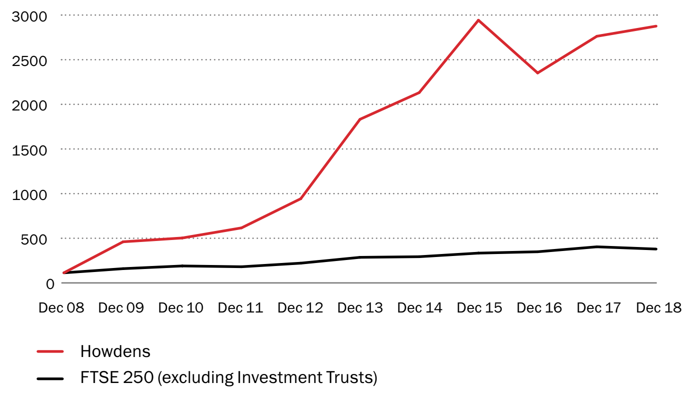
The table below sets out PSP performance measures and targets for awards to be made in 2019. Note that for 2019 the maximum opportunity under the PSP is 220% in line with the approach taken in 2017 and 2018. For scheme interests awarded in 2018 see the Appendix on page 98.

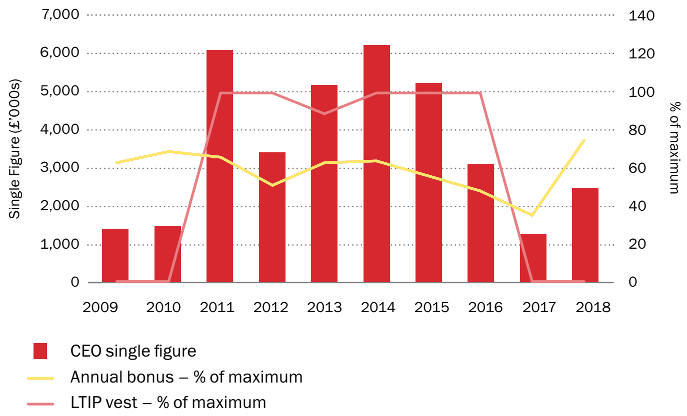
	PBT growth performance condition	Payout level
PBT component vesting schedule	15% p.a.	220% of salary (100% of maximum)
	Straight-line vesting between these points	
	5% p.a.	33% of salary (15% of maximum)
	Less than 5% p.a.	0

Salary
Benefits
Pension
Annual bonus
Deferred bonus
LTIP

OUR CORPORATE PERFORMANCE AND REMUNERATION

TSR performance and historic single figure





Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
CEO single figure (£000's)	1,399	1,458	6,083	3,401	5,168	6,221	5,225	3,098	1,268	2,470
Annual bonus (% of maximum)	63%	69%	66%	51%	63%	64%	56%	48%	35%	75%
LTI vest (% of maximum)	0%	0%	100%	100%	89%	100%	100%	100%	0%	0%

The graph above left 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 ten years Howdens has generated a significantly higher returns than the FTSE 250 (excluding Investment Trusts).

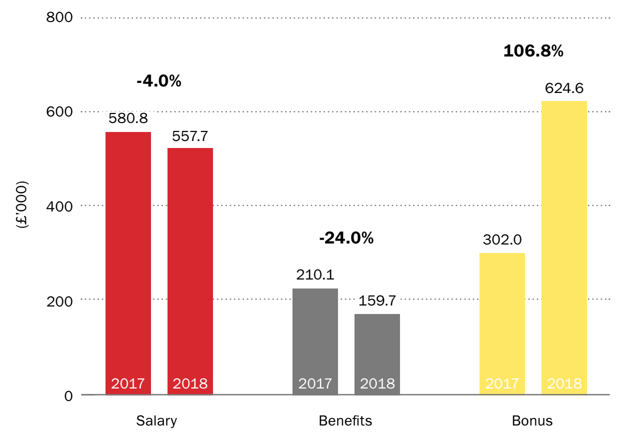
The table above shows the historic CEO single figure and incentive pay-out levels and this is also shown as a graph above right. The graph shows that the bonus has recognised consistently strong annual performance, and that long-term incentives have reflected the challenges that faced the Company after 2008 and recognised the turnaround delivered by the Group since then.

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.

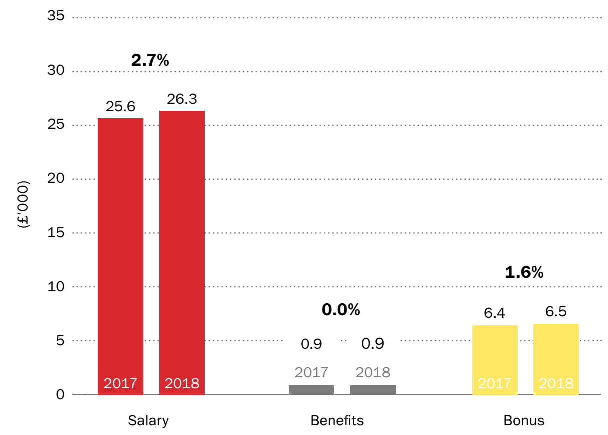
Percentage change in remuneration of director undertaking the role of Chief Executive Officer

The graphs below set out the change in short-term pay from 2017 to 2018 of the CEO compared to all employees (on a per capita basis).

CEO



All full time employees (per capita)



Remuneration Committee Report
continued

CEO pay ratio table

Financial year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2018	A	122:1	100:1	81:1

During 2018, Howdens have undertaken an exercise to identify the CEO pay ratio in line with the updates to the Directors' Remuneration Reporting Regulations.

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.

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 to 31 December 2018. 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 2018 compensation year, however, for annual bonus payments, we estimated the bonus due to employees for the 2018 compensation year (payment is due in March 2019).

P11D values have been based on the 2017/18 reportable values, however, have been annualised accordingly.

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

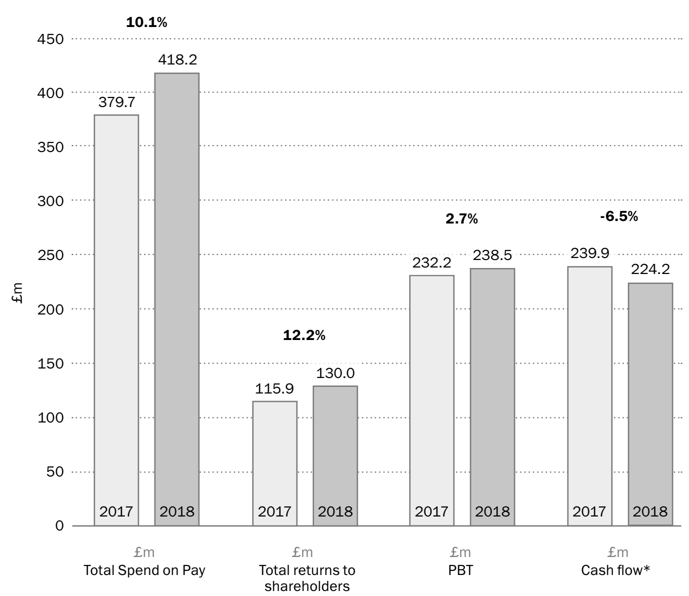
	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
Total pay and benefits (FTE)	23,763	29,125	35,936
Salary (including overtime) (FTE)	18,129	23,460	30,821

Due to the appointment of a new CEO during 2018, the CEO single figure combines the pay for both CEOs and includes the recruitment award of £1,431,048 (£1,134,635 shares and £296,413 bonus) made to Andrew Livingston. Excluding this award, the ratios would be 62:1 at 25th percentile, 50:1 at 50th percentile and 41:1 at 75th percentile.

