Governance

How we preserve value

Corporate governance report

Board meeting attendance

Richard Pennycook (7/7)
Karen Caddick (7/7)
Andrew Cripps (7/7)
Geoff Drabble (7/7)
Louise Fowler (7/7)
Paul Hayes (7/7)
Andrew Livingston (7/7)
Debbie White (7/7)

Using the corporate governance report

Part 1: Board and Executive Committee profiles and key Board activity during the year.

Part 2: Directors' duties and section 172 disclosure.

Part 3: Stakeholder engagement.

Part 4: UK Corporate Governance Code compliance.

2022 Annual General Meeting (AGM)

Details of the 2022 AGM may be found in the 'Additional information' section on page 202.

Share capital and significant agreements

Specific statutory and regulatory disclosures previously contained in this report have been moved to the 'Additional information' section on pages 202 and 203.

Richard Pennycook
Chairman

Introduction from the Chairman

I wrote in this report in 2020 that COVID-19 had impacted all of our lives in ways we could not have imagined a year ago. Sadly, this continues to be true. We started the year locked down, although thankfully still trading, and the first two Board meetings of the year were held virtually. Once again, we are having to manage with a further wave of the pandemic and, as before, we will prioritise the health and safety of our employees and customers first.

Resilience

Our strong trading performance this year has been underpinned by good governance practice, which has given the business the resilience to prosper even in challenging times. It would be easy to assume that this resilience was just inherent within the business, but that is not the case. It comes from good governance, clear accountabilities and reporting lines, careful planning and relentless execution.

A good example of this resilience in action can be seen in the position taken in relation to safety stock. Long before consensus had moved from 'just in time' to 'just in case', Howdens had built significant safety stocks in order to safeguard its in-stock offering. Originally done as a measure to safeguard against the impact of Brexit, contingency stocks of fast-moving products have been increased since the start of the pandemic. This meant that, even in the face of significant disruption in global supply chains, Howdens was able to continue to supply its customers with kitchens. The Board received regular updates from the Supply Chain Director as well as updates from the CEO and CFO and were supportive of the position taken on inventory.

Our stakeholder relationships are also vital in building resilience and safeguarding value, and the Board will continue to focus on these relationships. Our contingency stock build would not have been possible without strong supplier relationships. Similarly, our relationship with employees meant that we were not impacted by the HGV driver shortage as others were. But in addition to fostering good stakeholder relationships, resilience also comes from good business as usual governance safeguards. During the year the Board continued to prioritise health and safety, risk and whistleblowing. In early 2022, the Board will appoint new auditors (more information on this can be found on pages 137 and 138) and we will ask shareholders to approve an updated Directors' Remuneration Policy (which begins on page 111).

Sustainability

With the exception of COVID-19, the overarching theme for 2021 has been sustainability. Businesses and individuals have been challenged to consider the sustainability of their behaviours to try and prevent irreversible climate change and to address the social inequities that we face. In 2021, we have built on our existing climate risk and governance structures and have begun a wide-ranging Task Force on Climate-Related Financial Disclosures ('TCFD') implementation project, which we report on in more detail beginning on page 52.

The Board also set up a Sustainability Committee during the year to provide a separate forum, not impacted by the time pressures of the wider Board agenda, in which these matters could be properly considered. The report of the Sustainability Committee is set out on page 142. More detail on sustainability initiatives can be found in our Sustainability Matters report, which starts on page 46.

This is clearly an area where the Company will engage with stakeholders and report in greater detail going forwards.

Pensions

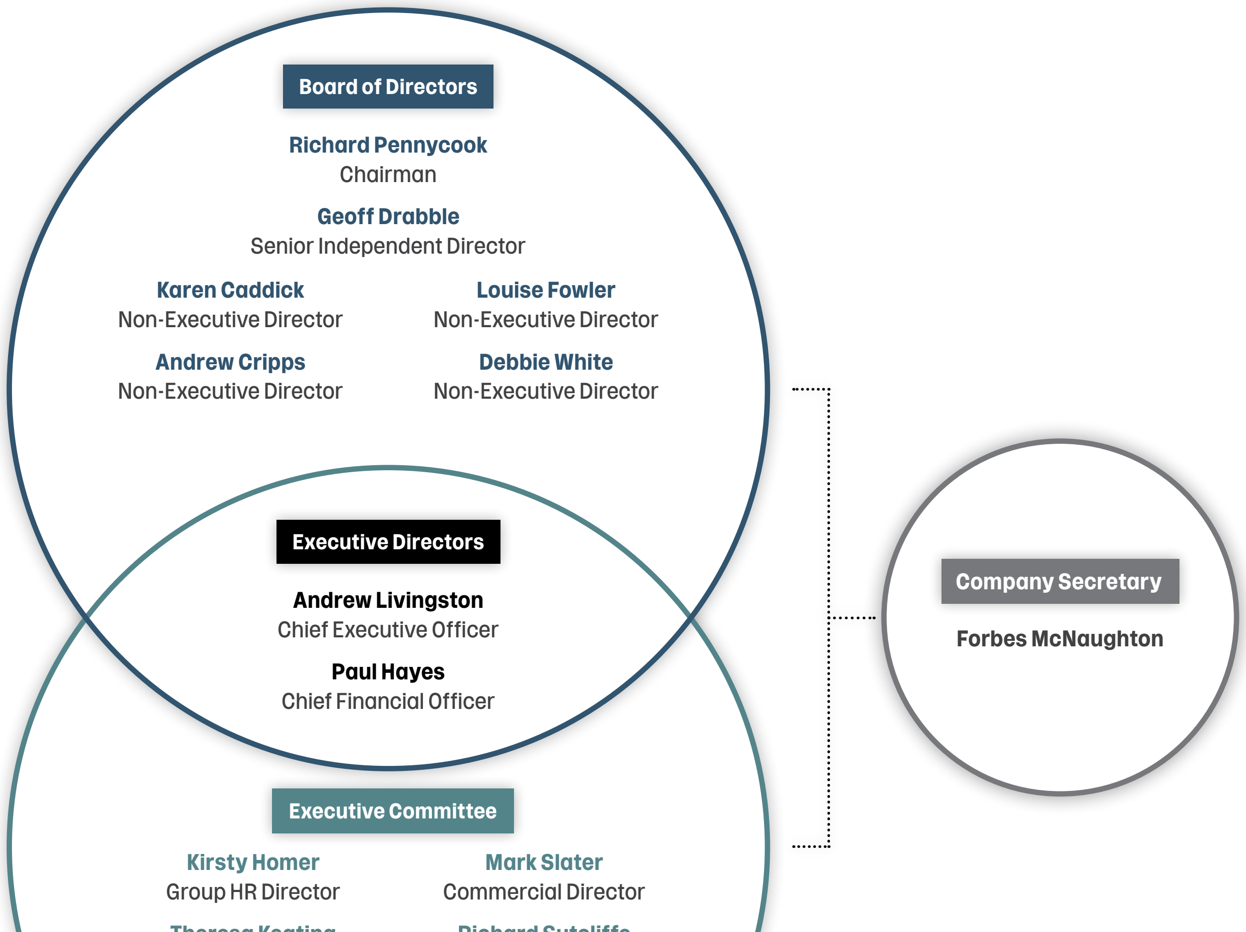
2021 was a significant year for the Company and the Board in respect of the Defined Benefit Pension Plan (the 'Plan'). During the year, the Plan's funding position improved so that it was in surplus on a technical provisions basis. It has remained there since and, due to the funding arrangements agreed with the Pension Trustees, Company contributions to the deficit have ceased. The Plan was also in surplus on an IAS 19 accounting basis.

In January, the Board approved the closure of the Plan to future accrual. The rationale for doing so was very clear:

it would ensure greater certainty and predictability of Plan costs which would help support the long-term viability of the Company. The two-tier pension structure which had developed was also at odds with Howdens' underlying ethos that it should be worthwhile for all concerned and provision of more equitable pension benefits across the workforce was also a determining factor when considering closure. While difficult for those employees affected, Howdens goes into 2022 with a much-improved retirement savings offering for the majority of its employees which, from April 2022, will be aligned across the organisation.

Such decisions demonstrate that the principle of worthwhile for all concerned continues to form the basis upon which all Board decisions are made.

Board and Executive Committee structure



Roles

Further information about the role of the Board, the Executive and Non-Executive Directors, external advisors and individuals may be found on our website: www.howdenjoinerygroupplc.com/governance/division-of-responsibilities

Corporate governance report continued

Board of Directors

Key to Board Committee membership

A Audit Committee
R Remuneration Committee
N Nominations Committee
S Sustainability Committee
○ Chair of Committee

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.

Executive Directors

Andrew Livingston
Chief Executive Officer

Appointed
Andrew was appointed to the Board as Chief Executive Officer on 2 April 2018.

Contribution to the long-term sustainable success of the Company
Andrew has a strong track record of performance, execution and driving change through improving digital capability, ranges and new site openings. He also has knowledge of key European geographies, is a competent French speaker, and has an entrepreneurial mindset. This mindset fits the Howdens culture which has served the Company well and is fundamental to its success. He was previously the CEO of Screwfix.

Other listed company appointments
Non-Executive Director at LondonMetric Property Plc

Committee Membership

Paul Hayes
Chief Financial Officer

Appointed
Paul was appointed to the Board as Chief Financial Officer on 27 December 2020.

Contribution to the long-term sustainable success of the Company
Paul is an experienced finance executive and has a proven track record in consumer and manufacturing businesses. From 2017 until its acquisition by Recipharm AB in February 2020, Paul was CFO of Consort Medical Plc, a leading drug and device manufacturing business. Before this, he was the Group Finance Director of Vitec Group plc from 2011 to 2017. Paul has extensive experience in senior finance roles at a number of UK and US listed companies including Signet Jewelers, RHM Plc and Smiths Group Plc. He is a Chartered Accountant having qualified with Ernst & Young and has a first class Masters degree in Mechanical Engineering, Manufacture & Management.

Other listed company appointments
None

Non-Executive Directors

Richard Pennycook
Independent Non-Executive Chairman

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

Contribution to the long-term sustainable success of the Company
Richard has in-depth knowledge of UK listed companies and the associated high corporate governance standards required by such companies. He has served in remuneration, audit and nominations committee chairman roles and as board chairman. Richard also has extensive experience in logistics, supply chain management, retailing, manufacturing and consumer goods, and therefore he brings a wealth of relevant knowledge to the Board.

Other listed company appointments
Chairman of On the Beach Group plc

Committee Membership
N S

Geoff Drabble
Senior Independent Director and Non-Executive responsible for workforce engagement

Appointed
Geoff was appointed to the Board in July 2015 and became Senior Independent Director in September 2019 and Non-Executive Responsible for Workforce Engagement in 2019.

Contribution to the long-term sustainable success of the Company
Geoff brings extensive experience of the building products and construction markets having spent over a decade as CEO of Ashtead Group Plc in addition to his current appointment as Chairman of Ferguson Plc. He also has extensive experience from his time as an executive director at the Laird Group, where he was responsible for the Building Products division. Geoff understands and has managed businesses with multi-site depot operations and he has strong business-to-business sector experience. Geoff is also Chairman of DS Smith Plc, the global provider of sustainable packaging solutions, paper products and recycling services.

Other listed company appointments
Chairman of Ferguson Plc
Chairman of DS Smith Plc

Committee Membership
A N R S

Karen Caddick
Independent Non-Executive Director

Appointed
Karen was appointed to the Board in September 2018 and became Chair of the Remuneration Committee in September 2019.

Contribution to the long-term sustainable success of the Company
Karen's professional experience provides her with a strong diversity of perspective and cultural fit to help with the leadership of the Howdens business. Having served as the Group Human Resources Director of large listed organisations such as Saga Plc and RSA Insurance Group Plc (now RSA Insurance Group Limited), Karen has particular strengths in organisational development, delivery of diversity programmes, and executive remuneration. These attributes have stood Karen in good stead for her role as Chair of the Remuneration Committee and has made her a valuable addition to the Nominations Committee.

Other listed company appointments
None

Committee Membership
A N R S

Andrew Cripps
Independent Non-Executive Director

Appointed
Andrew was appointed to the Board in December 2015 and became Chair of the Audit Committee in May 2016.

