Remuneration Committee Report

'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... There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors.'

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

MEETING ATTENDANCE

The Committee meets at least three times 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
Tiffany Hall (Chairman)	5	5
Mark Allen	5	5
Andrew Cripps*	4	5
Geoff Drabble	5	5
Richard Pennycook**	2	2
Michael Wemms***	4	5

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

** Richard Pennycook ceased being a member of the Committee following his appointment as Chairman of the Board on 5 May 2016.

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

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.

INTRODUCTION BY THE COMMITTEE CHAIRMAN

On behalf of the Board, I am pleased to present the Report of the Remuneration Committee for 2016, prepared in compliance with the reporting requirements of the Large and Medium-sized Companies and Groups Regulations 2013. We have restructured our report this year to support ease of use and to highlight the key areas that we believe will be of primary focus to the reader. As such, pay outcomes for the year, together with details of our implementation of policy in 2017, are provided in the main body of the report. All relevant supporting information required under the reporting regulations now sits in an Appendix to the report.

Executive pay is currently subject to increased levels of media and political scrutiny. Over the past year, the Committee kept fully abreast of the evolving views of shareholders on pay and in particular the recent UK Government consultation on corporate governance. The associated themes have provided important context to our discussions and decision making process. Our continuing intention is to follow a strategically aligned approach to remuneration that reflects Howdens' business model, remains in line with best practice and maintains a continued strong link between pay and performance.

One of the emerging external themes that the Committee has been mindful of over the last year has been the increased focus by shareholders on the alignment of approach between Executives and the wider workforce. The Committee and the management team are focused on ensuring a fair approach to pay across Howdens. We are regularly updated on wider workforce pay, and we make our decisions relating to the remuneration of senior Executives in the context of reward across the business. An aligned approach to rewarding performance is a central part of the Company's ethos, with monthly bonuses paid to our depot staff based on profitability measures. This plays a key role in embedding our entrepreneurial culture and supporting the engagement, motivation and fantastic performance of our employees.

REMUNERATION COMMITTEE TERMS OF REFERENCE

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

Remuneration Committee Report
continued

2016 reward outcomes

2016 was the first year of operation of our revised remuneration policy, which was approved by shareholders at the 2016 AGM, and applies for three years from that date. This policy is summarised on page 70, and is available to view in full on our website at www.howdenjoinerygroupplc.com/investors/governance/remuneration/remuneration-policy.asp.

Howden's again delivered strong growth over the year. Group sales increased 7.1% on 2015, while maintaining a similar level of gross margin, 64.2%. The UK referendum on EU membership has, however, created a number of challenges for us, resulting in negative volume growth in the second half of the year and having an unfavourable impact on foreign exchange rates. We believe that despite the current market conditions it is important to continue our strategic improvements in capacity and capability. We have therefore continued to invest in manufacturing, warehousing, distribution, depot operations and organisational development across the Group.

Given the capital expenditure associated with these investments, around £65m, and the impact of foreign exchange pressures, the 7.9% increase in PBT and £268.0m cash flow delivered in 2016 represent very strong performance for the Company. This has enabled the Board to recommend a final dividend of 7.4p, resulting in a full year dividend of 10.7p – an increase of 8% on 2015.

It speaks to the level of stretch in our incentive targets that, despite this sector leading performance, the outcomes under the annual bonus fell slightly short of target for the profit element, and just above target for the cash element, resulting in a payment of 72% of base salary to our Executive Directors.

Over the three year period of the 2014 Co-Investment Plan cycle, our PBT has grown by 20.6% p.a., demonstrating exceptional long-term performance. This award will therefore vest at maximum, with two matching shares being released for each originally invested share. One award from the Co-Investment Plan and one award from the Performance Share Plan, which replaced the Co-Investment Plan in the last policy review, remain in-flight. Both awards require 8% per annum PBT growth to achieve threshold vesting and 20% per annum growth to achieve maximum vesting.

The CEO and Deputy CEO and CFO have been awarded salary increases of 1.6% for 2016. This is in line with inflation, and below the increases awarded to the wider workforce. It forms the first increase received by the CEO in four years.