Relative importance of spend on pay

The graph to the right sets out the change in the Group's total remuneration spend from 2017 to 2018 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 94).



NON-EXECUTIVE DIRECTORS

Single figure of remuneration (Audited)

The table below sets out the remuneration received by Non-Executive Directors in 2017 and 2018.

	Remuneration (£000)	
Non-Executive single figure	2018	2017
Richard Pennycook	250	250
Mark Allen	55	55
Karen Caddick	17	–
Andrew Cripps	65	65
Tiffany Hall	75	72
Geoff Drabble	55	55
Debbie White	55	48
Michael Wemms	–	22
Total	572	567

Our Non-Executive Director fee policy

Fees reflect the time commitment and responsibilities of the role. Accordingly, Committee Chair and Senior Independent Director fees are paid in addition to the Non-Executive Directors' basic fee. Committee chairmanship fees apply only to the Audit and Remuneration Committees. The Chairman does not receive a Non-Executive Director basic fee or an additional fee for chairing the Nominations Committee. Fees are reviewed every year, and are set within a range defined by a market benchmark of comparable size companies. Benchmarking is typically undertaken every three years. Fees for 2019 and increases from the prior year are set out below.

	2019		2018	
	Fee	Percentage increase from 2018	Fee	Percentage increase from 2017
Chairman fee	£250,000	0%	£250,000	0%
Basic Non-Executive Director fee	£55,000	0%	£55,000	0%
Senior Independent Director fee	£10,000	0%	£10,000	0%
Committee Chair fee	£10,000	0%	£10,000	0%

Remuneration Committee Report

continued

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 are eligible to participate in the Howden Joinery Group Pension Plan (the Plan). The Plan is not open to new joiners.

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. Matthew Ingle had a full funded pension position in 2006 and hence has chosen to opt out of the memberships of the plan. Mr Ingle therefore received a salary supplement of 30% of base salary in lieu of pension in 2018.

	Current Executive Directors		Former Executive Director
	Andrew Livingston	Mark Robson	Matthew Ingle
Accrued pension at 29 Dec 2018 £000	–	43	68
Normal retirement date	–	16/01/2019	28/09/2014
Pension value in the year from defined benefit component £000	–	60	–
Pension value in the year from defined contribution component £000	–	87	–
Pension value in the year from cash allowance £000	83	35	44
Total	83	182	44

Scheme interests awarded during the financial year (Audited)

During 2018 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	264,770	£1,209,999
	Deputy CEO & CFO	212,298	£970,202
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 FY2018 to FY2020		
Vesting date	26 March 2021		

1 Based on a share price of £4.57, being the closing price on 23 March 2018.

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	£465	6 April 2018	n/a
Mark Robson	100	£465	6 April 2018	n/a

1 Based on a share price of £4.65, being the closing price on 5 April 2018.

Salary
Benefits
Pension
Annual bonus
Deferred bonus
LTIP

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.

CHANGES TO THE BOARD

Matthew Ingle

Matthew Ingle retired from his role as CEO on 2 April 2018. His retirement date from the Group was 31 July 2018 and he continued to receive his base salary and benefits to that date, during which time he was available to support the transition. Matthew's services were also retained under a consultancy agreement for an initial period of twelve months following his retirement.

During the year Matthew received a pro-rated annual bonus in respect of time served to his retirement date for 2018, with the award subject to the normal performance targets for 2018 as set out on page 92. No deferral has been applied to this award.

Matthew has outstanding unvested awards under the 2016 and 2017 Performance Share Plan which will be pro-rated for the proportion of the performance period which he was employed and will vest on their normal vesting dates of 5 May 2019 and 27 March 2020. As the 2016 award lapsed in full (as set out on page 93), Matthew will receive no awards under this plan. The 2017 Performance Share Plan awards will remain subject to the extent that performance conditions are met. These awards will not be subject to a post-vest holding period. Matthew did not receive an award under the 2018 Performance Share Plan.

Andrew Livingston

Andrew Livingston was appointed as CEO Designate of the Group on 29 January 2018 and became CEO on 2 April 2018.

Upon appointment his base salary was £550,000 per annum and he is entitled to receive benefits in line with the normal remuneration policy, together with a salary supplement of 20% of base salary in lieu of pension.

During 2018, Andrew participated in both the 2018 annual bonus (pro-rated for his time in role) and the 2018 Performance Share Plan as set out on pages 92 and 93.

Andrew 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 have been awarded to replace those forfeited from previous employment with a total value of £1,134,635. 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	312,287
48,294	1 March 2020	217,323

1 Based on actual date of vest, or three month average share price to 29 December 2018 of £4.50 if unvested.

Remuneration Committee Report

continued

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

Additionally, 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.

Loss of office payments or payments to past directors (Audited)

Matthew Ingle retired from the Board on 2 April 2018 and from the Group on 31 July 2018. Since the latter date, Matthew has provided services under a consultancy agreement. During 2018 the total amount paid under the consultancy agreement was £95,898.

For his services provided to the group to 31 July 2018, Matthew received a pro-rated annual bonus award. In light of the bonus outcome, as set out on page 92, Matthew received a total bonus payout of £302,016. The figure disclosed in the single figure of remuneration table on page 91 represents the period for which he was a director of the company (i.e. to 2 April 2018), and as such £139,392 represents a payment to him as a past director. No deferral will be applied to this award.

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 a Non-Executive Director of LondonMetric Property Plc, a FTSE250 REIT. Andrew received £56,785 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		Former Executive Director
Director	Andrew Livingston	Mark Robson	Matthew Ingle[2]
Shareholding requirement %	200%	200%	–
Shareholding requirement (number of shares)	244,444	195,778	–
Owned outright (including connected persons)	12,834	202,920	3,007,951
Share awards subject only to continued employment	174,601[3]	300[4]	–
Share awards subject to performance conditions and continued employment[5]	264,770	659,745	–
Options subject to performance conditions	–	–	–
Vested but unexercised options	–	–	–
Current shareholding (% of salary)[1]	11%	207%	2,330%
Guideline met	N	Y	–

1 Based on a share price of £4.50, being the three-month average price to 29 December 2018. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons.