Contribution to the long-term sustainable success of the Company
Andrew brings extensive experience as a non-executive director and audit committee chair with particular knowledge of branded consumer and business-to-business products, manufacturing and distribution in the UK and continental Europe. His experience of multisite wholesale distribution to small business customers at Booker Group Plc is valuable to the Board's decision-making process. He is a Chartered Accountant and former Finance Director with extensive recent and relevant financial experience.

Other listed company appointments
Deputy Chair of Swedish Match AB

Committee Membership
A N R S

Louise Fowler
Independent Non-Executive Director

Appointed
Louise was appointed to the Board in November 2019.

Contribution to the long-term sustainable success of the Company
Louise has over 25 years' customer, brand and digital experience at a senior level. Her experience encompasses publicly listed and private businesses, the mutual sector and not-for-profit organisations. Louise's strong background in consumer experience and reputation is valuable to the Company as it strives to provide a strong aftersales service to further support the builder customer. Her digital experience also provides valuable insight given the investment the Company continues to make in its digital programme. Louise is an Honorary Professor in Marketing at Lancaster University Management School.

Other listed company appointments
Non-Executive Director of Assura Plc

Committee Membership
A N R S

Debbie White
Independent Non-Executive Director

Appointed
Debbie was appointed to the Board in February 2017.

Contribution to the long-term sustainable success of the Company
Debbie has direct operational experience in the business-to-business sector from her time as CEO at Interserve Plc. She also has in-depth knowledge of the UK and French markets, both of which Howdens operates within. Her previous experience as a CFO and as Chair of the Audit Committee of the charity Wellbeing of Women ensures Debbie has strong financial awareness and competence. Debbie is currently interim HR Director at BT Plc and has also supported Howdens management in the formation and delivery of its Equality, Diversity and Inclusion (EDI) programme.

Other listed company appointments
Non-Executive Director of PAVmed Inc.[1]

Committee Membership
A N R S

1 The Board considered Debbie's appointment as Non-Executive Director of PAVmed Inc. prior to her appointment. The Board was satisfied that Debbie had the requisite time available to commit to her responsibilities in her role as Non-Executive Director of Howdens. Further information is available on page 92.

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Key Board activity

Set out below and on the facing page are highlights of the matters the Board considered in 2021 and will consider in 2022. Not all of the matters the Board considered or will consider are listed, therefore this should not be considered an exhaustive list of activities.

In addition to the matters shown on the 2021 timeline, at each meeting the Board received strategic, operational and financial updates from the CEO and CFO. The Board also considered aspects of Group culture and strategy at various points during the year.

2021

January
- Health and safety
- Defined Benefit Pension Plan closure
- 2021 budget
- Investor relations update

Executive Committee presenters: RF KH TK JL AW

February
- ESG update
- Draft 2020 preliminary results
- Draft 2020 Annual Report and Accounts and 2021 AGM documents
- Dividend and capital returns strategy, including Special Dividend
- Investor relations update
- Risk update
- Non-Executive Directors' fees
- Principal Advisors

Executive Committee presenters: RF

April
- Health and safety
- Group Policies and Statements
- Investor relations update
- Dividend Reinvestment Plan introduction
- Share Incentive Plan expansion
- Strategic planning (separate session)

Executive Committee presenters: AG KH TK JL MS RS AW

May - AGM

Details of how the meeting was held in a COVID-safe manner may be found on page 88. All resolutions were passed with the requisite majority.

2022

January
- 2022 Budget
- Health and safety
- Whistleblowing report
- Investor Relations
- Governance update
- Review of Principal Risks
- Board evaluation feedback

February
- Draft 2021 preliminary results, draft 2021 Annual Report and Accounts and 2022 AGM documents
- Shareholder and capital returns
- Health and safety
- NED fees
- Principal advisor review
- Approval of principal advisors

April
- Strategic opportunities and long-term planning
- Health and safety
- Pensions
- Investor Relations

May
- AGM - further details on page 202

Executive Committee presenters

RF	Rob Fenwick (Chief Governance Officer)[1]
KH	Kirsty Homer (Group HR Director)
TK	Theresa Keating (Group Finance Director)
JL	Julian Lee (Operations Director)
AW	Andy Witts (COO: Trade)
AG	Andy Gault (Group Digital Director)
MS	Mark Slater (Commercial Director)
RS	Richard Sutcliffe (Supply Chain Director)

Governance and risk

The Board received governance, legal, and regulatory updates at regular intervals from the Company Secretary and the Board's advisors.

Risk remains a matter reserved for the Board and a detailed review of our risk management processes and principal risks can be found on pages 38 to 45. We have reviewed our risk management processes and principal risks during the year and remain satisfied that they are robust and effective.

Reporting from our whistleblowing helpline is also considered by the Board on a biannual basis.

Shareholder engagement

Information about how we engage with shareholders can be found in our section on Stakeholder Engagement on pages 88 and 89.

2021 (continued)

June
- Health and safety
- Appointment of new external auditor
- Pensions update[2]

July
- ESG review (including EDI)
- Health and safety
- Strategy update, including capital allocation
- Broker update
- Investor relations update
- Digital update
- Draft interim results and announcement
- Principal Risks

Executive Committee presenters: MS AW

September
- Warehousing proposal
- Supply Chain update
- France and Belgium update
- Health and safety
- Investor relations update
- Pensions Scheme Act 2021 training

Executive Committee presenters: RS

November
- Update on strategic initiatives
- Periods 10 and 11 performance
- Health and safety
- Pensions update[2]
- Investor relations update
- Schedule of Matters Reserved for the Board and Board Committee Terms of Reference
- 2022 Board calendar

Executive Committee presenters: AG

2022 (continued)

June
- Trading update
- AGM feedback

July
- HR update
- France and Belgium
- Health and safety
- Draft 2022 Interim results
- Key risks review
- Broker update
- Whistleblowing report

September
- Supply chain update
- Manufacturing and logistics update
- Employee engagement
- Health and safety
- Investor relations update
- Key risks

November
- Trading and commercial update
- Health and safety
- Investor relations update
- Corporate governance update (including presentation from the Group's corporate lawyers)
- Board Committees' Terms of Reference review
- Schedule of Matters Reserved for the Board review
- 2022 Board calendar

1 Rob retired from the Executive Committee in February 2021.

2 The Company's actuaries reported to the Board on routine funding and investment matters and the Chair of the Pension Trustees attended to provide an overview of the Trustees' funding and investment strategy and to seek approval from the Board of its long-term strategy proposal.

Corporate governance report continued

Executive Committee and Company Secretary

Executive Committee members

Kirsty Homer
Group HR Director

Appointed

Kirsty joined Howdens in September 2020 and was appointed to the Executive Committee in December 2020.

Experience and contribution to creating value in the business

Kirsty is a highly experienced HR practitioner, who has previously served as Global People & Governance Director at Mothercare Plc and held senior HR roles at Waitrose and John Lewis before being appointed Personnel Director there in 2013.

Kirsty is key in ensuring the business has the right people and talent to fulfil its strategic aims. Following the retirement of the Chief Governance Officer, Kirsty has led the business's Equality, Diversity and Inclusion (EDI) agenda and has been instrumental in designing its EDI strategy and gaining agreement on priority areas.

Theresa Keating
Group Finance Director

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

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.

Theresa leads the key controls project, which is improving the business's capability to identify operational, IT and financial controls which mitigate our key and principal risks. Following the retirement of the Deputy CEO & CFO at the end of 2020, Theresa has also provided valuable stability and continuity in the Finance function.

Julian Lee
Operations Director

Julian joined Howdens in 2003 and was appointed to the Executive Committee in July 2020.

Prior to joining Howdens, Julian worked in a number of strategic and operational roles within the Silentnight Group. He joined Howdens in 2003 as a leader of the Manufacturing Division and from 2005 to 2009 was head of international sourcing and supply chain in Asia. Since 2009, Julian has made a major contribution to the transformation of our supply chain and operations and in 2020, he was appointed Operations Director, encompassing both manufacturing and logistics.

Julian leads our strategic manufacturing investments, including increased in-house manufacturing capability and capacity.

Mark Slater
Commercial Director

Mark joined Howdens in June 2019 as a member of the Executive Committee.

Mark has over 25 years' experience in retail and trade businesses working in senior commercial, marketing and strategy roles. Prior to joining the business, Mark held senior commercial positions with Travis Perkins Plc, The Walt Disney Company and Dixons Carphone.

Mark's role as Commercial Director includes range management, which is one of the business's key strategic initiatives. Balancing choice and new product with disciplined range management is crucial to ensuring both availability and profitability.

Richard Sutcliffe
Supply Chain Director

Richard joined Howdens in January 2019 and was appointed to the Executive Committee in July 2020.

Prior to joining Howdens, Richard was Director of Supply Chain at Screwfix. Before this, he held senior supply chain and business planning roles at Hobbycraft, Wyevale Garden Centres and B&Q.

Richard's role as Supply Chain Director encompasses optimising stock holdings across the business and ensuring Howdens maintains market leading stock availability. He is also leading the XDC project, which is delivering superior service levels and availability to depots.

Andy Witts
Chief Operating Officer: Trade

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

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 Trade in January 2014.

Andy has overall responsibility for the performance and culture of depots and associated support functions in the UK and Ireland. He oversees the evolution of our depot estate, including our strategically important depot reformatting and the opening of new depots. He is key in ensuring our depots build trusted relationships with local tradespeople.

Company Secretary

Forbes McNaughton
Company Secretary

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

Experience and contribution to preserving value in the business

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

Forbes is the link between the Executive Committee and the Board and is responsible for managing a number of external stakeholder relationships such as with the Pensions Trustees and external regulators. He is the head of the legal function in addition to his corporate governance responsibilities.

Executive Directors

Andrew Livingston
Chief Executive Officer

Paul Hayes
Chief Financial Officer

Andrew and Paul's profiles may be found on page 76

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Directors' duties

Section 172(1) statement

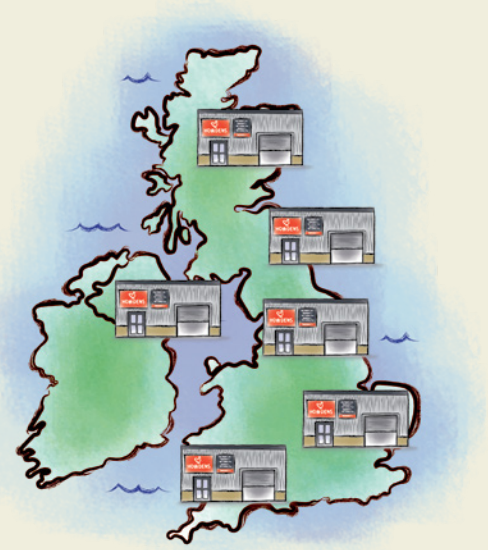
A director of a company is required to act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, the director must have regard, amongst other matters, to the following:

Environment and community

The impact of the company's operations on the community and the environment.

Long-term thinking

The likely consequences of any decision in the long term.



Reputation

The desirability of the company for maintaining a reputation for high standards of business conduct.

Investors

The need for every member to be treated fairly and for no member to be favoured over another member.

Suppliers

The need to foster the company's business relationships with (amongst others) suppliers and...

Workforce

The interests of the Company's employees.

...Customers

Howdens is a company that strives to be worthwhile for all concerned. It's the principle that we were founded on. But balancing the needs and views of all of our stakeholders is challenging as there are often competing interests. This is why the Board first and foremost considers our purpose, our culture, our mission and our strategy to ensure all decisions have a clear and consistent rationale. For details on the matters which the Board discussed and debated during 2021 please see pages 78 and 79.

The Board regularly considers feedback from the Company's stakeholders. These are set out in detail on pages 84 to 89. The Board considers this engagement to be effective and in keeping with the Company's culture. For example, much of the feedback is conversational rather than formal but where there is need for confidentiality, such as whistleblowing, this is also provided. Stakeholder feedback can directly affect the Board's decision making (such as feedback received in relation to the Directors' Remuneration Policy) but it also provides the context for decision making, particularly where there are competing stakeholder interests. The Board also established the Sustainability Committee during the year to consider environmental and societal matters in more detail (see pages 142 and 143 for more detail on the Committee's duties and remit). The work of this committee will directly affect the Board's decision making.

