

Nominations Committee Report

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

The UK Corporate Governance Code, Principal B.1 and B.2

MEETING ATTENDANCE

The Committee meets at least twice a year and at any other such time as the Chairman 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.

	Attendance	No. of meetings
Richard Pennycook (Chairman)*	4	4
Mark Allen	4	4
Andrew Cripps**	3	4
Geoff Drabble	4	4
Tiffany Hall	4	4
Will Samuel*	2	2
Michael Wemms***	3	4

* Richard Pennycook was appointed Chairman of the Nominations Committee immediately following Will Samuel's retirement at the AGM on 5 May 2016. Mr Samuel and Mr Pennycook absented themselves for all matters concerning the Chairman succession process.

** Andrew Cripps was unable to attend the Committee meeting on 15 February 2016 due to ill health.

*** Michael Wemms was unable to attend the Board meeting on 3 November 2016 due to a conflict with another commitment.

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. 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.

INTRODUCTION BY THE COMMITTEE CHAIRMAN

Whereas the Board and its other Committees' main focus is often on strategy and the operational mechanics of the business, the main function of the Nominations Committee is to ensure that the right people are in the right place across the Group. This is particularly true in relation to the make-up of the Board itself and its ability to deliver shareholder value and safeguard the interests of other stakeholders. The Nominations Committee must establish whether the Board has the right balance of technical capability, market insight and transposable industry knowledge so that it can constructively challenge management from a position of expertise and experience. It is also important that the Board as a whole are sufficiently independent, have a diversity of perspective and understand the governance issues which are inherent with running a large company with a premium stock-exchange listing.

The Nominations Committee also plays an important role in recommending to the Board a policy on gender diversity. It is important that the Board sets the tone for the rest of the Group on matters of diversity and whilst the Committee continues to acknowledge that setting specific gender targets could be unhelpful for a small Board such as ours, I am pleased that the recent appointment of Debbie White to our Board will perhaps redress the gender balance to some degree. We maintain that the main priority of the Nominations Committee is to ensure diversity of perspective in the boardroom and this is something we will keep under close review.

The Nominations Committee is also responsible for monitoring the ongoing effectiveness of the Board. During 2016, the Company engaged with Independent Board Evaluation to conduct an external review of Board effectiveness. This proved to be a very worthwhile exercise and provided useful insights and realisable recommendations. The evaluation included a review of the work of the Nominations Committee and recommendations were made to facilitate the work of the Committee, which can often be sensitive in nature. Further details about the 2016 evaluation can be found later in this report.

NOMINATIONS COMMITTEE TERMS OF REFERENCE

www.howdenjoinerygroupplc.com/investors/governance/nomination/index.asp

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ROLE OF THE NOMINATIONS COMMITTEE

The main responsibilities of the Committee are set out below. How the Committee addressed each of these is set out in the body of this report. In some instances, the Committee were not required to exercise their authority in relation to a specific function of the Committee.

	Role
 <p>Board Composition</p>	Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
	Giving full consideration to succession planning for Directors and certain other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
	Formulating plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive Officer;
	Being responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
	As part of the process for nominating candidates for appointment, obtaining details of and reviewing any interests the candidate may have which conflict or may conflict with the interests of the Company;
	Keeping 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;
	Making recommendations to the Board regarding the membership of the Audit, Nominations and Remuneration Committees, and any other Board Committees as appropriate, in consultation with the chairmen of those committees;
 <p>Board Effectiveness</p>	Recommending, or not, 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 in the light of the knowledge, skills and experience required; and
	Considering 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.
	Providing appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 <p>Governance</p>	Reviewing annually the time required from Non-Executive Directors and undertaking performance evaluation to assess whether Non-Executive Directors are spending enough time to fulfil their duties; and
	Ensuring 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.
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	Giving 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.