2 Figures correct as at 31 August 2018.

3 Recruitment Plan and Share Incentive Plan

4 Share Incentive Plan

5 Performance Share Awards under the Long Term Incentive Plan

Salary
Benefits
Pension
Annual bonus
Deferred bonus
LTIP

Non-Executive Director shareholdings (Audited)

There is no shareholding requirement for Non-Executive Directors.

Non-Executive Director:	Mark Allen	Karen Caddick	Andrew Cripps	Geoff Drabble	Tiffany Hall	Richard Pennycook	Debbie White
Shareholding:	3,000	3,000	3,000	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 27 February 2019.

Consideration by the directors of matters relating to directors' remuneration

The Committee met four times during 2018, 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, the Company Secretary and other 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 2018 annual general meeting (AGM)

The results of the advisory vote in respect of the Directors' Remuneration Report at the 2018 AGM may be found in the chart below. There was no vote on the Directors' Remuneration Policy at the 2018 AGM as it was approved by shareholders at the AGM in 2016. The results of the binding vote on the Directors' Remuneration Policy at the 2016 AGM may also be found in the chart below.

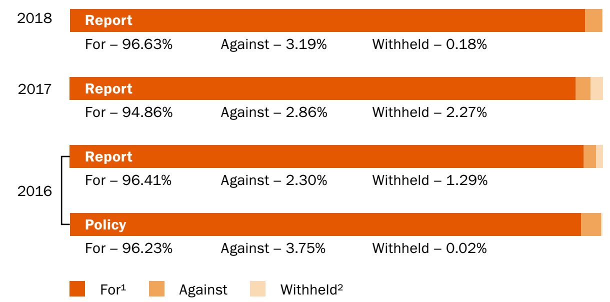
Advisors to the Committee

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 Chairman 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. 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 2018 totalled £97,750 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 2018.

The Committee reviews the objectivity and independence of the advice it receives from PwC at a private meeting each year. It is satisfied that PwC is providing robust and professional advice. PwC is a member of the Remuneration Consultants' Group which operates a code of conduct in relation to executive remuneration consulting.

AGM VOTING OUTCOMES



1 A vote "for" includes those votes giving the Chairman discretion

2 A vote "withheld" is not a vote in law

By order of the Board

Tiffany Hall
Remuneration Committee Chair

27 February 2019

Audit Committee Report

INTRODUCTION FROM THE CHAIR OF THE AUDIT COMMITTEE

The Audit Committee is a central pillar of effective corporate governance. It provides our shareholders and other stakeholders with assurance on the integrity of the financial statements. It also provides assurance regarding the robustness of internal controls in preventing and detecting material misstatement.

The role, profile and agenda of our Audit Committee has evolved in recent years to reflect the fact that stakeholders are looking for ever greater assurance from audit committees. This is particularly true given the increasingly uncertain political and economic environments in which we live.

The Audit Committee's work in reviewing financial statements is supported by Deloitte LLP (Deloitte), our independent external auditor. Deloitte have been the Company's auditor since 2002 (when the audit was last tendered). Their effectiveness and independence have been monitored closely by the Audit Committee to ensure robust and objective audits are undertaken. The Audit Committee is therefore pleased to recommend that our shareholders reappoint Deloitte as the external auditor at our AGM on 2 May 2019.

As reported previously, it is the Committee's intention to review their appointment annually and that a new external auditor will be engaged no later than 2022 which is in line with the transitional arrangements for auditor rotation published by the Department for Business, Energy and Industrial Strategy. Further information regarding external audit tender planning may be found on page 107.

Of course the Audit Committee's remit is broader than the review of financial reporting and the annual audit. The Group's Internal Audit function supports the Committee's review of internal controls and during 2018 this included facilitating the Committee's review of the Company's implementation of the General Data Protection Regulation (GDPR) plan across the business. The Internal Audit Plan is regularly reviewed by the Committee to ensure it is fully aligned to the Board's strategy and the latest thinking on the risks facing the business. Further information regarding Committee actions and review of the Internal Audit function may be found on page 109.

During 2019, the Committee will continue to monitor the integrity of financial statements and formal announcements relating to financial performance, review internal controls, review and monitor the effectiveness of the Internal Audit function, and the effectiveness and objectivity of the external auditor.

MEETING ATTENDANCE

The figures below show the number of meetings individual Directors that served on the Audit Committee during the year could have attended (taking account of eligibility, appointment and retirement dates during the year) and the percentage of those meetings they actually attended.

The Chairman of the Board, along with the Chief Executive Officer, Deputy Chief Executive and Chief Financial Officer, Group Finance Director, Head of Internal Audit and Risk, representatives from the Finance function and senior representatives of the external auditors, are regularly invited by the Committee Chair to attend all or part of the meetings as and when appropriate. The Committee, however, reserves the right to request any non-members withdraw from any meeting at any time.

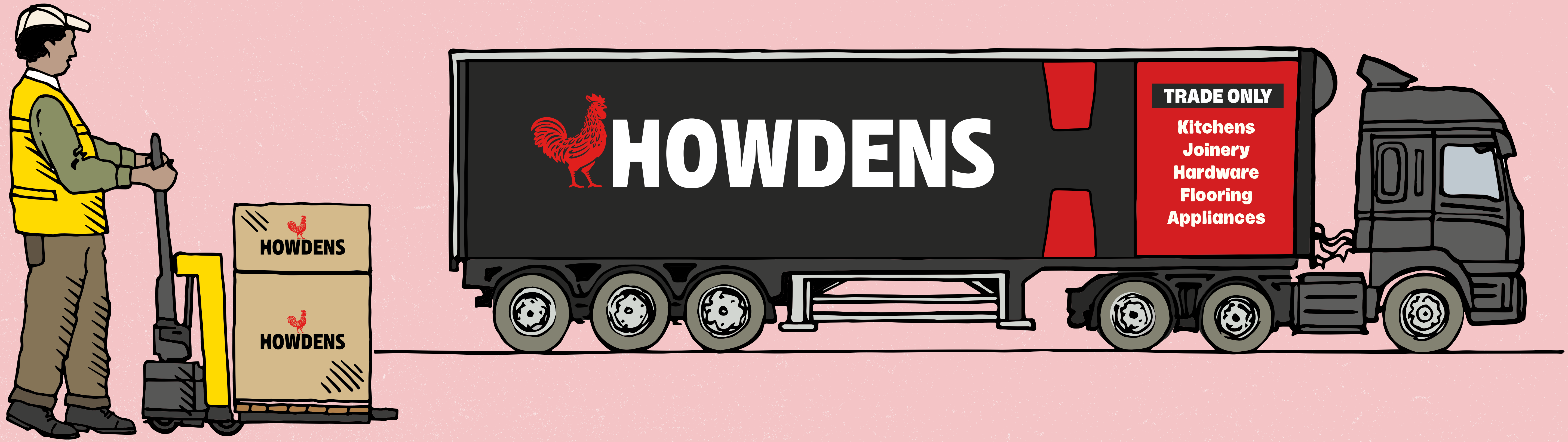
The Committee meets at least three times a year at appropriate intervals in the financial reporting and audit cycle and at any other time the Chair of the Committee requires it.