CONSULTING WITH OUR INVESTORS

Case study: Developing a new policy

Through late 2015 and early 2016 the Remuneration Committee undertook a review of the remuneration policy for Executive Directors. Under the current legislative requirements, our previous policy (approved by shareholders in 2014) would expire at the 2017 AGM. However we wanted to ensure the model in operation continued to be appropriate in light of the maturity of the business and our evolving strategic priorities.

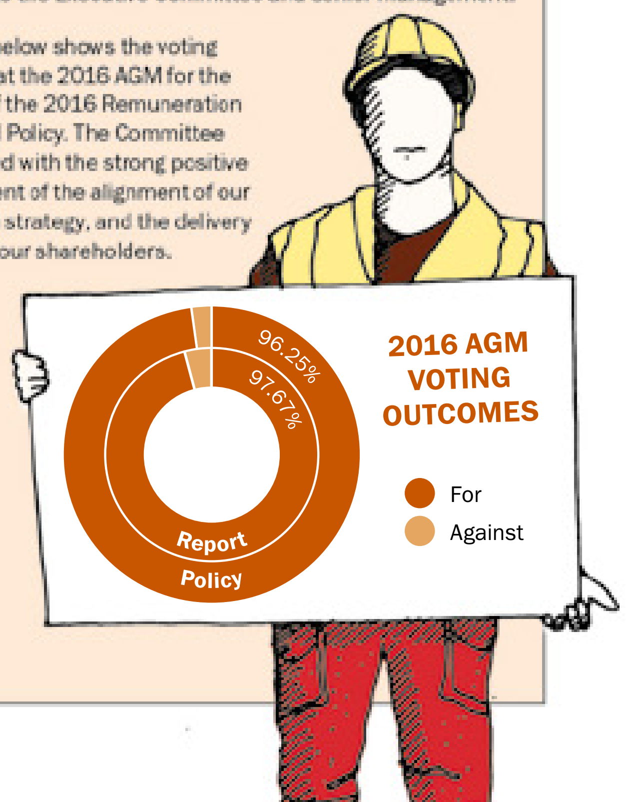
We developed a number of 'strawman' designs, spanning a range of possible alternative structures of pay – then undertook modelling and considered the alignment of each with:

- The Company's strategy and associated internal projections
- Shareholder guidance and best practice
- Market practice in comparable companies
- Pay benchmarking

Our proposed structure was then shared with investors and proxy agencies. We received a number of items of constructive feedback, particularly relating to the performance measures in operation under our plans and whether these continued to be appropriate. We acknowledged this, recognising that although currently well aligned to strategy, additional flexibility around measures would be built into the policy. We further committed to shareholders that measures would be reviewed on an annual basis.

Following this productive dialogue we finalised our proposed policy. We also looked at the application of the new structure below Board, and identified how our new model should be cascaded to the Executive Committee and senior management.

The chart below shows the voting outcomes at the 2016 AGM for the approval of the 2016 Remuneration Report and Policy. The Committee was pleased with the strong positive endorsement of the alignment of our model with strategy, and the delivery of value to our shareholders.



2017 incentives

In line with the commitment we made to investors ahead of the introduction of our new policy in 2016, we have reviewed the performance measures underlying our plans. The Board continues to believe that a focus on PBT across our incentives remains appropriate, particularly given the challenges we will face in the coming year. It is our primary performance indicator and is directly aligned with the value we deliver to shareholders. 2017 PSP awards will therefore continue to be based on PBT growth, with the annual bonus based on a combination of PBT and cash flow performance.

We have reviewed the targets for 2017 incentives in light of the much tougher economic and cost pressures anticipated over the coming period, as well as the investments we intend on making across the business.

Howdens has a track record of strong performance (with an average profit growth over the last five years of 16.6% p.a.) and as a result has historically set sector leading performance ranges. The 2015 and 2016 grants under our long-term plans had a threshold to maximum growth range of 8%–20% p.a.