As Directors, when we discharge our duty as set out in section 172 of the Companies Act 2006 ('Section 172'), we have regard to the other factors set out on the previous page. In addition to these factors, we also consider the interests and views of other stakeholders, including our pensioners, regulators and the Government, and the customers of our trade customers.

We have set out some examples below of how the Directors have had regard to the matters in section 172(1)(a)-(f) when discharging their Section 172 duty and the effect on certain decisions taken by them in 2021.

Defined Benefit Pension Scheme Closure

In January 2021, the Board approved the closure to future accrual of the Defined Benefit Pension Plan ('DB Plan') with effect from 31 March 2021. The closure followed a period of formal consultation with DB Plan members, the DB Plan trustees and collective bargaining groups.

When considering the closure of the DB Plan, the Board was keenly aware of the competing interests of the stakeholders involved and therefore ensured its decision making was ultimately driven by the need to offer pension provision which was worthwhile for all concerned and sustainable in the long-term. In line with this, the Board was clear that the defined contribution scheme (DC Plan), into which DB Plan members would move and in which most UK employees were participating already, needed to be made more competitive in addition to the DB Plan closure, and it therefore approved a competitive new DC Plan design.

In coming to its decision to close the DB Plan and to approve a new design for the DC Plan, the Board was mindful of the potential negative impact on existing DB Plan members' future pension benefits; however, it considered that the following benefits of the closure were substantial:

- Greater certainty and predictability of DB Plan costs and contributions from the Company, which in turn supports the long-term viability of the Company to the benefit of its investors, workforce, customers, pensioners, and suppliers; and
- Provision of more equitable pension benefits across the workforce and greater flexibility of pension benefits to tailor to individuals' circumstances.

To further reduce the impact of closure on DB Plan members, and in line with feedback given during the consultation period, the Board approved the use of transition payments and a change to the rules to allow DB Plan members who remained employed until retirement to use their top up DC Plan funds as their tax-free retirement lump sums.

Capitol Park - warehousing strategy

In September 2021, the Board approved a new warehousing facility close to our Howden site. The rationale behind such a decision was to further support the successful vertical integration strategy by securing long-term warehousing for its manufactured stock, the manufacturing capabilities for which had seen significant investment approved in 2020.

In reaching its decision to approve the lease of the Capitol Park facility, the Board considered the likely consequences of its decision in the long-term. Whilst the Board was mindful of the impact of increased in-house manufacturing capability on some existing supplier relationships, it noted that the benefits of the proposals included shareholder value creation and environmental benefits, the leasing of one large site being more cost and energy-efficient than the leasing of several smaller sites over a wider geographic spread. In addition, Capitol Park will afford the business the flexibility to use more of the space at the Howden site for manufacturing in future, further supporting its vertical integration strategy. The Board also noted that there was the potential for job creation through the lease of an additional site and that the additional warehousing space supported the business model by ensuring the Group could remain in-stock for the benefit of its trade customers.

Taking all stakeholder interests into account, the Board approved the proposal as it would most likely promote the success of the Company for the benefit of its members as a whole.

Shareholder returns - special dividend

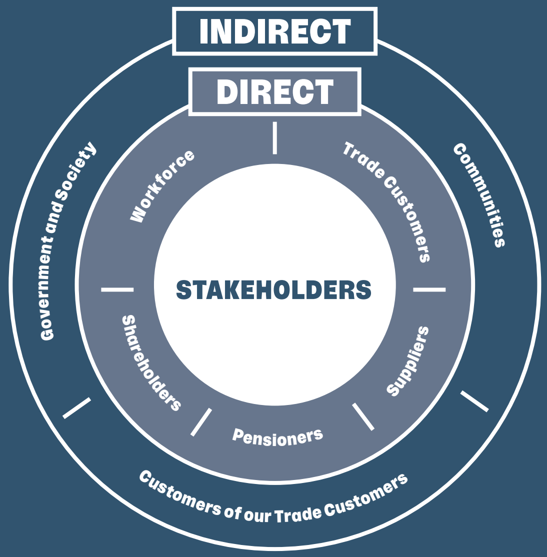
Following the decision to suspend dividend payments in 2020 due to the impacts of the COVID-19 pandemic, the Board approved the payments of a final dividend (in respect of the year ended 26 December 2020), a special dividend, and an interim dividend in 2021.

In coming to its decision to pay a special dividend (equivalent to the cancelled 2019 final dividend), the Board considered the health of the Group's finances, future investment opportunities, expected peak working capital requirements, and trading outlook, and noted the strong trading and cash performance in the second half of 2020. The Board also took this decision following the repayment of all financial support the business received in 2020 under the Government Coronavirus Job Retention Scheme and the payment of any deferred payments ahead of agreed schedules (see page 79 of the 2020 Annual Report and Accounts). This was the right thing to do at the time given the Board's wider statutory obligation to society as well as its shareholders. Shareholder feedback at the time was also supportive of the decision. However, once other stakeholders had 'been made whole', the Board considered it important that cash returns to shareholders should resume and that shareholders, a significant number of whom are also employees in the Group, should receive a one-off additional return given the strong position of the Group.

Corporate governance report continued

Stakeholder engagement

Howdens' stakeholders



Stakeholder and forms of engagement

Workforce

Engagement with our workforce includes the following:

- Regional Board meetings
- Employee engagement surveys
- Senior leadership meetings
- Town hall meetings
- Trade union and works council meetings in manufacturing

Non-Executive Director responsible for workforce engagement

In 2019, the Board appointed Geoff Drabble as the Non-Executive Director responsible for workforce engagement.

Regional Board meetings

Regional Board meetings are a forum for the depot leadership team and Executive Committee members to discuss strategy and day-to-day business matters on a regular basis. Our COO of Trade attends all meetings and all regional directors, area managers and depot managers attend the meetings applicable to their region. Our CEO attends a number of these meetings each year. Certain support functions (including Finance and HR) also regularly attend. One Regional Board meeting is held per region per period, providing over 100 opportunities each year for two-way discussions about critical business issues.

Defined Benefit Pension Plan ('DB Plan') consultation

At the end of 2020 and beginning of 2021, team briefings with management groups and trade union representatives were held to gather views on the proposed closure to the DB Plan to future accrual. Internal communication channels were used to keep the workforce informed of the consultation progress and the outcomes of the process. The closure of the DB Plan was agreed with the Pension Trustees and the trade union, and approved by the Board to take effect in March 2021. Further information regarding the outcome of the consultation is available on pages 83 and 89).

Local engagement surveys and employee forums

Following a period of significant sales growth and the introduction of new ways of working in depots due to COVID-19, the trade leadership team decided to use local engagement surveys to understand how our depot teams were feeling and to get feedback on local issues.

Feedback from the surveys identified common strengths across the depot network, including knowing and understanding what the expectation was of individuals, believing depot managers are committed to quality, and believing Howdens to be a great place to work. Common areas for development were also identified and included wanting more opportunities to learn and develop and the opportunity to do what they do best.

Regional directors are leading the follow-up locally, using a combination of general results sharing and one-to-one discussions. Results are being compared across regions to identify further trends.

Building on the success of the all-employee survey in 2019, the business will participate in the Best Companies engagement survey for all employees in March 2022.

In addition, informal feedback sessions are hosted by area managers to address local issues and are usually organised into sessions by job role, but may also be organised by depot or a specific issue. Issues raised are often of a local nature and are resolved locally. Where there are broader issues, area managers will liaise with the wider business for a resolution. These forums also act as an opportunity to exchange best practice as well as to meet colleagues from other depots.

Senior Leadership Meetings ('SLMs')

The Senior Leadership Team (SLT) is made up of around 25 leaders from across the business who work closely with the Executive Committee to develop and deliver our business plans. The SLMs are designed to encourage open and frank discussions across all business matters.

Members of the SLT are invited to present to the Board directly when relevant, which is both important for individuals' development, but also provides the Board with an ongoing view of the talent pipeline below Executive Committee level.

Whistleblowing helpline

The Company uses a third-party operated, confidential whistleblowing helpline. The helpline is multilingual and available 24 hours a day. The Company Secretary provides the Board with a bi-annual report which details the number and nature of whistleblowing instances made during the period. Whilst no specific complaints were escalated for Board attention, the governance processes are in place should this be deemed necessary.

Corporate governance report continued

Stakeholder engagement continued

Trade customers

Engagement with our trade customers includes the following:

- **Local depots**
- **Builder forums**
- **Cabinet research groups**
- **Customer surveys**

Local depots

The primary method of engaging with our trade customers since Howdens opened its doors in 1995 has been through the conversations at the local depot. The relationship between the depot manager and the trade customer has always been at the heart of what we do. Our depot managers feed back builder views to management at Regional Board meetings, which the COO of Trade is present at and which the CEO and other members of the Executive Committee often attend. Feedback from Regional Board meetings influences product and pricing decisions. However, it also reinforces our strategic decisions on new depot openings, ensuring that we are maintaining excellent customer service and investing in new product.

During 2021, the Regional Board meetings were held both in-person and virtually. From these meetings, managers were able to feedback directly to the CEO, COO of Trade and other senior executives about any matters affecting their depots and their customers.

Builder forums

Ensuring all levels of our organisation understand the challenges of our trade customer is fundamental to ensuring our service proposition is worthwhile to them. We therefore hold regular direct feedback sessions with our trade customers in the form of Builder Forums. These forums normally see a small group of customers coming together in an informal setting to talk about their experience of our product and also how it compares with others in the market. The agendas for the forums are driven by the customers themselves.

In 2021, 11 forums were held with our trade customers, 9 of which were held virtually. In response to feedback from the forums, we made a number of product and process improvements, including improving how our back panels are fixed to our base cabinets by investing in an automated process at our Runcorn manufacturing site and by trialling a new size of worktop in selected depots to gauge demand.

The business will once again host Builder Forums in 2022. Depending on the COVID-19 measures in place at the time, these may be held virtually or in-person.

Cabinet research groups

In 2021, four research groups were conducted in-person with a cross section of small builders, landlords, and developers within COVID-safe environments. The participants involved were selected to ensure a balanced mix of customer participants, all of whom had purchased and installed a minimum of two kitchens in the last 12 months.

The sessions were hosted by an independent agency and focused on our cabinets and those of our trade and retail competitors. In particular, cabinet construction, quality and ease of installation were considered. These sessions are key to ensuring that our cabinets are the best in the trade market. Our 2021 session results showed that customers still favour Howdens' rigid units over our competitors' and rank our specification as the best in the market.

However, the feedback also confirmed further opportunities to improve our specification and packaging solution even further. Initiatives are currently underway to explore these opportunities further.

As a result of earlier cabinet research groups, we have halved the allowable tolerance on key cabinet features, making our cabinet measurements even more precise, which enables better assembly of our kitchens by our customers. We achieved this by improving our manufacturing capability on production lines and by implementing exacting controls in our processes. To ensure these new tolerances are maintained, investment was made in a highly accurate, 'state of the art' laser measuring system, which will also be used going forward to validate continuous improvement activities.

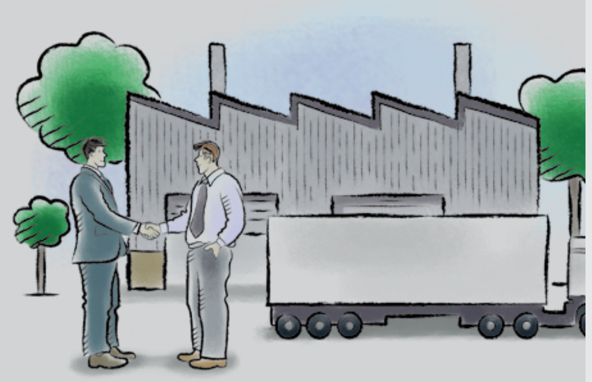
Customer surveys

We run a monthly online survey with over 40,000 of our trade customers to gain insight into their trade job activity, the proportion of their spend with us versus competitors, and their overall business 'optimism'. We also use these surveys to engage customers on specific topics such as stock availability in the market, their perception on customer service, product quality, and range feedback. This knowledge allows us to be 'on the pulse' of what is going on in the market and to understand the challenges that our trade customers face.