	Andrew Cripps*	Mark Allen	Karen Caddick[1]	Geoff Drabble	Tiffany Hall	Debbie White
No. of meetings	3	3	1	3	3	3
Attendance	100%	100%	100%	100%	100%	100%

Audit Committee Terms of Reference – www.howdenjoinerygroupplc.com/investors/governance/audit/index.asp

1 Karen was appointed to the Audit Committee on 7 September 2018

* Denotes Chair of Committee



Strategic report
Governance
Financial statements
Additional information

Audit Committee Report continued

FINANCIAL REPORTING

Role of the Audit Committee:

- Monitor the integrity of the financial statements of the Group and formal announcements relating to the Group's financial performance
- Review accounting policies and significant financial reporting judgements contained in financial statements or announcements (although the Board as a whole remains responsible for determining whether the Annual Reports and Accounts as a whole are fair, balanced and understandable)
- Review the going concern report and the report on the longer-term viability of the business, prior to consideration by the Board

FINANCIAL REPORTING CONTINUED

COMMITTEE ACTIONS

Audit Committee Review

The Audit Committee reviewed the Group's 2018 Annual Report and Accounts and the half-yearly financial report published in July 2018.

As part of these reviews, the Committee received reports from Deloitte on their audit of the Annual Report and Accounts and review of the half-yearly financial report which took into account the Group's key risks, going concern considerations and longer-term viability.

The Committee also considered whether the Annual Report and Accounts were fair, balanced and understandable and contained the information necessary for shareholders to assess the Company's position, performance, business model, and strategy.

Financial controls

The Committee received a report from the Head of Internal Audit on the results of key control questionnaires prepared by Group and Divisional management. The effectiveness of the Group's internal financial controls (with specific reference to controls in place on a divisional basis) and the disclosures made in the Annual Report and Accounts on this matter were reviewed by the Audit Committee.

IFRS 16 Leases

This accounting standard requires the capitalisation of materially all leased assets, with the corresponding present value of lease obligations to be recognised in the balance sheet. In the income statement, in place of operating lease expenses, depreciation on these assets will be charged to operating profit and the implicit interest cost recognised as a finance expense. This standard will be applicable for accounting periods commencing 1 January 2019 and therefore the Group will adopt the standard in its 2020 financial year, which commences on 29 December 2019.

The Committee has overseen preparatory work conducted by the Company, which has included the identification and scrutiny of all applicable leases, selection of appropriate software and consideration of transition methods.

The Group expects to enter further significant leases for its new distribution centre at Raunds in 2019, which will form a substantial part of the new disclosure. As a result it is premature to make an estimate of the impact of the new standard, but the Committee will continue to monitor progress during the current year. In accordance with existing accounting standards, the operating lease commitments at the balance sheet date are set out in note 23.

Supporting actions, processes and information:

Areas of Significant Financial Judgement

The Committee exercises its judgement in deciding the areas of accounting that are significant to the Group's accounts. The external auditor reports detailed results of their procedures in relation to these significant areas to the Committee.

The matters shown below have been discussed with the Deputy Chief Executive & Chief Financial Officer, Group Finance Director and the external auditor, and the Committee is satisfied that each of the matters have been fully and adequately addressed by the Executive Committee, appropriately tested and reviewed by the external auditor, and the disclosures made in the Annual Report and Accounts are appropriate.

Inventory obsolescence provisioning

Validity of the actuarial assumptions

Recognition of revenue (presumed risk)

Area of significant financial judgement in 2018 and 2017

Area of significant financial judgement in 2017

Inventory obsolescence provisioning

The Group's in-stock model (further information about which may be found on page 14) and the scale of our product range necessitates tight management of our inventory to ensure local availability of stock while at the same time minimising obsolescence and wastage.

The Committee reviewed the results of stock counts and the processes used to value each category of inventory, including the assumptions behind obsolescence provisions, with management.

The external auditor provided reports to the Committee which considered the appropriateness of provisions held against the carrying value of inventory, while also having regard to the age of discontinued lines and volumes of continuing lines relative to the expected usage and the levels of historical write-offs.

Validity of the actuarial assumptions

The triennial pension funding valuation was completed in the first half of 2018, after which time the pension assumptions for the IAS 19 valuation were updated to those used for the latest triennial valuation. The Committee noted that using revised mortality tables (CMI 2016) compared with those used for the previous valuation (CMI 2013) led to a reduction in assumed life expectancy which significantly reduced the net pension deficit. This deficit reduced from £109m at the end of 2017 to £36m at this balance sheet date reflecting the changed actuarial assumptions as well as significant continuing contributions to the fund by the Company and the return on funds invested in the scheme. The Committee carefully considered:

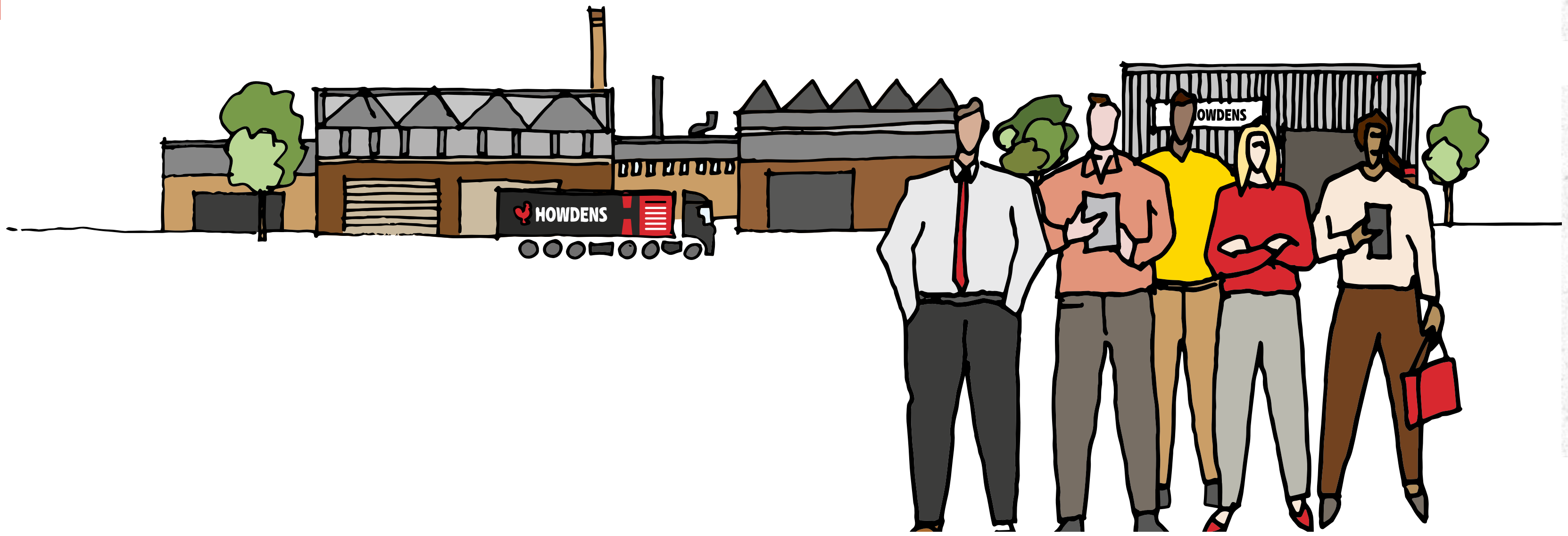
- whether the actuarial assumptions, and in particular the discount, inflation and mortality assumptions, applied were appropriate; and
- the views of the external auditors.