As highlighted elsewhere in this report, the business is now facing substantial headwinds over the next period. To maintain the appropriate level of stretch in targets, whilst ensuring incentives continue to be motivating for management to deliver strong performance, the Committee has determined that a reduction in this range is appropriate.

We have reduced the range for the 2017 PSP grant such that the level of PBT growth to achieve threshold performance will be 3% p.a. (at which point 15% of award vests) with maximum vesting requiring 3 year growth of 15% p.a. In determining this range the Committee made reference to current analyst expectations (which are positioned close to threshold performance), and to maintaining a maximum level of performance which remains positioned between the upper quartile and upper decile levels of performance required by our peers in the FTSE 250.

The Committee was conscious of the importance of maintaining the alignment between pay and performance, and has therefore made a reduction to the maximum award level for 2017 to reflect the reduction in the performance range. Awards for 2017 have been reduced by 50% of salary, such that grants to Executive Directors under the PSP in 2017 will have a maximum opportunity of 220% of salary.

We intend to revisit the appropriate measures, targets and the opportunity level under the PSP ahead of 2018 awards being made as the business continues to evolve.

I am pleased to report that the external Board evaluation conducted during the year concluded that the Remuneration Committee is well run, and that it had handled the change in Remuneration policy in a most efficient and effective way. It also confirmed that the Committee receives good support from the Interim Group HR Director, the Company Secretary and its external advisors.

I hope the information presented in this report enables our shareholders to understand both how we have operated our remuneration policy over the year and the rationale for our decision making. 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 or the way in which we implement our remuneration policy.

This report has been structured to support the reader in quickly and easily accessing relevant information.

* The Directors remuneration policy was approved by shareholders at the 2016 Annual General Meeting and, therefore, does not form part of the Remuneration Report for the purposes of the Annual General Meeting to be held on 2 May 2017.

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
- Pension
- Deferred bonus
- Benefits
- Annual bonus
- LTIP

Remuneration Committee Report
continued

EXECUTIVE DIRECTORS

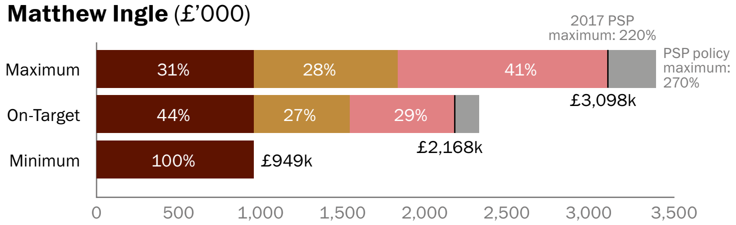
Our remuneration policy for Executive Directors*

	2017	2018	2019	2020	2021	2022	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	■						A hybrid defined benefit, occupational pension plan operates. It is closed to new entrants who would participate in the auto-enrolment defined contribution scheme or receive a salary supplement. The CEO has chosen to opt out of the plan and receives a salary supplement in lieu of pension.
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		■	■				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 →	■	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.

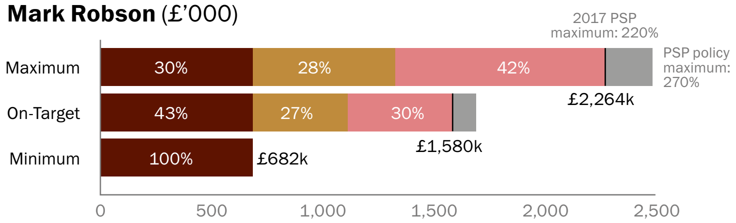
* For additional detail together with our joiner and leaver policies please see the full policy online at www.howdenjoinerygroupplc.com/investors/governance/remuneration/remuneration-policy.asp.

Detailed remuneration scenarios and pay for performance

Matthew Ingle (£'000)



Mark Robson (£'000)



■ Fixed Elements of Remuneration
■ Bonus
■ LTIP

Excludes share price growth.

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 weighted towards long-term variable pay.

The composition and value of the Executive Directors' remuneration packages in a range of performance scenarios are set out in the charts to the left. 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 shareholders.