Suppliers

Engagement with our suppliers includes the following:

- **Supplier conference**
- **Category team relationships**



Supplier conference

Each year, our key suppliers are invited to join senior leadership at our annual supplier conference. This is an important date in our calendar as it's a time when the Company can communicate its priorities and any changes in the business to its suppliers, ensuring a consistent message is heard by all.

In 2021, due to COVID-19 restrictions, the business hosted its annual supplier conference, 'Playing to Win', virtually. The conference was used to maintain the ongoing conversation with our key partners, informing them of the key initiatives and business priorities and to ensure we continued to take advantage of the range of opportunities throughout the year. The session was attended by over 100 senior executives from our key partners who were given the opportunity to ask questions to our senior leadership team.

Supplier meetings

Throughout 2021, it was extremely important we continued to work closely with our suppliers to navigate the ongoing global supply chain challenges and disruption and to maintain the in-stock promise to our trade customers. In the first half of 2021 this was mostly done virtually as we were unable to travel due to COVID-19 restrictions. However, in the second half of the year as restrictions were lifted we were able to visit our key partners, which in turn contributed to us overcoming any supply chain challenges that we faced ahead of our peak trading period.

Supplier Code of Conduct

In 2021 we updated and re-issued our Supplier Code of Conduct to our supply base. This reinforced our expectations of the supply base and supports the commitments we have set out as part of our sustainability agenda (further information is available in the Sustainability Matters report beginning on page 46).

Category team relationships

Our internal commercial structure is organised into categories. The use of categories provides clearer accountabilities for ranging decisions and with greater internal accountability comes the fostering of stronger relationships with our suppliers. Suppliers are now engaging with focused teams within the organisation and this clarity brings the opportunity for even more valuable discussions.

Despite the challenges around travel and material lead-times we have continued to work closely with our key partners on product development. This has continued at pace across all our product categories with a significant amount of new product being introduced throughout the year. This has ensured our trade customers have been able to access the latest trends and products from our depots.

Corporate governance report continued

Stakeholder engagement continued

Pensioners

Engagement with our pensioners includes the following:

- Board engagement with the Trustee Board
- Plan closure consultation
- Newsletters
- Triennial valuations

At 25 December 2021, the Howden Joinery Defined Benefit Pension Plan (the 'Plan') had over 10,500 members, of whom over 6,300 were deferred members, and over 4,100 were pensioners and dependants.

Board engagement with the Trustee Board

The Trustee Board, chaired by an independent trustee, is responsible for investment strategy and for the day-to-day running of the Plan. There are a number of matters reserved for the Company as sponsor under the Trust deed and the Board invites the Chair of the Trustees to present to the Board every year and provide an update on matters affecting the membership.

In 2021, the Company engaged with the Trustee Board on a number of matters outside of the normal engagement cycle of investment and funding strategy, including the proposed closure of the Plan to future accrual and new climate-related regulations.

Plan closure consultation

At the end of 2020, the Company entered into consultation with active members (individually and collectively with the trade union) and the Trustee Board on a proposal to close the Plan to future accrual with effect from 31 March 2021.

During the consultation, all parties had the opportunity to raise their views with the Company, and as a result of this process and the feedback received, the Company agreed enhancements to the original proposal. This included the use of transition payments and a change to the rules to allow Plan members who remained employed until retirement to use their top up defined contribution scheme funds as their tax-free retirement lump sums.

Following the closure of the Plan, the active employee members joined the Company's defined contribution pension scheme and, as part of the project to review pension benefits across the business, the Company has increased employer contributions to the defined contribution pension scheme for all employees.

Triennial valuations

Ensuring that there is an appropriate balance between shareholder distributions and Plan deficit funding is a priority for the Board. The triennial actuarial review as at 31 March 2020 was completed in April 2021.

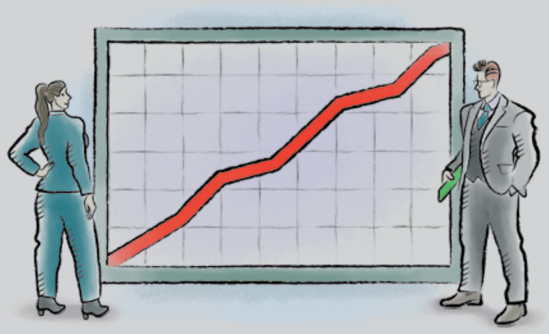
Following the review, the Company agreed to maintain deficit repair contributions at the rate of £30m per year, with an agreed 'switch off' mechanism if full funding on the Technical Provisions basis was met. Full funding on this level was achieved and therefore the deficit repair contributions were suspended in July 2021.

The Company and Trustee Board have also engaged and agreed a long-term funding objective for the Plan with the aim to reduce reliance on the Company. The Trustee Board has an agreed approach to de-risking and triggers and regularly updates the Company.

Shareholders

Engagement with our shareholders includes the following:

- Annual General Meeting
- Shareholder meetings and Roadshows
- Shareholder consultations
- Asset reunification



Annual General Meeting (AGM)

At the time of the 2021 AGM, the UK Government's Coronavirus rules restricted socialising indoors to those in the same household (or within a support bubble) and stipulated that travel should be minimised wherever possible. While the rules allowed for meeting others for work (where it was necessary), this did not include shareholder meetings of public companies.

The 2021 AGM was therefore held with three employee shareholders, one of whom was the Company Secretary and the other the CFO. The minimum quorum required by the Articles of Association was therefore met. The Chairman was also in attendance and chaired the meeting.

However, the Company was keen that its shareholders should be provided with the opportunity to submit any questions they had of their Board of Directors, and therefore a question facility was set up on the Company's corporate website and this remained open throughout the year following the conclusion of the AGM.

Through the questions facility, shareholders submitted questions regarding future dividends, our depots in France, and the environmental credentials of the paper used for our annual reports and notices of AGM. The Company's response to these questions may be found on our website: www.howdenjoinerygroupplc.com/investors/share-price/annual-general-meeting

Shareholder meetings

Following both the full year results and half year results announcements, the Executive Directors spoke with investors owning around one-third of the Company.

Following the release of the full year results in February 2021, feedback from investors included that the Company's ever strengthening competitive position was encouraging, and that the Company's prudent balance sheet management had been a significant advantage throughout 2020.

Following the release of the half year results in July 2021, management once again spoke with investors who referred to uncertain market conditions ahead, but expressed confidence in the Howdens business model and competitive position.

In addition, during the year the Chairman met with shareholders to discuss a wide range of governance matters. The Remuneration Committee and Audit Committee Chairs were also available to meet with shareholders during the year and will be so again in 2022. The Committee Chairs will also present on the work of their respective committees at the 2022 AGM.

Directors' Remuneration Policy consultation

The Chair of the Remuneration Committee invited the Company's principal shareholders and shareholder representative groups to consult on the updated Remuneration Policy. She met with all those that requested meetings and provided written responses to others. Further information about the consultation and its outcomes may be found on page 122 of the Remuneration Committee report.

Howden Joinery Group Plc Annual Report & Accounts 2021

Corporate governance report continued

2018 UK Corporate Governance Code: application and compliance

The Financial Reporting Council ('FRC') published its most recent iteration of the UK Corporate Governance Code (the 'Code') in 2018, which applies to accounting periods beginning on or after 1 January 2019. We are pleased to report that the Company applied all the Principles of the Code throughout the period and we have reported in summary below how we have done so. During the year, the Company was compliant with all Provisions of the Code, except for Provisions 38, 40 and 41.

Provision 38 provides that executive director pension contribution rates (or payments in lieu) should be in line with those available to the workforce. Our Remuneration Policy ('Policy'), which was approved by shareholders in 2019, stipulates that Executive Director new joiners' pension contribution rates must be in line with that available to the wider workforce. In 2021, our Chief Financial Officer (who was appointed to the Board on 27 December 2020) received a pension contribution rate which is in line with the wider workforce. Our incumbent Chief Executive's pension contribution rate, while in line with Policy for existing Directors, is not yet in line with the wider workforce. This is because the reduction of fixed, contractual remuneration must be applied carefully and proportionally over time. Our Chief Executive is fully supportive of his rate tapering as set out on page 108 of the Remuneration Committee report and the Board confirms that his contribution rate will be in line with the wider workforce by the AGM in 2022.

Provision 40 provides that when determining executive director remuneration policy and practices, remuneration committees should address whether remuneration arrangements promote effective engagement with the workforce. Provision 41 provides that the annual report of remuneration committees should include a description of the engagement that has taken place with the workforce to explain how executive remuneration aligns with wider company pay policy. The Remuneration Committee did not directly consult with the workforce on Executive Director pay arrangements during 2021; however, the Committee receives reports from management on pay and benefits across the workforce to ensure that there is good alignment on remuneration across the organisation as a whole. In addition, in 2021, the Board approved an update to the Company's Share Incentive Plan ('SIP'), our UK all-employee share plan, which allows all employees with shares held in the SIP trust to exercise voting rights on those shares. This means our UK employees with SIP shares (a majority of the workforce) are able to vote on the Directors' remuneration report and the Directors' Remuneration Policy (when applicable) at general meetings of the Company. The Remuneration Committee will keep under review the need to engage the workforce more directly on executive remuneration arrangements. Details of how Executive Director pay is considered in the context of the workforce is set out on page 123 of the Remuneration Committee report.

Section 1: Board leadership and company purpose

A

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

Howdens' founding principle of being worthwhile for all concerned supports the premise that its role is to ensure long-term, sustainable growth and value for all its stakeholders.

During 2021, the Company (led by the Board) increased shareholder returns, paid more tax, employed more people and contributed to the communities in which we operate. More information on our sustainable business model and strategy can be found on pages 13 to 15 and our contribution to wider society can be found in our Sustainability Matters report beginning on page 46.

Governing in an effective way ensures the framework and controls needed to align our operations with our strategy are in place. It is only by doing this that we can ensure long-term strategic success of the Company for our stakeholders. We discuss throughout the Governance section how our actions help to preserve the value that the business generates and how they support the strategy. For example, we have set out the way our remuneration structure supports our strategic aims on pages 124 and 125.

B

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

An explanation of our purpose, values and strategy are set out in the Strategic report which starts on page 8. The Board regularly discusses the importance of Howdens' unique culture and are mindful that it remains aligned with its purpose, values and strategy. Workforce engagement is also an important part of the Board's agenda and more information about the methods of engagement with the workforce may be found on pages 84 and 85.

Integrity and sympathy to the Howdens culture are paramount when the Board recruits new members to the Board. More information about our recruitment and inductions process can be found on page 101.

Section 1: Board leadership and company purpose continued

C

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Board is satisfied that the necessary resources are in place to ensure that the Company meets its objectives and measures performance against them. Our KPIs and how we have performed against them can be found on pages 29 to 31.

More information on our risk processes, including our principal and emerging risks, can be found on pages 38 to 45. Our Audit Committee report provides a summary of our internal control framework on page 140.

D

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Howdens has a broad group of clearly defined stakeholders and the Board actively engage with each of these groups on a regular basis. A detailed explanation of our engagement with our shareholders and wider stakeholder base and how this engagement has informed the Board's decision making processes can be found on pages 84 to 89. How the Board members discharged their 'section 172' statutory directors' duties is described on pages 82 and 83.

E

The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

The Board and its committees review workforce policies and practices on a regular basis. A Group policy framework has been established and is reported on to the Board on an annual basis, as well as any updates needed for Group policies. Part of this review includes ensuring that policies remain aligned to the Howdens culture and support long-term success.

One example of this is how our Remuneration Committee consider the pay policies and practices of the wider workforce when determining Executive reward. More information in this regard can be found on page 123.

All employees are able to raise any matters of concern via the confidential whistleblowing helpline. The helpline is available 24 hours a day, it is multilingual, and it is operated by an independent third party. The Board receive reporting from the helpline twice a year and any matters of significant concern are escalated as appropriate by the Company Secretary who oversees the helpline with support from the internal audit team.