BOARD COMPOSITION

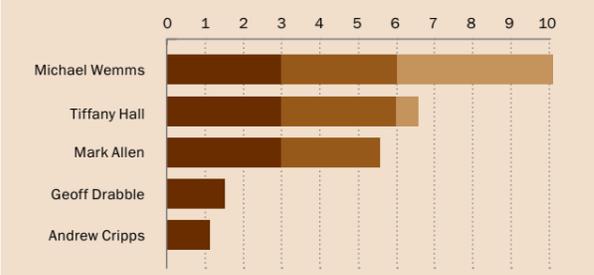
An effective Nominations Committee will establish a stable leadership framework. Part of its work must also be to proactively manage change to reassess the future leadership needs of the Company. As detailed in the report below, the Howdens Nominations Committee has successfully managed a Board succession programme in recent years which has ensured a smooth introduction of new Directors to the Board.

Non-Executive and Executive Director Succession

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.

The Nominations Committee considers Executive succession as part of its routine succession planning process.

Non-Executive Tenure as at 24 December 2016



Chairman Succession

The Company announced on 2 December 2015 that, having served as Non-Executive Chairman of the Company since 2006, Will Samuel would step down from the Board with effect from the Annual General Meeting in May 2016. Richard Pennycook, who has been a Non-Executive Director of Howdens since September 2013 assumed the role of Non-Executive Chairman and Chairman of the Nominations Committee from that date.

Boardroom diversity

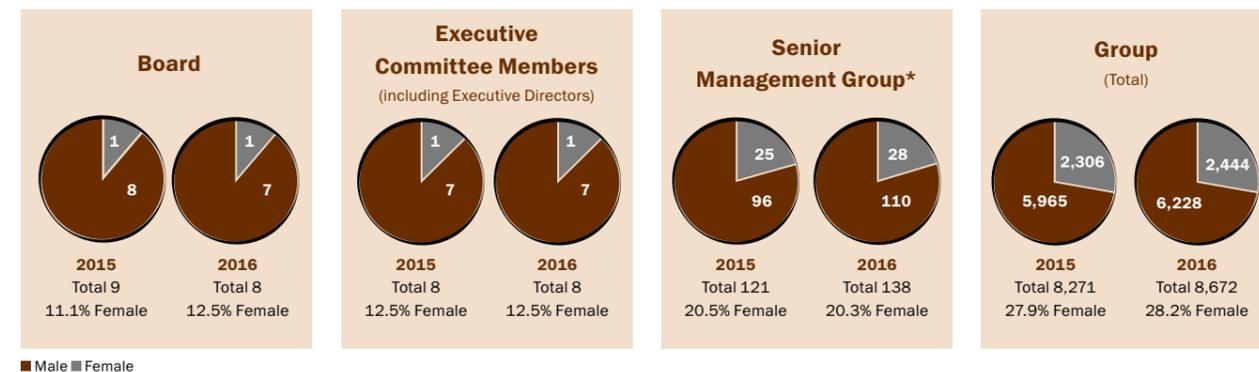
The Board recognises the importance of ensuring that there is diversity of perspective, background and approach in its management team and on its Board. Since the business was established in 1995, it has sought to enable individuals to progress within the organisation regardless of age, gender, background 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 and background when considering new appointments in the period to 2018, 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 24 December 2016, 12.5% 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 as at 24 December 2016:

The Nominations Committee reviews these gender statistics 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.



* The Senior Management Group includes employee Grades 1-3 (on the Hays evaluation basis) and divisional, regional and area sales managers. It does not include members of the Board or the Executive Committee.