On-target awards assumes a target of 100% of salary for the bonus and PSP vesting at the mid-point between minimum and maximum. Maximum award assumes vesting of 150% of salary for the bonus and 270% of salary for the PSP.

■ Salary ■ Annual bonus
■ Benefits ■ Deferred bonus
■ Pension ■ 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 basic 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 77 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.

(All figures are calculated as a % of salary, based on a share price of £3.86, being the three-month average share price to 24 December 2016)	Shareholding requirement	Shares Owned outright	Shares subject to deferral	Subject to performance conditions
Matthew Ingle	200%	2,039%	11%	766%
Mark Robson	200%	2,033%	10%	752%
		Shareholding requirement met	Awards subject to deferral or performance conditions do not count towards the shareholding requirement	

Single figure of remuneration (Audited)

£000s	■ Salary		■ Benefits		■ Bonus		■ LTIP		■ Pension		Total	
Executive Directors	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Matthew Ingle	572	572	193	216	412	640	1,749	3,625	172	172	3,098	5,225
Mark Robson	421	421	77	76	303	471	1,227	2,543	175	175	2,203	3,686
Total	993	993	270	292	715	1,111	2,976	6,168	347	347	5,301	8,911

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 2017 can be found on page 73. 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. Reflecting the increased requirement for him to attend the Company's London office, the Committee agreed that the Chief Executive's permanent place of work for tax purposes should be the Company's London office (as detailed in the 2015 report). The costs of travel between his home and the London office therefore continue to be met by the Company as a taxable benefit.

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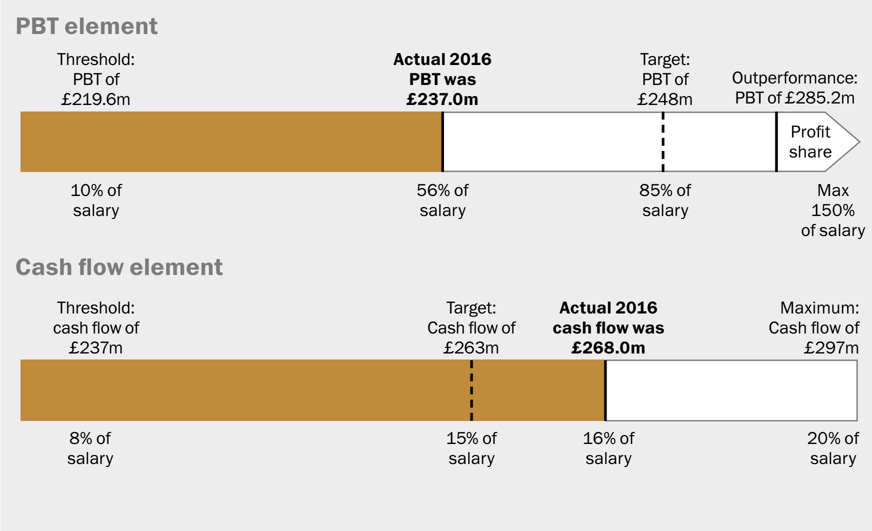
Annual Bonus (Audited)

Our policy

Our annual bonus is 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 the overall cap set out above).

Awards of up to 100% of salary are 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

Our PBT for 2016 of £237.0m falls between threshold and target for the year, resulting in an annual bonus payment of 56% of salary for 2016, reflecting performance of 7.9% PBT growth. Cash flow was £268.0m, just above target, resulting in a payment under this element of 16% of salary. Therefore in aggregate Executive Directors will receive an annual bonus of 72% of salary for 2016, reflecting the strong performance required to deliver 7.9% PBT growth in the year.