Section 2: Division of responsibilities

F

The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

The Board confirms that Richard Pennycook was independent on appointment when assessed against the circumstances set out in Provision 10 of the Code. The roles of Chief Executive and Chairman are not held by the same individual and the Chairman has never held the position of Chief Executive of the Company. These factors help ensure that the Chairman demonstrates objective judgement throughout his tenure.

The Chairman is mindful of his role in facilitating constructive Board relations and promoting a culture of openness and debate amongst the Board. This in turn encourages the effective contribution of all the Non-Executive Directors.

The 2021 Board evaluation concluded that the Board was effective, professionally run and had worked well during the year. Further information about the outcomes and process of the 2021 Board evaluation may be found on pages 104 and 105 of the Nominations Committee report.

The Chairman is also mindful of the need for the Directors to receive information which is accurate, timely and clear. He is supported in this by the Company Secretary, who ensures the effective flow of information in a timely manner between the Board and senior management.

HOWDENS

Corporate governance report continued

2018 UK Corporate Governance Code: application of Principles

Section 2: Division of responsibilities continued

G

The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

At least half of the Board was made up of Independent Non-Executive Directors (not including the Chairman) throughout the reporting period. The Non-Executive Directors which the Board considered to be independent are shown as such on pages 76 and 77. The Board confirms that all the Non-Executive Directors (excluding the Chairman) were independent during the reporting period and that the Chairman was independent on appointment.

There is a clear division of responsibilities between the leadership in the organisation. The responsibilities of the Chairman, Chief Executive, and Senior Independent Director may be found on the Company's website (www.howdenjoinerygroupplc.com/governance/division-of-responsibilities) and the function of the Board Committees may be found in the respective committee terms of reference, also available on the Company's website (www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters).

I

The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

All of the Directors of the Company have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

The Board has implemented a Group Policy framework which is considered by the Board on an annual basis. Individual policies and associated practices are considered alongside the framework review process.

As stated in the Schedule of Matters Reserved for the Board (which may be found at www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters) the appointment and removal of the Company Secretary is a decision for the Board as a whole.

H

Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The number of Board meetings which were held during the reporting period and the attendance at each of these meetings may be found on page 74. Similarly, the number of each Board Committee's meetings and attendance may be found on the following pages: 96 (Nominations Committee), 106 (Remuneration Committee), 134 (Audit Committee), and 142 (Sustainability Committee).

When reviewing the Nominations Committee's recommendation to appoint a new Director, the Board will always assess whether the candidate is able to allocate enough time to the role. Similarly, when assessing the acceptability of an existing Director's wish to take on external appointments, the Board will assess the additional demand on that Director's time before authorising the appointment within its agreed existing protocol whereby any significant appointments taken on whilst a Director of the Company must be approved by the Board before they are entered into. This is set out in the Schedule of Matters Reserved for the Board which may be found on the Company's website (www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters).

During the reporting period, Debbie White's appointment as Non-Executive Director of the NASDAQ-listed company, PAVmed Inc, was authorised by the Board. Prior to the appointment, the Board considered whether Debbie could allocate enough time to her role as a Non-Executive Director of Howdens and was satisfied that she had the requisite time to fulfil the new role as well as her current role with the Company.

Members of the senior management team regularly presented to the Board on their respective areas of the business (see pages 78 and 79 for a timeline of Board meetings and information regarding any Executive Committee attendees), which provided an opportunity for the Board to constructively challenge and to provide advice to our senior management team.

Information about the management of conflicts between the duties Directors owe the Company and either their personal interests or other duties they owe to a third party may be found on page 141.

Section 3: Composition, succession and evaluation

J

Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Nominations Committee engages external search consultancies when searching for Board position candidates. Further information about the appointments process is available on page 101 of the Nominations Committee report and the Board's diversity policy is available on page 100.

The Nominations Committee regularly reviews the skills matrix and the tenure of each Board member (see pages 98 and 101 respectively for further details). This ensures the Board's succession plan remains aligned with the natural rotation of Directors off the Board and the strategic objectives of the business.

The succession plans for the senior management team are regularly reviewed by the Nominations Committee (see the Nominations Committee timeline on page 97).

K

The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

The Board uses a skills matrix to ensure it has the necessary combination of skills, experience and knowledge to meet its strategic objectives, business priorities and to ensure the unique Howdens culture is maintained. The skills matrix may be found on page 98.

The tenure of each Director may be found on pages 101 and 102. The Board has a good balance of new and longer-serving Directors (as at the year end date, tenures of the Non-Executive Directors (including the Chairman) range from just over two years to just over eight years, and the average tenure is just over five years.

L

Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Details of the 2021 Board evaluation process and outcomes may be found on pages 104 and 105 of the Nominations Committee report.

The specific reasons why the Board considers that each Director's contribution is, and continues to be, important to the Company's long-term sustainable success may be found on pages 76 and 77. Reference to the specific reasons and where to find them in the Annual Report and Accounts will accompany the resolutions to re-elect the Directors in the 2022 AGM Notice. The Board recommends that shareholders vote in favour of the re-election of all the Directors.

Corporate governance report continued

2018 UK Corporate Governance Code: application of Principles

Section 4: Audit, risk and internal control

M

The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

The Board has established formal and transparent policies and procedures, which ensure the external auditor and internal audit function are independent and effective and are accountable to the Audit Committee. The Board also monitored the integrity of the annual and interim financial statements of the Company through the Audit Committee. Further information about the work of the Audit Committee, including the subjects above, may be found in the Audit Committee report which begins on page 134.

N

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

A statement regarding the Directors' responsibility for preparing the Annual Report and Accounts and the Directors' assessment of the Annual Report and Accounts, taken as a whole, as being fair, balanced and understandable and providing the necessary information for shareholders to assess the Company's position, performance, business model and strategy, may be found on pages 70 and 71.

O

The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

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. Such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives. The Board has conducted reviews of the effectiveness of the system of internal controls through the processes described within the 'Risk management' and 'Principal risks and uncertainties' sections (see pages 38 to 45) and are satisfied that it accords with the Code and with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. As described in the Audit Committee report on page 140, a key controls project is ongoing across the Group to focus and further strengthen our overall control framework. This work to further enhance internal controls will lead to better assurance and efficiencies through opportunities to formalise and automate controls in a consistent way across the Group.

The assessment of the principal and emerging risks, the uncertainties facing the Group, and the ongoing process for identifying, evaluating and managing the significant risks faced by the Group is set out in the 'Risk management' and 'Principal risks and uncertainties' sections (see pages 38 to 45. The Board confirms that it has conducted a robust assessment of the principal and emerging risks.

Section 5: Remuneration

P

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

The way the Remuneration Committee has ensured our remuneration policies and practices are aligned with our culture, our strategy and risk management is discussed in the Remuneration Committee report, which starts on page 106.

Q

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

The Remuneration Committee has delegated responsibility for setting the Executive Directors' remuneration under the shareholder-approved Director Remuneration Policy (the full Policy is set out in full at www.howdenjoinerygroupplc.com/governance/remuneration-policy). The Remuneration Committee also has delegated responsibility for setting the Chair of the Board's remuneration and the remuneration of senior management (i.e. the members of the Executive Committee and the Company Secretary). No Director is able to determine their own remuneration outcome.

The Remuneration Committee reviews workforce remuneration and related policies when setting Executive Director remuneration. Ensuring these factors are always considered means our remuneration policies are clear and as predictable as possible. Further information may be found in the Remuneration Committee report on page 123.

R

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

The Remuneration Committee membership is made up of only independent Non-Executive Directors.

Details of how the Remuneration Committee exercised its discretion during the year may be found on page 109 of the Remuneration Committee report.

By order of the Board

Richard Pennycook
Chairman

23 February 2022

Nominations Committee report

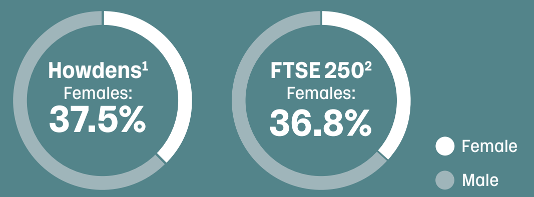
Nominations Committee 2021 meeting attendance

Richard Pennycook (4/4)
Karen Caddick (4/4)
Andrew Cripps (4/4)
Geoff Drabble (4/4)
Louise Fowler (4/4)
Debbie White (4/4)

Key activities in the year ahead

- **All current Directors will stand for re-election at the AGM on 12 May 2022.**
- **Regular updates from the Group HR Director on senior management succession will be provided to the Committee.**
- **The Committee will undertake its review of skills, composition and size of the Board.**
- **A review the Boardroom Diversity Policy will be undertaken.**
- **Executive Committee succession planning and talent management updates will be provided to the Committee.**

Board gender split



1 Figures correct as at 25 December 2021.
2 Figures derived from the 2022 FTSE Women Leaders Review.

Richard Pennycook
Nominations Committee Chairman

Introduction from the Committee Chairman

The role of the Nominations Committee continues to evolve. Whilst maintaining its core responsibilities of succession, composition and evaluation, the Committee recognised in 2021 that there were parts of the Committee's remit, particularly around diversity, which required a more dedicated forum.

Sustainability

At the Nominations Committee meeting in September, the Committee discussed and recommended to the Board that a separate committee of the Board be established to ensure sufficient time and attention was being afforded to key environmental and social priorities. This committee, called the Sustainability Committee, was established in November 2021 and its first report can be found on page 142.

Going forwards the Sustainability Committee will have responsibility for considering the ongoing work of the Equality, Diversity, and Inclusion ('EDI') Group, which continues to have a Board sponsor in Debbie White, as well as initiatives on social mobility and apprenticeships.

The Nominations and Sustainability Committees will continue to work together closely where their respective remits overlap, such as on Boardroom diversity.

Succession

Despite the fact that there were no changes to the Board in 2021, it has nevertheless been a busy year for the Nominations Committee. The Committee was involved with new appointments to the Executive Committee and undertook the search to identify my successor as Chairman of the Board (and indeed the Nominations Committee). Further details in respect of each of these appointments are set out later in this report.

Composition

The Nominations Committee remains mindful of the importance of broadening diversity within leadership and senior management teams. We remain pleased that half of the Non-Executive Directors on the Howdens Board are female, but we are aware that gender representation is not the only means by which a board achieves diversity. Similarly, we understand the need to improve gender, racial and other imbalances throughout our organisation, but particularly in senior leadership roles.

We have disclosed our boardroom gender and ethnicity data within this report but we will work with the Sustainability Committee during 2022 to determine whether greater disclosure and targets would be in the best interests of the Group.

Evaluation

As in 2020, an internal Board evaluation process was undertaken in respect of the 2021 review. Circumstances once again dictated that this review was also undertaken remotely. More information on the Board evaluation process and outcomes are set out on pages 104 and 105.

Richard Pennycook
Nominations Committee Chairman

2021 Nominations Committee activity

February

Committee meeting
- Board effectiveness, balance of skills, and time commitment
- Board succession and recommendations for AGM elections
- Draft 2020 Nominations Committee Report

April

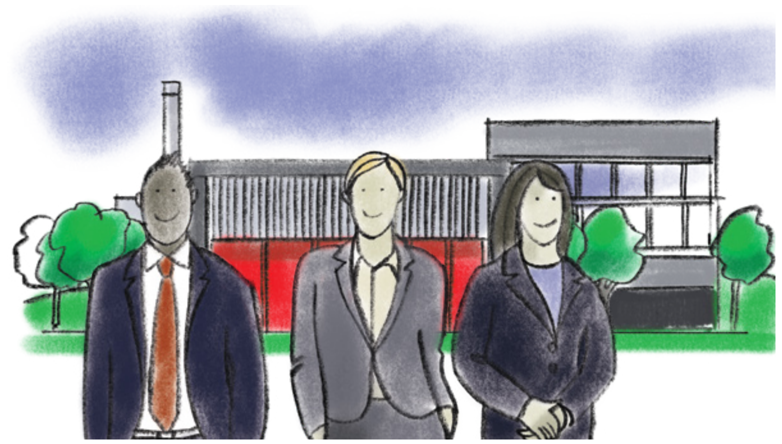
Committee meeting
- Board evaluation follow up
- Executive Committee succession
- Non-Executive Director succession

July

Committee meeting
- Executive Committee succession

September

Committee meeting
- Board update and skills matrix update
- Sustainability Committee proposal
- Board diversity policy review
- Nominations Committee Terms of Reference



Nominations Committee report continued

Composition

Skills and experience matrix

The Nominations Committee used a skills matrix when assessing its Non-Executive Director succession plans. The matrix highlights where the skills and experience of our Non-Executive Directors are particularly strong, where there are opportunities to further grow the Board's collective knowledge, and to inform the Board's future composition as Non-Executive Directors naturally rotate off the Board.