The Committee also met with the Group's external actuaries during the year and considered their recommendations.

2017 Area of Significant Financial Judgement

Recognition of revenue (presumed risk)

In accordance with ISA 240, there is a presumed fraud risk with regard to revenue recognition.



Audit Committee Report continued

EXTERNAL AUDITOR

Role of the Audit Committee:

- Make recommendations to the Board in relation to the appointment of the external auditor and approving the remuneration and terms of engagement of the external auditor
- Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements
- Review the external auditor's audit plans and Audit Committee reports
- Develop, implement and monitor the policy on the engagement of the external auditor to supply non-audit services, taking into account relevant legislation and ethical guidance regarding the provision of non-audit services by the external audit firm

Supporting actions, processes and information:

External Auditor

External auditor:	Deloitte LLP ('Deloitte')
External auditor tenure:	17 years
Latest a new external auditor will be engaged*:	2022
Lead audit partner:	Claire Faulkner
Lead audit partner tenure:	2 years (of a 5 year cycle)

The information in the table above was correct at 29 December 2018.

*Further information about external auditor tender plans may be found on page 107.

Auditor Effectiveness

To assess the effectiveness of the external auditor, the Committee reviewed:

- The proposed plan of work presented by the external auditor, including audit risks, materiality, terms of engagement and fees prior to commencement of the 2018 audit
- The external auditor's fulfilment of the agreed audit plan and any variations from the plan
- Perceptions and professional scepticism of the external auditor and audit process from key management personnel in the finance function
- Robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements
- Internal control and risk content of the external auditor's report

Performance Expectations for the External Auditor

Specific auditor responsibilities	Wider auditor responsibilities
– Discuss audit approach and areas of focus in advance – Report issues at all levels within the Company in a timely fashion – Ensure clarity of roles and responsibilities between local Deloitte and Howdens' Finance teams – Respond to any issues raised by management on a timely basis – Meet agreed deadlines – Provide continuity and succession planning of key staff members of Deloitte – Provide sufficient time for management to consider draft auditors' reports and respond to requests and queries – Ensure consistent communication between local and central audit teams	– Provide timely up-to-date knowledge of technical and governance issues – Serve as an industry resource, communicating best practice trends in reporting – Adhere to all independence policies – Deliver a focused and consistent audit approach for the Group that reflects local risks and materiality – Liaise with the Howdens Internal Audit and Risk team to avoid duplication of work – Provide consistency in advice at all levels – Ultimately, provide a high quality service to the Board, be scrupulous in their scrutiny of the Group and act with utmost integrity

EXTERNAL AUDITOR CONTINUED

Auditor Independence

Auditor independence is an essential part of the audit framework and the assurance it provides. The Committee therefore undertook a comprehensive review of auditor independence during 2018, which included:

- A review of the independence of the external auditor and the arrangements which they have in place to identify, report and manage conflicts of interest
- Consideration of the effectiveness of the external auditor through a review of their plan of work and the outputs arising from the audit
- A review of the changes in key external audit staff for the current year and the arrangements for the day-to-day management of the audit relationship
- Consideration of the overall extent of non-audit services provided by the external auditor, in addition to case-by-case approval of the provision of non-audit services as appropriate
- Deliberation of the likelihood of a withdrawal of the auditor from the market and note taken of the fact that there are no contractual obligations to restrict the choice of external auditor

At the year-end, the external auditor formally confirmed that they had complied with the requirements of the FRC Ethical Standard as well as internal requirements and their independence and objectivity had been maintained.