	PBT (% of salary)	Cash flow (% of salary)	Total bonus (% of salary)	Total bonus (£000)
Matthew Ingle	56%	16%	72%	412
Mark Robson	56%	16%	72%	303

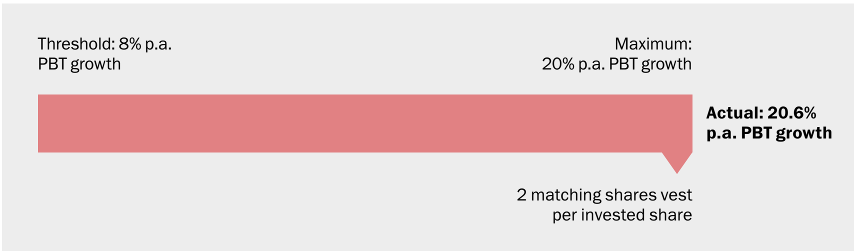
Co-Investment Plan (Audited)

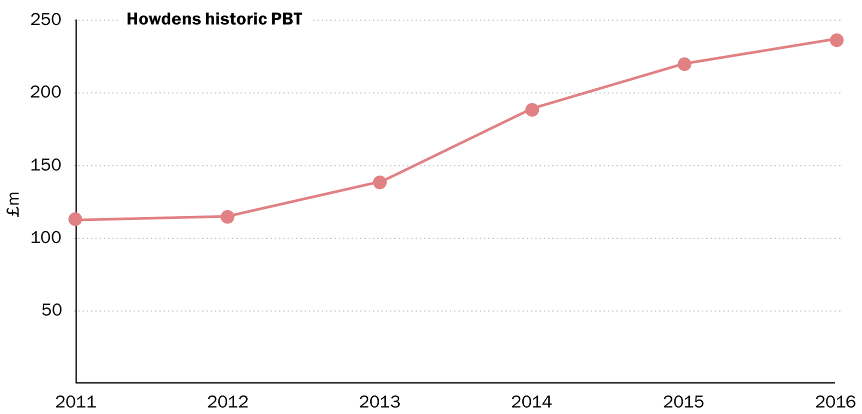
Our policy

The legacy Co-Investment Plan, which has now been replaced by the Howdens PSP, provides matching shares on an initial, personally funded investment, subject to PBT growth targets.

The CEO could invest up to the lower of 650,000 shares or 150% of salary – with the Deputy CEO and CFO able to invest an equivalent proportion of salary.

Each invested share is matched by up to 2 shares for achievement of 20% p.a. PBT growth over the three year performance period. Threshold vesting is 0.3 shares per invested share (for 8% p.a. PBT growth).





Outcomes for the year

Over the three year performance period of the 2014 Co-Investment Plan, PBT grew 20.6% p.a., demonstrating exceptional long-term performance. The plan therefore vested at maximum, with two matching shares released per originally invested share.

Salary | Benefits | Pension | Annual bonus | Deferred bonus | LTIP

Implementation of Director policy in 2017

Executive Directors

Base salaries and fees

Base salary increases from 2016 are set out in the table below. The salary increases awarded to Executive Directors for 2017 are in line with inflation in 2016, and fall below the average increase made to our workforce. This is the first salary increase made to the CEO since 2013, and the first to the Deputy CEO and CFO since his change in role in 2014.

	2017		2016	
	Salary	Percentage increase	Salary	Percentage increase
Matthew Ingle	581	1.6%	572	0%
Mark Robson	428	1.6%	421	0%

Annual Bonus Measures

The table below sets out Annual Bonus measures for 2017, comprising the same measures as for 2016. 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 2017 Remuneration Committee Report. The profit share percentages for the CEO and Deputy CEO and CFO have been reduced from 0.210% and 0.155% respectively to reflect performance expectations for 2017.

	Definition	Performance level	Payout level
PBT	Pre-exceptional profit before tax from continuing operations	Threshold	10% of salary
		Target	85% of salary
		Above target	Profit share for the CEO: 0.203% of PBT
			Profit share for the Deputy CEO: 0.150% of PBT
Cashflow	Net cash flow from operating activities, taking into account the efficiency with which working capital is used, and adjusted for exceptional items	Threshold	8% of salary
		Target	15% of salary
		Maximum	20% of salary

Performance Share Plan measure and targets

The table below sets out PSP performance measures and targets for awards to be made in 2017. Note that for 2017 the maximum opportunity under the PSP has been reduced by 50% of salary, to 220% (from the policy maximum of 270%). For scheme interests awarded in 2016 see the Appendix on page 76.