		Number of Non-Executive Directors	
Skills and Experience	Importance	Direct experience	Indirect experience
Industry/Sector			
Business-to-business	H	6	0
Manufacturing	H	4	2
Logistics, distribution and supply chain management	H	4	2
Consumer goods	H	5	0
Geographic exposure			
UK	H	6	0
France	M	4	2
Governance			
UK listed companies	H	6	0
Company chair experience	M	4	1
Remuneration committee chair experience	M	4	0
Audit committee chair experience	M	3	0
Policy development	M	4	1
Senior independent director experience	M	2	0
Technical			
Accounting and Finance	H	4	2
Audit	H	4	1
Executive management	H	6	0
Risk management	H	5	1
HR/Remuneration	M	2	4
Ecommerce	M	2	4
Marketing	M	2	4
IT/Cyber security	M	1	3
Legal	M	2	2
Howden Specific Considerations			
Vertical integration	H	4	2
Multisite depot operation	H	4	2

Importance

M Medium H High

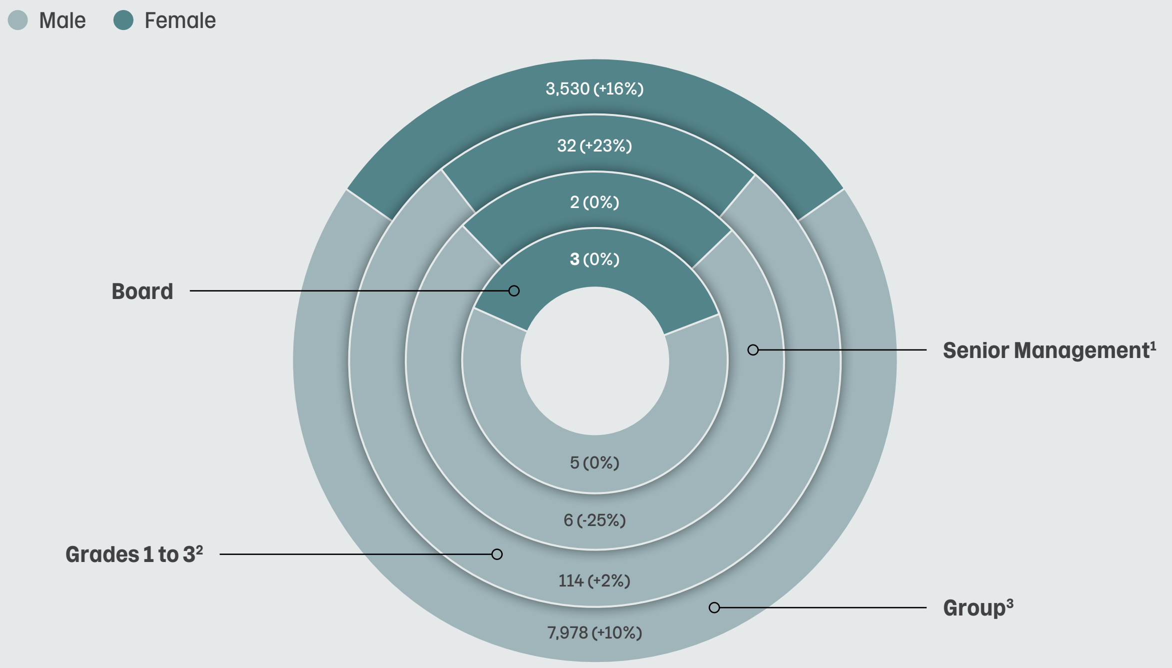
Diversity

Group gender diversity statistics

The Nominations Committee reviews the gender statistics shown in the chart below. 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 25 December 2021

The percentages shown in brackets below indicate the change since 2020.



1 Members of the Executive Committee, excluding Executive Directors and including the Company Secretary.
2 Includes Grades 1-3 equivalents.
3 Calculated on an individual basis, not on an FTE basis. Includes UK, France, Belgium, the Republic of Ireland, and Isle of Man.

Nominations Committee report continued

Composition continued

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 and we are mindful of the outputs and recommendations from both the FTSE Women Leaders Review (formerly the Hampton-Alexander Review) and the Parker Review when making appointments to the Board. However, 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 2023, 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 25 December 2021, 37.5% of Board members were women. Both of the Executive Directors were male. There were no 'non-white' members of the Board members as at 25 December 2021.

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.

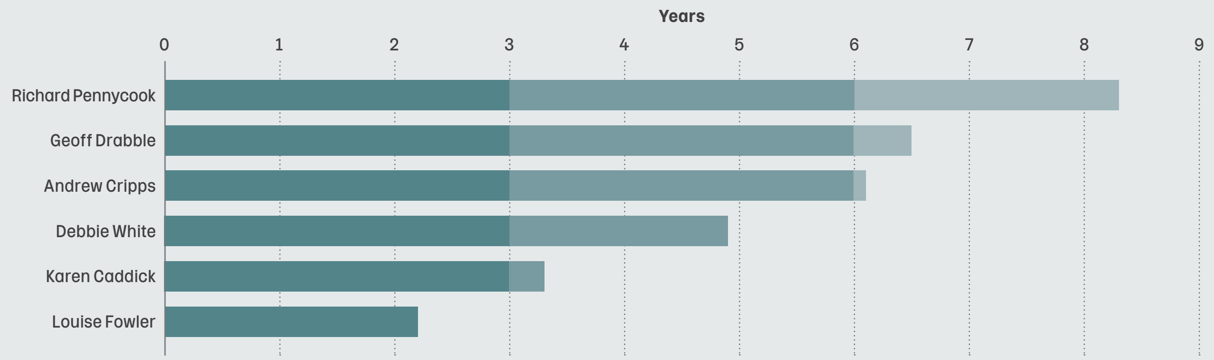
The Group is committed to meeting the code of practice on the employment of disabled people and full and fair consideration is given to disabled applicants for employment. It aims to do all that is practicable to meet its responsibility towards the employment and training of disabled people. The Group 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.

Succession

An integral part of the work of the Nominations Committee is to establish and maintain a stable leadership framework and to proactively manage changes and their impacts on the future leadership needs of the Company, both in terms of Executive and Non-Executive leadership. Ensuring the correct leaders are in place enables the organisation to compete effectively in the marketplace and therefore to meet its various obligations to its stakeholders.

As detailed in the rest of the report, the Nominations Committee has managed succession programmes for both the Board and senior management, which have ensured that the necessary skills, expertise and experience are present in the leadership of the organisation.

Non-Executive tenure as at 25 December 2021



Board succession

The Nominations Committee regularly reviews the skills and expertise that are present on the Board and compares these to the expertise that it believes are required given the strategy, business priorities and culture of the organisation.

Since Howdens began trading in 1995, its core strategy has remained largely unchanged. The market, the size, and the stage of maturity of our organisation however have changed, and so our Board has needed to evolve through sensible and well-managed succession planning that does not compromise the stability of the Board.

There were no Non-Executive Director retirements or appointments in 2021. However, the process normally used in relation to appointments is set out below. We continue to manage a phased succession programme for Non-Executive Directors and are pleased with the balance of length of tenure, as well as of diversity, background and perspective of our current Non-Executive Directors.

The process for the Chairman's succession is set out in the case study on page 103.

Appointment

Where it is identified through Board succession planning that a non-executive appointment is required to the Board, the Nominations Committee will engage an external search consultancy to undertake the process of recruiting a new Non-Executive Director. The external search consultancy would be made aware of our Boardroom Diversity Policy (if they were not already) and the Nominations Committee would specifically task them with producing a diverse shortlist of candidates for the position.

The skills matrix (the current version of which may be found on page 98), together with the collective knowledge, experience and diversity of the Board and the length of service of the Directors, would be used by the Committee to highlight where there were opportunities for a new Non-Executive Director to contribute to the skillset of the Board and would inform the search that external search consultancy undertake.

Following longlisting and shortlisting processes, and prior to any recommendation being made by the Nominations Committee to the Board, the preferred candidate would meet with each existing member of the Board.

Induction

Working with the Company Secretary, new Directors undertake an induction programme tailored to the needs of the individual. However, they will generally include a number of site visits and meetings with members of the Executive Committee, key employees and advisors. Site visits include our manufacturing sites, our distribution centre and depots. New Directors will also be provided with a mixture of documentation including Company publications, Board materials and some formal information on the role and responsibilities of UK-listed company directors.

The Group's induction programme for newly appointed Directors will continue to be centred on familiarisation with the Group's operations, key individuals and external advisors.

Nominations Committee report continued

Succession continued

Senior management succession

The Committee received regular updates regarding senior management[1] succession planning (see Nominations Committee activity on page 97). These updates included the planning and processes involved with the appointment of a new Chief Customer Officer. Further detail may be found below.

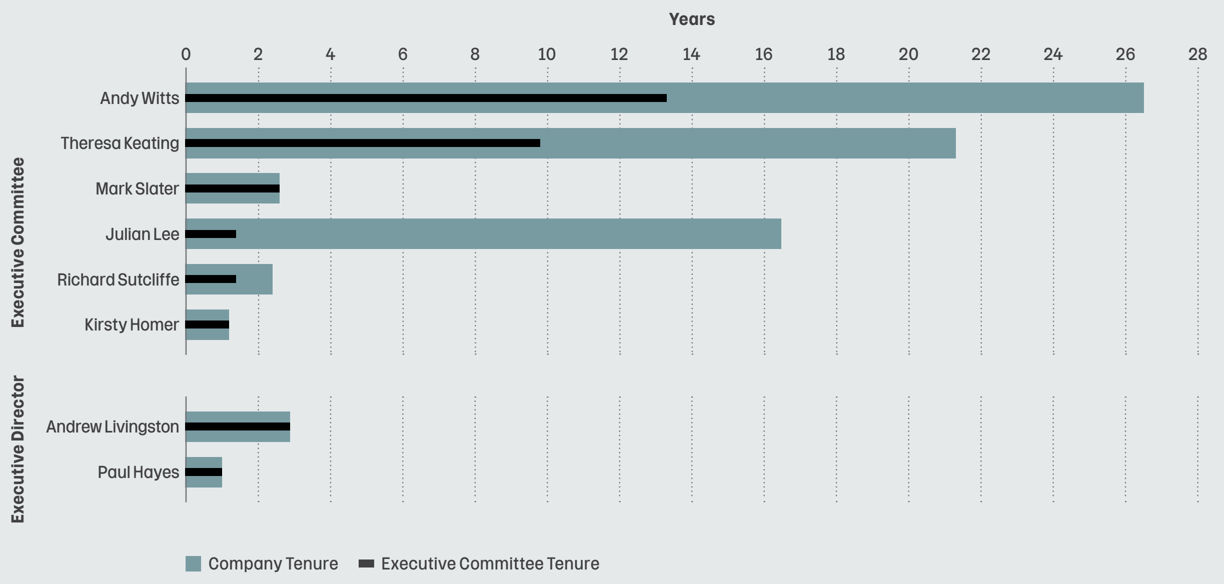
Chief Customer Officer

A new Executive Committee role was created in 2021 with the aim of placing even greater emphasis on the customer in Howdens' day-to-day decision making. The Chief Customer Officer (CCO) will focus on customer strategy and engagement, using data and insights from Depot Managers and working closely with the Commercial and Trade teams to help inform our approach to products, services and the overall customer experience of Howdens. The Chief Customer Officer will also be accountable for digital innovation.

David Sturdee will join as CCO in the first quarter of 2022. David has spent much of his career with Yum! Brands, most recently as Chief Operating Officer and Chief Customer Officer for Pizza Hut Europe.