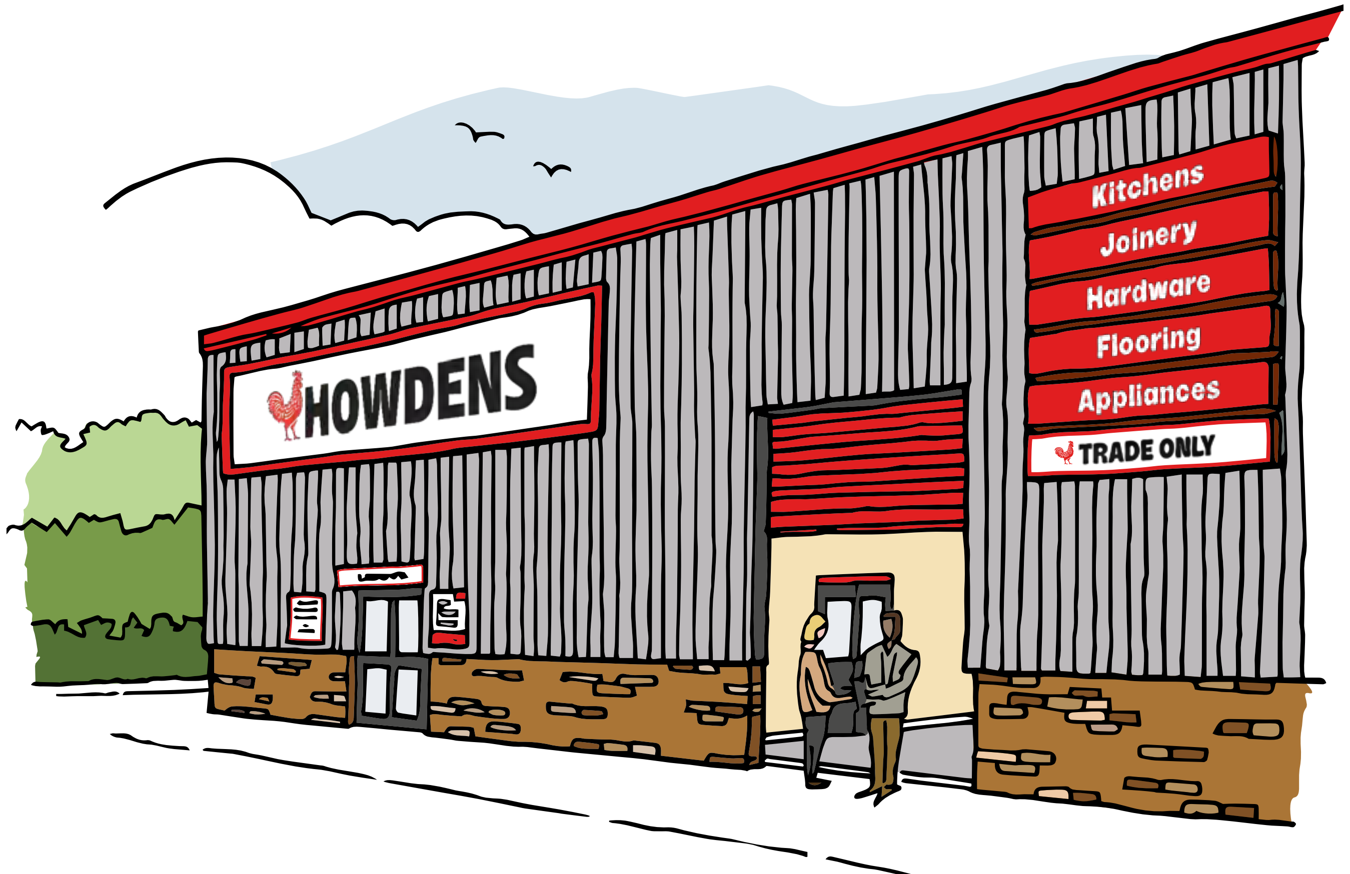
External audit tender

As reported in last year's Annual Report, the Audit Committee has decided that it will engage a new external auditor no later than 2022 (following the conclusion of the current five-year lead audit partner cycle). The Committee will keep the need to re-tender the external audit under review until this time.

In coming to this decision, the Audit Committee considered the transitional arrangements published by the Department of Business, Energy & Industrial Strategy in 2015, which provide that the Company cannot renew Deloitte's appointment as external auditor beyond June 2023, given it has been the external auditor for over eleven years but less than twenty years.

The Committee also considered the UK Corporate Governance Code and the FRC's Guidance on Audit Committees, which provide that the external audit should be re-tendered at least every ten years and that this process should fit in with the lead audit partner five-year rotation.

Deloitte has expressed their willingness to continue in office as auditor and the Committee has unanimously recommended to the Board that a proposal to reappoint them as the auditor and to authorise the Directors to fix their remuneration is put to the shareholders at the Annual General Meeting in 2019.



Audit Committee Report continued

EXTERNAL AUDITOR CONTINUED

Policy for non-audit services provided by the external auditor
The main aims of this policy are to:

- Ensure the independence of the auditor in performing the statutory audit; and
- Avoid any conflict of interest by clearly detailing the types of work that the auditor can and cannot undertake.

The Audit Committee reviewed and updated the policy for non-audit services in 2018 to ensure that it was in line with the amended FRC ethical standards, UK Corporate Governance Code and best practice.

The regulation substantially limits the non-audit services which can be provided by the auditor. The policy provides:

- A 70% cap of the value of the audit fee for all non-audit services calculated on a rolling three-year basis.
- The following services as categories that are prohibited from being carried out by the auditor:
  - tax calculation services
  - actuarial and other valuation services

The policy specifies a de minimus limit as well as the type of non-audit work that the auditor may be engaged in without the matter first being referred to the Audit Committee, which considers each referral on a case-by-case basis.

The policy aims to ensure that in providing non-audit services the auditor does not audit its own work or make management decisions for the Company or any of its subsidiaries. The policy also clarifies responsibilities for the agreement of fees payable for non-audit work.

External auditor fees
All relevant fees proposed by the external auditor must be reported to and approved by the Audit Committee.

Details of the total fees, including non-audit fees, paid during the year to Deloitte are set out in the chart below and in note 6 to the consolidated financial statements.

The only non-audit services provided by Deloitte in the year was their review of the half-yearly financial report. No advisory work was requested from the auditor.

The Audit Committee also has a policy in relation to the employment of former members of the external audit team.

CONTROLS AND INTERNAL AUDIT

Role of the Audit Committee:

- Monitor the Group's internal financial controls throughout the year
- Review the Group's financial risk management processes, systems and reports (although the Board as a whole remains responsible for overseeing the overall risk profile of the business)
- Oversee the effectiveness of the Group's Internal Audit function and ensure that its findings are used effectively

Supporting actions, processes and information:

COMMITTEE ACTIONS

Internal Audit

During the year, the Committee reviewed:

- Internal Audit's programme of work and resources
- Results of key audits and other significant findings including the adequacy and timeliness of management's response
- The level and nature of assurance activity performed by Internal Audit
- Staffing, reporting and effectiveness of divisional audit

Fraud Risk

The Committee considered the controls in place to mitigate fraud risk.

Divisional Controls

Senior management from the business were invited to discuss the controls in their business areas. The Director of Commercial Finance and Head of Compliance of the Trade division gave presentations on the control environments in their area.

An update on the IT control environment was presented by the Chief Information Officer. Updates on cyber and information security and the General Data Protection Regulation were also provided by the Head of Information Systems Security and Head of Legal.

Independent Assurance

The Committee assessed the coverage of independent assurance by reviewing the annual internal audit plan against the Group assurance map. In addition, the Committee reviewed reports on preparedness to manage crises, business continuity and product recall. It also received reports on the scope of preparations for the UK's exit from the EU.

WHISTLEBLOWING POLICY

The Group's whistleblowing policy contains arrangements for all employees to have access to a confidential outsourced service, which allows calls and emails to be received in multiple languages, 24 hours a day. The policy is reviewed annually.

Complaints on accounting, risk issues, internal controls, auditing issues and related matters are reported to the Audit Committee as appropriate. In 2018, the Committee received a report on the activity reported under the Group's whistleblowing policy and the issues raised and investigated under this policy were formally reviewed by the Committee.

INDEPENDENT REVIEW OF THE INTERNAL AUDIT AND RISK FUNCTION

An independent review of the Internal Audit and Risk function was carried out by Grant Thornton during 2017 in line with the Audit Committee's policy to perform an external review of the functions every five years.

During 2018, the committee considered the effectiveness of the internal audit function and concluded that it remained effective, well-led, and had a clear remit.

Audit Committee Report continued

GOVERNANCE

Role of the Audit Committee:

- To be aware of technical, regulatory and governance changes applicable to the work of the Committee
- Review any interests a Director has which conflicts or may conflict with the interests of the Company
- Review its own performance, constitution and terms of reference once a year to ensure it is operating effectively
- Report to shareholders on its activities in the Annual Report

Supporting actions, processes and information:

COMMITTEE ACTIONS

Governance Updates

Updates on the latest governance practices for Audit Committees and changes in reporting requirements were provided by the external auditor.