	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	
	3% p.a.	33% of salary (15% of maximum)
	Less than 3% p.a.	0

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NON-EXECUTIVE DIRECTORS
Single figure of remuneration (Audited)

The table below sets out the fees received by Non-Executive Directors in 2015 and 2016. No taxable benefits were paid out to Non-Executive Directors during the year.

		Fees (£000)	
Non-Executive single figure	**'Additional roles'**	**2016**	**2015**
Will Samuel	Chairman (until 2016 AGM)*	66	190
Richard Pennycook	Chairman/Audit Committee Chair*	186	53
Mark Allen		55	45
Tiffany Hall	Remuneration Committee Chair	65	53
Geoff Drabble		55	22
Andrew Cripps	Audit Committee Chair*	62	4
Michael Wemms	SID	65	48
Total		554	415

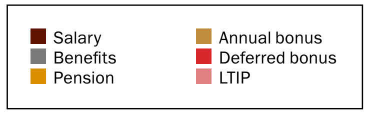
* Richard Pennycook was appointed as Chairman at the 2016 AGM. Richard was also Chairman of the Audit Committee until the 2016 AGM when Andrew Cripps was appointed to the role.

Our NED fee policy

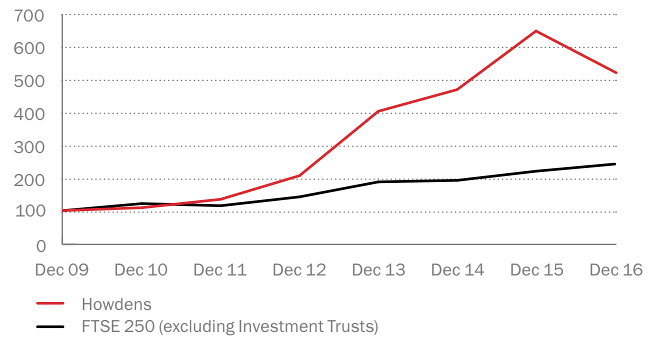
Fees reflect the time commitment and responsibilities of the role. Accordingly, Committee Directorship and SID fees are paid in addition to the NEDs' basic fee. Committee chairmanship fees apply only to the Audit and Remuneration Committees. The Chairman does not receive a NED basic fee or an additional fee for chairing the Nominations Committee. Fees may be reviewed every year, and are set within a range of defines by a market benchmark of comparable size companies. Benchmarking is typically undertaken every three years. Fees for 2017 and increases from the prior year are set out below.

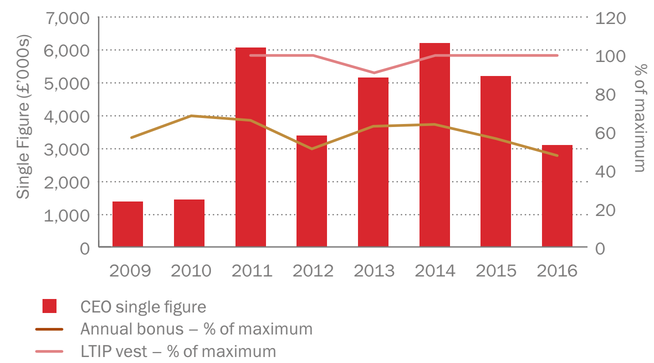
	2017		2016	
	Fee	**Percentage increase from 2016**	**Fee**	**Percentage increase from 2015**
Chairman fee	£250,000	9%	£230,000	21%
Basic NED fee	£55,000	0%	£55,000	22%
Additional SID fee	£10,000	0%	£10,000	333%
Committee Chair fee	£10,000	0%	£10,000	25%