The Nominations Committee will continue to work with the CEO and Group HR Director on senior management succession and development in 2022.

Company and Executive Committee tenure as at 25 December 2021



1 The definition of 'senior management' for this purpose is defined in footnote 4 of the 2018 UK Corporate Governance Code as 'the executive committee or the first layer of management below board level, including the company secretary'.

Case study
Chairman Succession

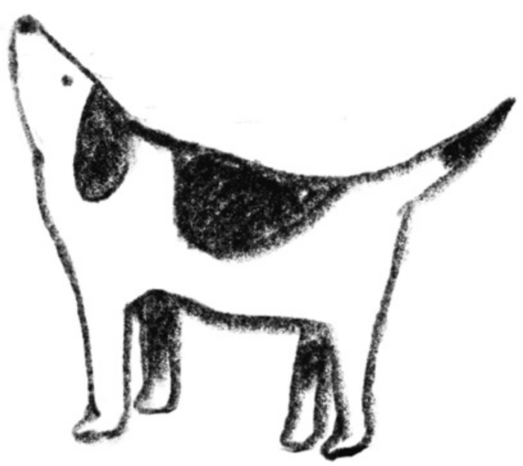
Responsible for leading the Board and having responsibility for its overall effectiveness in directing the Company, the Chairman is the underpin for good corporate governance within a company.

In preparedness for the ninth anniversary of the Richard Pennycook's appointment to the Board in September 2022, the Nominations Committee, under the leadership of the Senior Independent Director, commenced the search for his successor in 2021. At no point was the incumbent Chairman involved in the process of selecting his successor.

The Nominations Committee agreed a scope and candidate profile and engaged Russell Reynolds to conduct the external search for a new Chairman2. The Committee requested that a diverse long-list of candidates, in respect of gender, ethnicity and background, be produced.

Following the long-list process, a short-list has been agreed which includes female candidates. Candidates will meet with members of the Nominations Committee and the CEO. Following these meetings, the Nominations Committee will propose an appointment to the Board.

On 18 February 2022, noting that the succession process was at an advanced stage, the Company announced that Richard Pennycook had indicated his intention to retire from the Board with effect from 17 September 2022 and that an announcement regarding the appointment of his successor would be made in due course.



2 The Committee confirms that Russell Reynolds has no other connection with the Company or its Directors other than in relation to the recruitment of members of the Board.

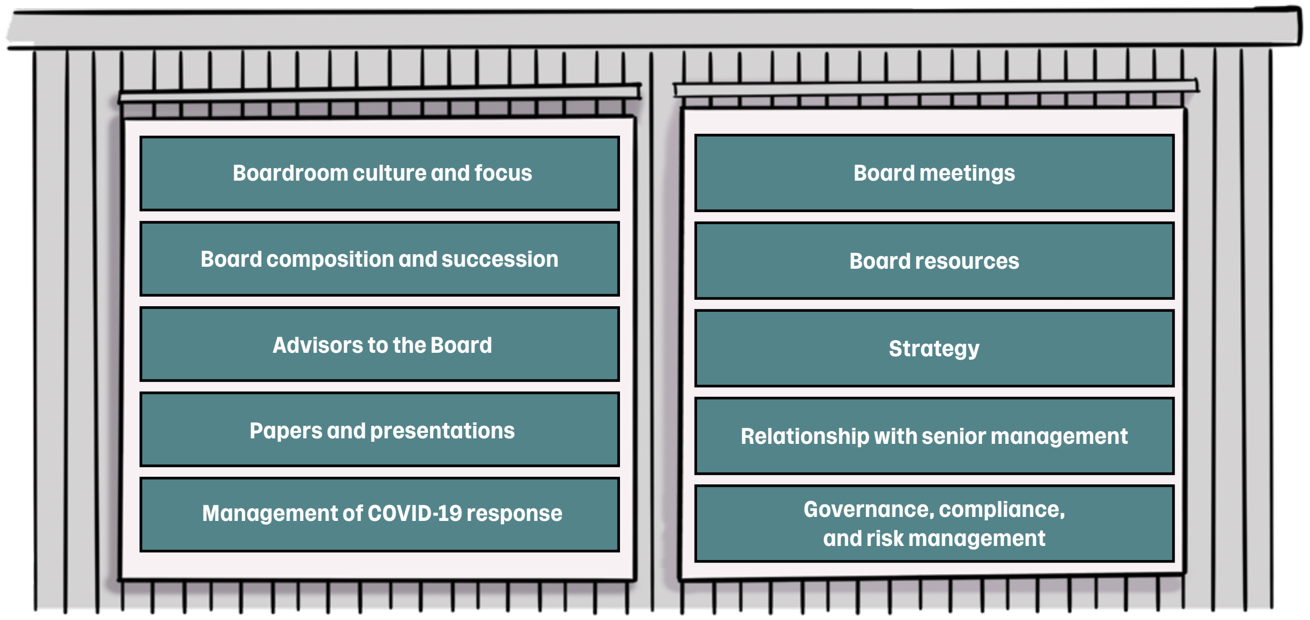
Strategic report
Governance
Financial statements
Additional information

Nominations Committee report continued

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 2019, the 2021 review was undertaken by the Senior Independent Director with support from the Company Secretary, and focused on the following areas:

Evaluation areas of focus



Methodology

As the evaluation was structured as an internal evaluation of the Board, it was undertaken by the Senior Independent Director with support from the Company Secretary. The review comprised interviews with all members of the Board with the report and recommendations agreed by the Senior Independent Director and the Chairman.

There were no changes to the membership of the Board since the previous review.

The process is outlined below:

- The evaluation methodology and agenda were agreed between the Chairman, Senior Independent Director, and Company Secretary.
- Interviews with Board members and the Company Secretary.
- The conclusions of the evaluation, including the observations and recommendations were presented to the Chairman.
- The main observations and recommendations from the evaluation were presented to the Nominations Committee and the Board.

Conclusions and recommendations

Non-Executive and Executive Directors were unanimous in their appraisal that the Board had continued to operate effectively during 2021.

The Board worked well as a group and continued to adopt a collegiate approach with well-structured meetings. It was concluded that there was a good balance of skills and experience on the Board and the Executive Directors expressed their view that they felt well-supported by the Non-Executive Directors.

It was noted that the extraordinary circumstances created by the COVID-19 pandemic during the year had tested the Board and necessarily had focused its attention on more operational matters.

Contributors praised management's performance during the year and it was noted that any issues raised during the process were improvements to an organisation that was already performing well and would seek to further strengthen it.

It was further noted that the evaluation would provide a good introduction to the Board for an incoming Chair, particularly around the recommendations for further effectiveness improvements.

Highlighted strengths

- Board and Committee processes continued to ensure high corporate governance standards were maintained throughout the year. The external audit tender process was especially regarded as being a significant success.
- Improved financial reporting outside of Board and Committee meetings (following feedback in the 2020 evaluation process).
- Continued focus on stakeholder safety and wellbeing.

Recommended areas for development and actions going forward

- Developing the focus on long-term, strategic matters in Board meetings in 2022.
- Continuation of the focus on Non-Executive Director succession planning, paying regard to the recommendations of the Parker and FTSE Women Leaders Reviews.
- Further development of informal methods of communication outside of Board and Committee meetings.

Influence on Board composition

Members of the Board discussed the recommendations of the Parker and FTSE Women Leaders Reviews. In 2022, the Nominations Committee will continue its focus on succession planning and will ensure that when it looks to recommend new appointments, that the process has been inclusive of not only a broad range of mindsets, but also a variety of backgrounds, including race and ethnicity.

Nominations Committee evaluation

The feedback gathered indicated that the Nominations Committee had engaged well over the year and had actively participated in discussions regarding senior management succession.

Following feedback in the 2020 Board evaluation, the Committee also proposed to the Board in 2021 the establishment of the Sustainability Committee, a new sub-committee of the Board. While it was noted that the additional focus on sustainability matters was both important and welcomed, the members of the Nominations Committee were clear that environmental and social matters are inextricably linked to the business, and this link should not be diluted by the establishment of the new Sustainability Committee.

By order of the Board

Richard Pennycook
Nomination Committee Chairman

23 February 2022

HOWDENS

Remuneration Committee report

Remuneration Committee 2021 meeting attendance

Karen Caddick (6/6)
Andrew Cripps (6/6)
Geoff Drabble (6/6)
Louise Fowler (6/6)
Debbie White (6/6)

Key activities in the year ahead

- **Implement the Directors' Remuneration Policy in respect of incentives for 2022 (both annual bonus and PSP).**
- **Engage with shareholders on the draft Directors' Remuneration Policy for presentation for approval at the 2022 AGM.**
- **Approve an updated Executive Committee Remuneration Policy (for members of the Executive Committee other than the Executive Directors).**
- **Monitor reward performance and ensure the incorporation of risk in the Company's incentive structure.**

Karen Caddick
Remuneration Committee Chair

Annual Remuneration Committee Chair's statement

I am pleased to present the Howden Joinery Group Plc Remuneration Committee report for 2021. The report has been prepared in compliance with the requirements of the Large and Medium-sized Companies and Groups Regulations 2013 and incorporates changes made under the updated EU Shareholder Rights Directive (SRD II).

Using this report

We updated our Remuneration Committee report last year to make accessing it as straightforward as possible. The content of the report is governed by various legislation and listed company disclosure requirements and, on occasion, this results in duplication of information. We have tried to reduce this wherever possible and present the information in an accessible and, hopefully, intuitive way.

The report is split into three sections:

1. **This Committee Chair's statement**
2. **Directors' Remuneration Policy (to be proposed to shareholders at the 2022 AGM)**
3. **The Directors' remuneration report**

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

Part 1	Company performance and stakeholder experience
Part 2	Application of policy in 2021
Part 3	Implementation of policy in 2022
Part 4	Additional disclosures

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

2021

2021 has been a busy year for the Remuneration Committee. It has had to navigate the legacy impact of COVID-19 on remuneration, both for Executive Directors and Senior Management. I reported in this report last year that the Committee had agreed not to exercise upward discretion to the incentive outturns for the 2020 annual bonus and 2018 PSP resulting in both awards lapsing in full. This was despite the significant contribution made by the Executive Directors to Howdens during what was an extremely challenging year, I am therefore pleased that remuneration outturns for 2021 have improved in line with exemplary performance of the business during the year.

The Remuneration Committee has continued to regularly monitor the employee remuneration experience across all roles, particularly depot roles and those in manufacturing and logistics, to ensure that there is alignment between the experience of the wider workforce and that of our senior management. There remains good alignment as a result of the unique incentive culture across all roles at Howdens.

During the second half of 2021, the Committee's attention turned to the Directors' Remuneration Policy, which will be put out for shareholder approval at the 2022 AGM. This is considered in more detail below and in a case study on page 122.

The Committee also worked with the Nominations Committee to agree a remuneration package for a new Chair of the Board which would attract a high calibre individual, whilst keeping within market norms. It also considered the impact on members of Senior Management of the closure of the Defined Benefit pension plan to future accrual.

I will be presenting a summary of the work of the Committee in 2021 at the AGM on 12 May 2022.

Policy

Our existing remuneration policy was approved by shareholders at the 2019 AGM and is due to expire at the 2022 AGM. The Remuneration Committee is satisfied that the Directors' Remuneration Policy operated as intended during the year and a copy of the current policy can be accessed in full at www.howdenjoinerygroupplc.com/governance/remuneration-policy

Over the course of the year the Committee has undertaken an in-depth review of our current arrangements and carefully considered what may be required under the policy over the next remuneration policy cycle. We need to ensure that our Executive Directors and Senior Management are rewarded and motivated in line with shareholder interests as we deliver the next stage of our growth plans.

Howdens' sustained profit growth has led to the creation of significant shareholder value through shareholder distributions and increases in share price. The resulting increase in market capitalisation means that we are anticipating inclusion in the FTSE 100 index over the coming policy cycle. The Committee is therefore mindful of the need to have a policy that allows us the flexibility over its lifetime to adapt our arrangements as we grow. Our remuneration philosophy is (and has always been) to pay above-market levels of reward for above-market levels of performance. We continue to believe this is the right approach.