Nominations Committee report continued

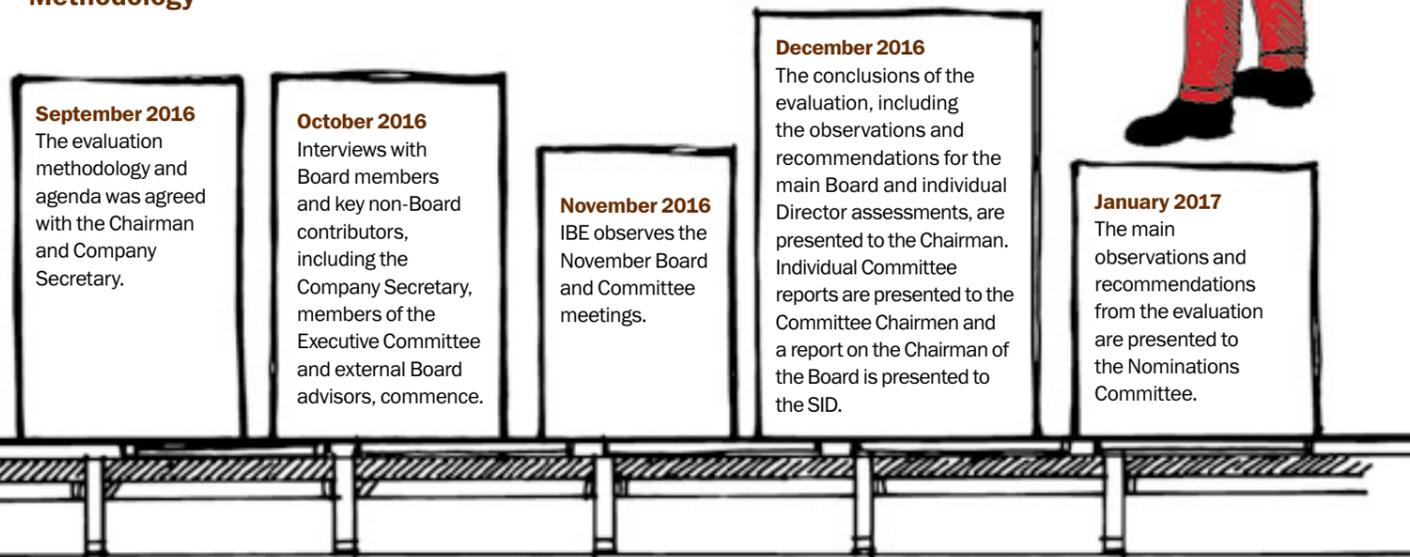
BOARD EVALUATION

In the previous two financial years, the Board evaluation has been undertaken internally by the Senior Independent Director, with support from the Company Secretary. In keeping with the guidance provided under the UK Corporate Governance Code, the 2016 Board evaluation was externally facilitated by Independent Board Evaluation (IBE). IBE does not have any other business relationship with the Company or with any member of the Board. The evaluation focused on the following areas:

- the size, balance and dynamics of the Board;
- an overview of protocol, debate and decision-making at Board and Committee meetings;
- the performance of individual Directors, including the Chairman;
- the Chairman succession process and Non-Executive Director rotation;
- organisational succession and development at Board and senior management level;
- the Board's approach to strategy and to risk governance;
- the oversight by the Board of financial and operational performance, and of the issues around resources, people, behaviour and culture;
- company secretarial support and Board information; and
- shareholder focus.



Methodology



IBE will contact the Company Secretary six months after the conclusion of the evaluation to check on progress against the recommendations.

Summary conclusions and recommendations

The evaluation concluded that the Board was considered by most interviewees to be very effective and supportive of management, giving clear stewardship and presenting challenge where needed, that the Board is attuned to the special nature of Howdens' culture, and is watchful and alert to the best way of adding value to the Executive team. However the Board is aware that there are some challenges ahead, such as on strategy and succession planning.

Recommendations included: improvements in boardroom diversity, addressing the method of challenge and feedback provided by the Board to management, reviewing the time afforded to particular agenda items, the provision of more information in relation to key shareholders and refinement of the Board papers to help focus on key items.

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.

The Nominations Committee recognises that regular reacquaintance 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. During 2017, all Directors will receive the bespoke Howdens culture training, developed in-house for depot staff and management.

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. In 2016, the Board received training from the Group's solicitors Freshfields Bruckhaus Deringer on directors duties and the new Market Abuse Regulations.