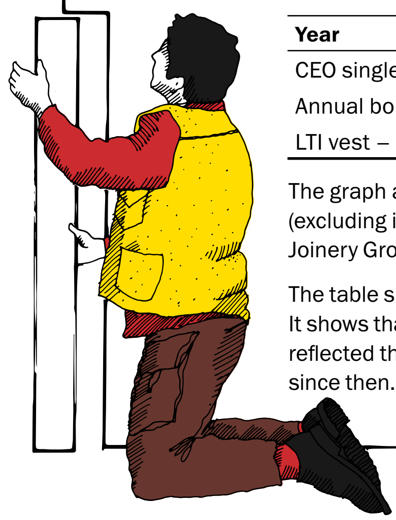
Further to the publication of the 2016 Annual Report and Accounts on 22 March 2017, an error was found in the table which sets out the rate of the Chairman's and Non-Executive Directors' fees for 2016 and 2017. The table stated that the Chairman's fee for 2016 was £225,000 and that this represented an 18% increase from 2015. As provided above, the Chairman's fee for 2016 was in fact £230,000, which represented a 21% increase from 2015. This figure represents the total fee for the Chairman role in the year and comprises a pro-rated amount based on 4 months of £190,000 per annum and 8 months of £250,000 per annum. The table also stated that the Chairman's fee for 2017 will be £225,000 and that this represented a 0% increase from 2016. In fact the Chairman's fee for 2017 will be £250,000, which represents a 9% increase from 2016.



OUR CORPORATE PERFORMANCE AND REMUNERATION
TSR performance and historic single figure







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

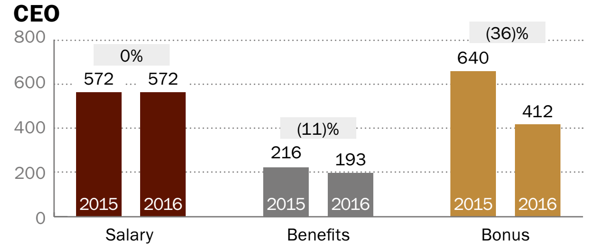
The graph above left illustrates the Company's TSR performance relative to the constituents of the FTSE 250 (excluding investment trusts) of which the Company is a constituent. It shows that over the past eight years Howden Joinery Group has generated a significantly high return than the FTSE 250 (excluding Investment Trusts).

The table shows the historic CEO single figure and incentive pay-out levels with this also shown as a graph above right. It 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. These figures are buoyed by significant share price increases over the periods, as illustrated by the graph.

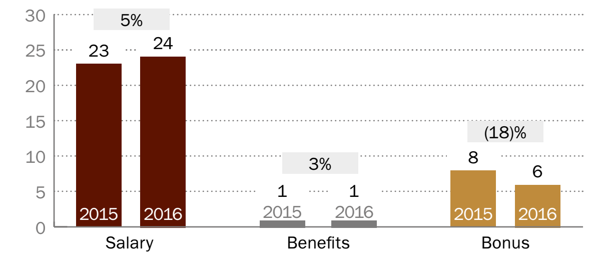
Percentage change in remuneration of director undertaking the role of Chief Executive

The graphs below set out the change in short-term pay from 2015 to 2016 of the CEO compared to all employees (on a per capita basis).

CEO



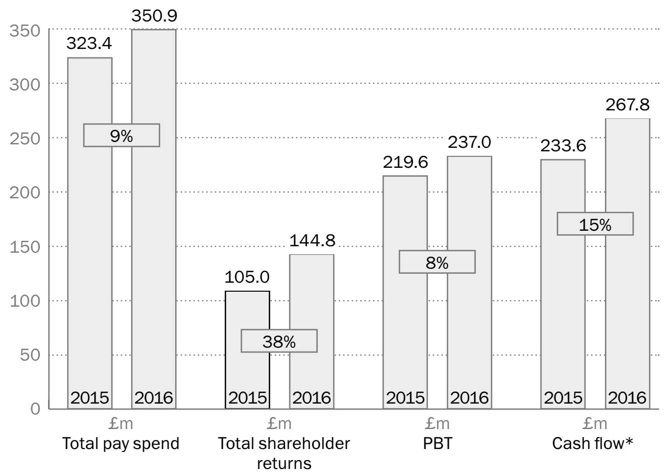
All full time employees (per capita)



Relative importance of spend on pay

The graph below sets out the change in the Group's total remuneration spend from 2015 to 2016 compared to the total shareholder returns of the Group, the total remuneration spend of the Group, and the two incentive performance measures PBT and cash flow.