All members of the Audit Committee are also members of the Deloitte Academy, which provides in-depth updates on financial and reporting matters.

Committee Effectiveness

An effectiveness review was carried out on the Committee and its members as part of the Board's wider evaluation process (further details may be found on page 78).

The Committee also reviewed its own effectiveness by completing an Audit Committee effectiveness tool. The review encompassed a mix of qualitative and regulatory considerations as well as reviewing Committee structure, responsibilities and reporting.

Both reviews concluded that the current mix of financial, commercial and relevant sector experience of the Audit Committee, and that of its advisors, is such that the Committee can effectively exercise its responsibilities to the Group in relation to risk and controls.

Terms of Reference

The Committee reviewed its terms of reference to reflect changes in best practice and in particular the updated UK Corporate Governance Code.

Policies and Conflicts

The Committee reviewed its policies in relation to allocation of non-audit work (further detail on this policy may be found on page 108) and employment of ex-audit firm personnel. It also reviewed the Directors' conflicts of interest register.

CMA Order Compliance

The Audit Committee confirms that the Company has complied with the provisions of the Competition and Markets Authority Order throughout its financial year ended 29 December 2018 and up to the date of this report.

COMMITTEE MEMBERSHIP

The Committee is composed entirely of independent Non-Executive Directors. Independence is critical for fair assessment of the management team and the external and internal audit functions.

Chair

Andrew Cripps was appointed Audit Committee Chair in May 2016. He is responsible for determining the Committee's agenda and for maintaining the key relationships between the Group's senior management, Head of Risk and Internal Audit, the Company Secretary and senior representatives of the external auditor.

Andrew is also responsible for ensuring that key audit issues are reported to the Board in an effective and timely manner and that they are reported to shareholders via the Annual Report.

Recent and relevant financial experience

Andrew Cripps qualified as a Chartered Accountant with KPMG and has held executive director roles in the UK and Europe with Rothmans International, where he was Corporate Finance Director. More recently, Andrew has been Audit Committee Chairman of a number of public companies.

Competence relevant to the sector

The unique business model of Howdens means it does not naturally fit into one sector and therefore when the Committee undertook an assessment of its skills and experience it assessed them against a number of sectors relevant to the Company. These included building and construction, multi-site wholesale, manufacturing and logistics, and service to customers.

The Committee concluded that competence relevant to these sectors was well represented within the current membership and that the thorough inductions provided to the Committee members and the opportunities for them to meet with senior management and Executives further enhanced their working knowledge of the way the Company operates and the sectors it spans.

Case Study: Pension Assumptions

The analysis of pension assumptions remained a key area of focus for the Audit Committee during the year.

At the February 2018 Audit Committee meeting, the Committee considered the Company's approach to key assumptions behind calculation of the net pension fund deficit, and particularly those relating to mortality rates. Hymans Robertson, the Company's actuaries, presented current practice and contributed to the meeting. The Committee noted that:

- Cash contributions to the fund by the Group are determined from triennial valuations prepared on the funding (or Technical Provisions) basis (see note 19)
- Latest mortality tables (CMI 2016) showed earlier mortality than those used in the Group's last funding valuation (CMI 2013) and hence a potentially lower deficit
- The Group's policy of only updating non-financial assumptions, particularly mortality tables, after completion of each triennial funding valuation has been consistently applied year on year
- The assumptions were within the external auditor's benchmark ranges.

The Committee discussed the IAS 19 deficit relative to the Technical Provisions deficit and the external auditor and Audit Committee concluded that the assumptions remained appropriate for the Company.

When the Audit Committee considered pensions assumptions at the half-year in July, it was noted that the triennial pension scheme valuation had been finalised and that Hymans Robertson had updated the IAS 19 pension assumptions to be consistent with the valuation. The effect was to reduce the net balance sheet liability and it was noted that the appropriate disclosures had been made. The assumptions continued to be within the external auditor's benchmark ranges. In addition, the external auditor noted that the degree of conservatism had reduced since the year-end in light of the updated pension assumptions following conclusion of the triennial review.

At the 2018 external audit planning meeting, the Committee noted that the FRC had published "The Audit of Defined Benefit Pension Obligations" report which highlighted that it expected Audit Committees and auditors to discuss the findings and consider whether the audit approach could be enhanced. The Committee considered that this would include the following:

- Challenge the assumptions used in calculating the pension deficit as at the year-end and assess whether these were reasonable, in particular those key assumptions relating to the discount rate, inflation rate and longevity.
- The external auditor to discuss with the Group's actuaries the methods used to calculate the assumptions and review the actuarial valuations prepared for compliance with the accounting and disclosure requirements.
- Deloitte to engage with in-house pension specialists to benchmark the pension assumptions used against internal benchmarks and other companies in the industry.
- Assess the design and implementation of the controls in place relating to validity of pension assumptions.
- Whilst not considered to be a significant risk, Deloitte's Pensions Centre of Excellence would carry out testing of pension assets.

The Committee further reviewed pension assumptions at its meeting in February 2019, concluding that these remained appropriate, individually and collectively. Controls over the completeness and valuation of pension fund assets were also discussed.

Audit Committee Report continued

THE AUDIT COMMITTEE IN 2019

As a result of its work during the year, the Audit Committee concludes that it acted in accordance with its terms of reference during the period and has ensured the independence and objectivity of the external auditors.

The Committee will continue to consider all of the matters set out in this report for which it has primary responsibility in relation to financial statements, reporting and controls, the work of the external auditor and the Internal Audit function.