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.

THE NOMINATIONS COMMITTEE IN 2017

The Nominations Committee is scheduled to meet at least twice during 2017. It 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 board evaluation process, discuss boardroom diversity, and review the Committee's terms of reference.

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, throughout 2016, the Nominations Committee executed its long-term succession plans and began a search for a new Non-Executive Director as a replacement for Michael Wemms. The Zygos Partnership was engaged by the Committee to assist with the identification of suitable candidates. The shortlisted candidates met with all Executive and Non-Executive Directors prior to the final deliberations of the Nominations Committee in February 2017 and, having considered the merits of all of the candidates, including relevant experience and diversity of perspective, the Committee made its recommendation to the Board and Debbie White was appointed Non-Executive Director with effect from 15 February 2017.

The Zygos Partnership does not have any other business relationship with the Company. More information about the process is contained in the Case Study.

Upon the recommendation of the Nominations Committee, and after careful consideration, the Board agreed to reappoint Tiffany Hall and Michael Wemms as Non-Executive Directors with effect from May and November respectively. Having served on the Board for six years, Tiffany's appointment was extended for a further three years. Having been appointed as Non-Executive Director in November 2006, the Board agreed to extend Michael Wemms' appointment. Whilst it was noted that the UK Corporate Governance Code identifies non-executive tenure in excess of nine years as being one circumstance which may impede a director's ongoing independence, the Board was satisfied that Michael remained independent in character and judgement and therefore approved a one-year extension to his letter of appointment. The Board were also aware of the importance of the continued role of the Senior Independent Director in facilitating a smooth transition process between the outgoing and incoming Chairmen, ensuring a continuing clear division of responsibilities in the period before the changeover took place, while also assisting in the development of the working relationship between the new Chairman and the Chief Executive Officer in the months following the 2016 Annual General Meeting. As reported elsewhere in this Annual Report, Michael Wemms will not stand for re-election at the Annual General Meeting in 2017 and will retire from the Board immediately following the meeting.

During 2017, the Nominations Committee will continue to ensure that a continuous transition process takes place between new and long-serving Non-Executives occurs.

Annual General Meeting (AGM) elections and re-elections

As stated in the Corporate Governance Report, and with the exception of Michael Wemms, 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 2017 AGM. Debbie White, 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 Chairman

22 February 2017

Nominations Committee report continued

Case Study: Non-Executive Succession

As announced on 15 February 2017, Michael Wemms will not stand for re-election to the Board at the 2017 AGM. Having first been appointed to the Board in 2006, the Nominations Committee took time throughout 2016 to consider Michael's replacement and exactly what skills, experience and perspective would most benefit the Board in the long-term.

At its meeting in February 2016, the Committee agreed to undertake a review of the balance of the Board and its requirements in terms of membership for the next phase of the business. The Zygos Partnership were instructed to prepare a long list of candidates for consideration by the Committee.

The Committee met at an additional, out-of-cycle meeting in April to discuss the candidate long-list. It was agreed that the scope of the initial list provided should be broadened and that recent experience of expanding a business into new markets or territories would be preferable. It was noted that the Board already had a strength in depth in relation to operational experience and governance matters and therefore a candidate with a different skill set was required. The Committee also agreed that any list should have adequate female representation to ensure that gender diversity was also given appropriate consideration.

Considering a revised list at the September meeting, the Committee agreed that the candidates would meet the Executive Directors and two Non-Executive Directors with a view to their recommending two or three candidates. At the November meeting three candidates had been identified to meet with the remaining Non-Executive Directors. It was agreed that once the candidates had met with all Directors, a recommendation for appointment or continuation of the search would be made to the Board.

At the Nominations Committee in February 2017, the Nominations Committee recommended that the Board to appoint Debbie White as Non-Executive Director and member of the Audit, Nominations and Remuneration Committees. From a strong field of candidates, it was felt that Debbie provided the best diversity of perspective and cultural fit to help with the leadership of the business in the long-term.