The figures demonstrate our continued growth in terms of financial performance, progression of our dividend policy and a significant increase in our workforce.



* Net cash flow from operating activities, being the definition used for the annual bonus scheme (see page 73).

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Salary
Benefits
Pension
Annual bonus
Deferred bonus
LTIP

APPENDIX

In this Appendix we set out a number of key disclosures 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), details of which are provided in the future policy table, available online at www.howdenjoinerygroupplc.com. The plan is not open to new joiners.

The table below sets out the accrued pension for both Executive Directors, 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 salary in lieu of pension (£172k) in 2016.

	Matthew Ingle	Mark Robson
Accrued pension at 24 Dec 2016 £000	59	35
Normal retirement date	28/09/2014	16/01/2019
Pension value in the year from defined benefit component £000	–	58
Pension value in the year from defined contribution component £000	–	34
Pension value in the year from cash allowance £000	172	83
Total	172	175

Scheme interests awarded during the financial year (Audited)

During 2016 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***
	CEO	311,082	£1,542,967
	Deputy CEO	229,081	£1,136,242
PBT component vesting schedule	**PBT growth performance condition**		**Vesting**
	20% p.a.	270% of salary (100% of maximum)	
	Straight-line vesting between these points		Straight-line vesting
	8%p.a.	40.5% of salary (15% of maximum)	
	Less than 8% p.a.	0	
Performance period	Performance measured from FY2016 to FY2018		
Vesting date	5 May 2019		

* Based on a share price of £4.96, being the closing price on 4 May 2016.

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.

Loss of office payments or payments to past directors

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

External appointments

It is recognised that Executive Directors may be invited to become Non-Executive Directors of other companies and that exposure to such duties can broaden their experience and skills, which will benefit the Company. Howdens allows Executive Directors and other appropriate senior employees to accept a maximum of one external non-executive appointment outside the Company, subject to permission from the Committee, provided this is not with a competing company nor likely to lead to conflicts of interest. No such appointments are currently in place. 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.

The table below sets out the total shares held together with unvested performance shares and those held subject to deferral conditions.

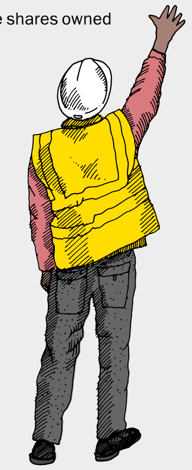
Director	Matthew Ingle	Mark Robson
Shareholding requirement %	200%	200%
Shareholding requirement (number of shares)	296,373	218,135
Owned outright (including connected persons)	3,021,216	2,217,469
Subject to deferral	16,703	11,415
Share awards subject to performance conditions	1,135,245	820,196
Options subject to performance conditions	–	–
Vested but unexercised options	–	–
Current shareholding (% of salary)*	2,039%	2,033%
Guideline met	Y	Y

* Based on a share price of £3.86, being the three-month average price to 24 December 2016. This is calculated by using only those shares owned outright by the Executive Directors.

Non-Executive Director shareholdings (Audited)

There is no shareholding requirement for Non-Executive Directors.

Director	Shareholding
Mark Allen	3,000
Andrew Cripps	3,000
Geoff Drabble	3,000
Tiffany Hall	3,000
Richard Pennycook	54,663
Michael Wemms	42,000



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 22 February 2017.

Consideration by the directors of matters relating to directors' remuneration

The Committee met four times during 2016, 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.

Remuneration Committee Report
continued

Advisors to the Committee

The Committee regularly consults with the Chief Executive Officer on matters concerning remuneration, although he is never present when his 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 2016 totalled £94,300, 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 2016.

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.

By order of the Board

Tiffany Hall
Remuneration Committee Chairman

22 February 2017