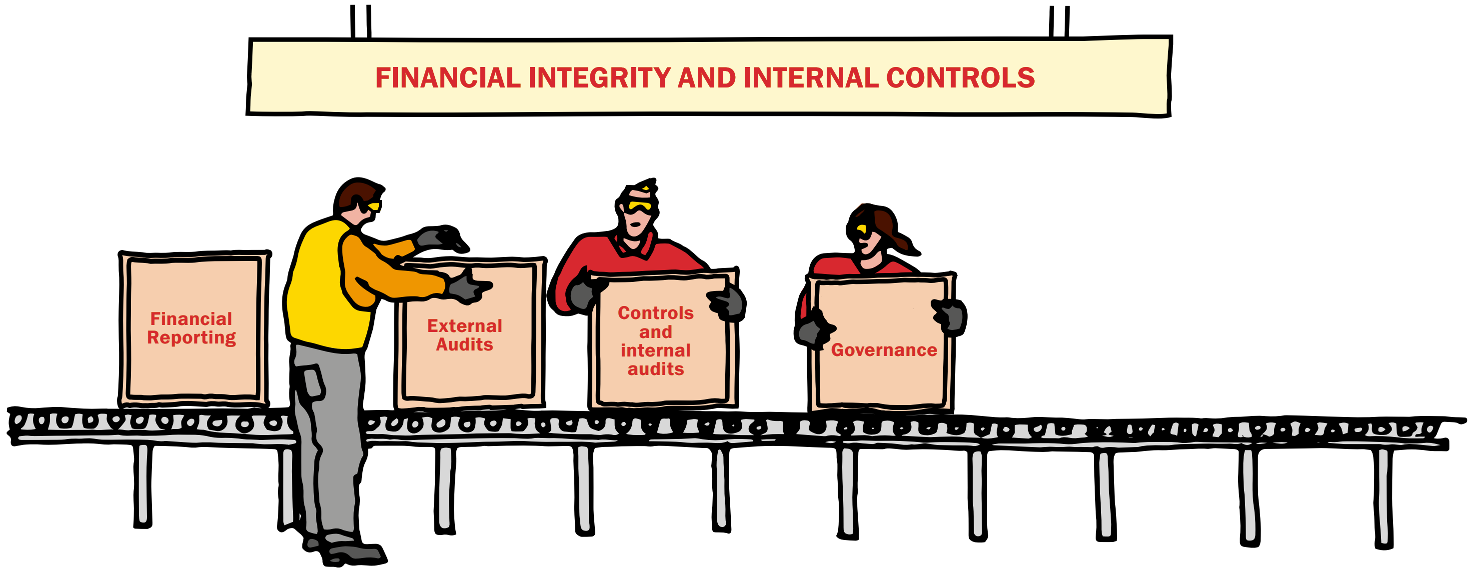
It will continue to consider the Company's governance arrangements and review the Committee's terms of reference.

The Committee has decided to increase the frequency of its meetings to allow more scope to review developments in internal controls outside the annual reporting cycle. In addition, the Committee will review the implementation of IFRS 16, the results of which will be detailed in the 2019 Audit Committee report.

By order of the Board

Andrew Cripps
Audit Committee Chair

27 February 2019



Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 29 December 2018. Comparative figures relate to the 53 weeks ended 30 December 2017.

In order to make our Annual Report and Accounts more accessible a number of the sections traditionally found in this report can now be found in other sections of this Annual Report and Accounts where it was deemed that the information would be presented in a more connected and accessible way. The Directors' report comprises the sections detailed below, including the statement on political donations.

Any sections that have been moved have been cross-referenced below for ease of reference:

Located in the Strategic Report:

Principal Group activities, business review and results: The principal activities of Howden Joinery Group Plc and its subsidiaries can be found on pages 5 to 57.

Dividend: Information about the final dividend can be found in the Chairman's Statement on page 7 and the Review of Finance and Operations on page 27.

Non-financial reporting: Our compliance with the Non-Financial Reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 can be found on page 114.

Going Concern, Viability and other Statements of the Directors: These statements may be found on pages 38 and 39.

Principal Risks and Uncertainties: The Group's principal risks and uncertainties and information on the Group's approach to risk and the risk management process may be found on pages 32 to 37.

Located in the Nominations Committee Report:

Directors: Information with regard to the appointment and replacement of Directors is located on page 74.

Employees: Information about the total number of employees and gender diversity statistics are located on page 75. The average number of employees and their remuneration are shown in note 7 to the financial statements.

Located in the Corporate Social Responsibility Report:

Greenhouse Gas Emissions: Details of the Group's greenhouse gas emissions, as required by Schedule 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 (SI 2008/410) as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (SI 2013/1970), are set out on page 55.

Employees: Information about employee participation in the Howden Joinery Share Incentive Plan can be found on page 48.

Located in the Corporate Governance Report:

Share capital, substantial shareholdings and acquisition of the Company's own shares: Information in this regard can be found on page 66.

Directors: Details of Directors who served during the year and up to the date of signing may be found on page 59. Details of Directors and their interests are on pages 100 and 101 and details of Directors' Indemnity and Insurance on page 68.

Annual General Meeting: Information about the Annual General Meeting, including reappointment of the Group's auditor, can be found on page 66. A copy of the UK Corporate Governance Code can be accessed at www.frc.org.uk.

POLITICAL DONATIONS

The Group made no political donations during the current and previous periods.

Directors' Report continued

Non-financial reporting:

Non-financial measures are an important part of our business, as we discuss on page 43, and we have recognised the importance of non-financial information in our Annual Reports for many years. The Board are committed to acting responsibly and working with our stakeholders to manage the social and ethical impact of our activities. We aim to treat all our stakeholders fairly and with integrity, as we explain in the introduction to our Sustainability Report on page 43.

We have a number of Group policies to provide guidance to our employees. The policies are designed to be easily understood and they generally include examples of acceptable and unacceptable behaviours.

In order to consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006 in respect of Non-Financial Reporting, the table below shows where in this Annual Report to find each of the disclosure requirements.

Focus area	Policies and statements	More information and outcomes
Environmental matters	Sustainability and Corporate Social Responsibility Statement of Intent (page 45).	• Greenhouse gas and emissions reporting (page 55) • KPIs on reusing or recycling waste and on use of recycled packaging (page 54) • KPI on use of certified timber in our manufacturing processes (page 53) • Discussions of our efforts to reduce waste and our responsible, energy-efficient operations (page 54)
Social matters	Sustainability and Corporate Social Responsibility Statement of Intent (page 45).	• Our impact on our stakeholders (page 46) • Our work with local and national charities (page 56)
Respect for human rights	Sustainability and Corporate Social Responsibility Statement of Intent (page 45).	• Discussion of Supplier Code of Conduct (page 52) • Discussion of sustainable sourcing, active monitoring of suppliers and training of our procurement staff (page 52) • Modern Slavery Statement (see Group website) • Internationally recognised labour standards form part of our contracts of employment
Anti-corruption and bribery	Anti-Bribery and Corruption, Conflicts of interest, Corporate gifts and hospitality, Anti-money laundering, Anti-tax evasion and Competition law policy.	• For more information on these policies, and the due diligence that we perform, see the Corporate Governance report on page 67
Employees	Health & Safety Statement of Intent (page 44), Market abuse compliance, Data Protection and Privacy, Whistleblowing.	• KPI on Health & Safety (page 48) • Discussion of Health & Safety performance and initiatives (page 48, pages 50 and 51) • Discussion of employee rewards and benefits, development opportunities, apprentice schemes (pages 48 and 49) • Diversity policies and statistics (page 75) • Director's remuneration policy – (pages 82 to 89)

We outline our business model on pages 14 and 15. All of our non-financial KPIs are presented together on pages 25 and 26. A discussion of our principal risks, including those related to our business relationships, products and services, as well as a description of our risk management process, starts at page 32.

By order of the Board

Forbes McNaughton
Company Secretary

27 February 2019