As stated, we believe that the current policy is fit for purpose and has served Howdens and its shareholders well. We intend to maintain the overall structure of our remuneration arrangements and are not proposing any major changes to policy. Some minor changes are proposed to provide greater flexibility over the next three year policy cycle. These are set out on page 111.

As reported on page 90, the Remuneration Committee did not consult with the wider workforce on Executive Director pay arrangements in 2021. The Committee has safeguards in place (as considered in this report), which ensure good alignment on remuneration across the organisation as a whole. During 2021, the Board also approved an update to the Share Incentive Plan ('SIP') rules, which means that all eligible employees with shares in the SIP, which is the significant majority of UK employees, have a de facto say on Executive Director pay when such matters are considered at general meetings.

Given the consistency in approach on our Directors' Remuneration Policy, I hope that it will continue to attract the same levels of shareholder support we have seen in previous approval cycles.

2021 reward outcomes

Annual bonus

For the 2021 annual bonus, performance was based on the delivery of both profit and cash flow targets. For the full year we have reported an increase in sales of 35% (+32% versus 2019) and an increase in profit of 111% (+50% versus 2019), continuing the momentum seen in the second half of 2020.

This strong financial performance meant full year profit before tax ('PBT') and cash flow were above our maximum outperformance targets resulting in a bonus of 150% of salary for our Executive Directors.

Performance Share Plan (PSP)

Similarly, the 2019 PSP with performance measured to FY 2021 is based on three-year PBT growth per annum. Over the three year period of the 2019 PSP cycle, our PBT has increased by 17.2% per annum. In line with performance targets requiring 5% per annum PBT growth to achieve threshold vesting and 15% per annum PBT growth to achieve maximum vesting, the award will therefore vest in full.

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

2022 reward and incentives

Salary

Salary increases for the Executive Directors for 2022 will be in line with the wider workforce. These will be effective from 1 January 2022 following the alignment of the salary review date across the Howdens business.

Annual bonus

For the 2022 annual bonus, we replicated the methodology and PBT and cash flow measures used in the 2021 annual bonus, subject to an aggregate maximum of 150% of basic salary. This maintains the focus on profit in incentives and alignment with the depots, whilst maintaining a healthy stretch between target and maximum bonus levels to ensure strong shareholder alignment.

PSP

We first reported in the 2019 Remuneration Committee report that we had introduced a shareholder returns measure in 2020 in respect of the PSP to complement the pre-existing PBT measure. The Committee concluded that Relative Total Shareholder Returns (TSR) would provide greater alignment with shareholder interests and provide balance to the existing PBT measure. The TSR measure was also felt to be the most relevant comparator externally and would safeguard against complexity. The introduction of this measure has been well received by both shareholders and senior management and inclusion of TSR in the 2022 PSP will mean that it is a measure in all in-flight PSP awards.

For the 2022 PSP, we will retain both the PBT and TSR measures. Given market practice, and the current use of profit in our incentives, the Committee has agreed a weighting of 67% for PBT growth and 33% for the TSR measure. Profit represents a fundamental performance metric for the business, and is used throughout the organisation, from our depot teams to executives, to reward performance. It is therefore important to us that PBT continues to have a majority weighting within the PSP, whilst ensuring this is complemented by a relative measure with the TSR element.

Our recent practice has been to set PBT targets using a range of 5% to 15% CAGR above the prior year's reported performance. For 2022, we intend to amend this approach. A 15% annual growth rate is a very high target to achieve over three years and successive business cycles and is very unusual in the FTSE as a whole. We therefore propose to amend the upper target to 12%, which is still towards the upper end of other companies' practice. We believe this provides significant stretch for management with strong alignment to shareholder interests.

In addition, we have concluded that as a result of the increase in the size and complexity of Howdens in recent years, the current incentive opportunity for the CEO is no longer aligned to our remuneration philosophy (to pay above-market levels of reward for above-market levels of performance).

From 2022 we intend to grant PSP awards to the CEO at 270% of salary to recognise the increased size and scale of the business, and to provide an appropriate incentive for him to continue to lead the delivery of our ambitious plans. This is the maximum opportunity permitted under our current shareholder-approved remuneration policy. No changes are proposed to the CFO LTIP of 220% of salary.

To ensure that the remuneration philosophy is upheld, we will continue to ensure that performance targets are suitably stretching for the level of remuneration available within the context of our internal expectations and external forecasts. More detail on each of the PSP measures is set out on page 129.

Pensions

We reported in 2019 that the Committee had agreed a plan with the Executive Directors to ensure that their pensions would be aligned with the wider workforce by the Company's next policy cycle (May 2022).

Our Executive Directors are now on that agreed flightpath and, in January 2021, Andrew Livingston's pension supplement, received in lieu of Company pension contributions, reduced by 4% to 14% of basic salary. In May 2022 Andrew's pension supplement will be aligned to the Company pension contributions of the wider workforce, which is currently 8% of basic salary and will increase to a maximum of 12% in April 2022. Paul Hayes' pension supplement received in lieu of Company pension contributions was aligned to that of the wider workforce upon appointment in line with policy. As such, his pension supplement received in lieu of pension increased to 8% in April 2021 and will increase to 12% in April 2022 (in line with the wider workforce).

In November 2020, the Company entered into a consultation process with affected employees and collective bargaining groups regarding the potential closure of the defined benefit Howden Joinery Pension Plan (the 'Plan') to future accrual. The outcome of the consultation was that the Plan would be closed to future accrual from 31 March 2021. The key driver for the Board in tabling these proposals was the realignment of pension spending across its workforce to provide all employees with the same flexible and competitive pension arrangement. This will result in an improved defined contribution pension benefit and will ensure fairness in pensions across the Company.

As previously reported, the Committee reviewed the impact of closure on affected members of senior management prior to the Board's decision to close the plan to future accrual. It concluded that transition arrangements for affected employees were appropriate and had been applied consistently regardless of role. As such, there was not a significant risk to the business of the Board implementing its proposals set out in the consultation.

Senior management and the wider workforce

In addition to the Executive Directors, the Howdens Remuneration Committee also sets remuneration for senior management[1]. The Committee also received updates on the ongoing employee benefits review and all-employee remuneration related policies in order to provide the context for, and to ensure alignment with, the policy on Executive Director remuneration.

In 2019, the Committee adopted a dashboard in line with Provision 33 of the UK Corporate Governance Code, which shows some of the key internal and external measures that the Committee members are aware of when determining Executive Director and senior management remuneration (further detail on the dashboard may be found on page 123).

I hope the information presented within this report provides a clear explanation as to how we have operated our remuneration policy over 2021 and how we intend to implement it for 2022. We continue to be committed to an open and transparent dialogue with our stakeholders, and the Committee would welcome any feedback or comments you have on this report, our Policy or how we implement it for 2022.

Karen Caddick

Remuneration Committee Chair

1 The Howdens Remuneration Committee classifies 'senior management' as members of the Executive Committee (excluding Executive Directors), the Company Secretary and the Head of Internal Audit and Risk.

How the Committee exercised discretion for the incentive period ending 25 December 2021

The Committee considered the financial performance for the incentive period ending 25 December 2021. PBT for the year was £390.3m and cash flow was £529.0m. Three-year PBT increased by 17.2% per annum. The Committee considered whether the incentive outturns projected for the 2021 annual bonus and 2019 PSP were proportionate to financial performance and whether there were any other external factors of which the Committee was aware that would make decreasing the payments under these awards appropriate.

In reaching its conclusion, the Committee considered the remuneration experience structures and policies for the workforce as a whole in 2021, the relative ratios of Executive and employee reward, continued alignment to shareholder value, as well as the predictability and proportionality of the incentives, and their ongoing alignment to culture. The Committee took all of these matters into consideration and agreed that the vesting in full of these awards without adjustment or withholding was the right overall outcome.

In addition, the Committee exercised discretion to align the treatment of vested share awards (which were subject to post-vesting holding period restrictions) granted before 2019 for good leavers with the position that now applies under the Plan rules. If the Committee did not exercise its discretion, these awards would have been pro-rated to employees' leave dates under the old Plan rules. The Committee was mindful that the pro-rating of awards for good leavers in post-vesting holding periods had been removed in the 2019 update to the LTIP rules as it was felt to be excessively punitive and as such the Committee would not be required to exercise similar discretion in the future as the rule only applied to awards made between 2016 and 2018. After careful consideration, the Committee agreed to exercise discretion and as such no pro-ration would be applied to the 2017 PSP awards.

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

2021 Remuneration Committee activity

H1

January

Committee meeting
- 2020 Annual Bonus outcomes
- 2021 Annual Bonus operation
- 2021 LTIP measures
- Pension changes impact analysis

February

Committee meeting
- Shareholder feedback on CEO pay
- 2021 incentive considerations (including workforce reward, shareholder alignment, CEO pay ratio and gender pay gap)
- Governance update
- Draft 2020 Directors' remuneration report
- 2021 share awards planning
- Chair fee

April

Share award grant
- SIP Free Share grant to all UK employees approved
- PSP granted to Executive Directors and Senior Management

Committee meeting
- Shareholder feedback on remuneration
- Pensions update
- Salaries review
- LTIP leaver treatment

May

AGM
- Remuneration report approved by shareholders

H2

July

Committee meeting
- Workforce earnings analysis
- 2021 AGM season and market update
- Update on outstanding awards
- Directors' Remuneration Policy planning

August
- Remuneration Policy Working Group begins meeting

September

Committee meeting
- Update on Directors' Remuneration Policy review

October
- Remuneration Policy Working Group disbands

November

Committee meeting
- Update on Directors' Remuneration Policy review
- Update on outstanding awards
- Risk and rewards consideration
- 2022 Remuneration Committee calendar
- Review of Committee's terms of reference

December

Shareholder communication
- Remuneration Committee Chair communication with shareholders on proposed new Directors' Remuneration Policy

Directors' Remuneration Policy

Fixed Variable

Howdens' Directors' Remuneration Policy, as set out in our 2018 Annual Report and Accounts, was approved by shareholders at our 2019 AGM. Our current Policy expires at the 2022 AGM and therefore, following careful review, we present a revised policy below with the intention that it will apply for three years from the date of the 2022 AGM. The policy has supported the success of our business 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 2019, albeit there are some minor revisions. A case study on the Directors' Remuneration Policy review and approval process is set out on page 122.

Summary of changes to the Remuneration Policy

Remuneration Element	Method
Annual bonus	The current remuneration policy in respect of the bonus opportunity is that 150% of salary is the normal opportunity level, with an opportunity of 200% of salary available in 'exceptional circumstances only'. It is proposed that the 'exceptional circumstances' wording be removed from the policy, such that during the life of the policy the usual bonus award level could be increased by up to 50% of salary to 200% of salary if it is felt to be appropriate to reflect the performance and market positioning of Howdens. We would consult with shareholders if we were to consider raising the level of bonus opportunity. For FY 2022, the current annual bonus level of 150% of salary will be maintained, with the position reviewed each year thereafter.
Annual bonus deferral	Annual bonus deferral changes from 30% of any bonus earned deferred for a period of two years to *at least* 30% of any bonus earned deferred for a period of two years.
Performance Share Plan (PSP)	The minimum percentage of the PSP based on financial metrics will reduce from 100% to 75%. This will give the Committee greater flexibility when determining performance measures and will allow for the introduction of non-financial measures, such as ESG-related measures, up to 25% of the maximum opportunity.

Underlying principles

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

Clarity	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	The Company invited its principal shareholders and shareholder representative groups to consult on the updated Directors' Remuneration Policy and received supportive feedback. The draft policy was updated following feedback from shareholders, details of which can be found on page 122. All UK employees are awarded Free Shares in the Company through the Share Incentive Plan ('SIP'). UK employees are also able to participate in a partnership and matching shares programme (known as the 'Buy As You Earn' scheme or 'BAYE') which also operates through the SIP. Further information on workforce engagement can be found on pages 84 and 85.
Simplicity	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Remuneration Policy has received positive feedback from stakeholders in relation to its simplicity. The Committee's approach to performance measures had always been that they must be understandable for participants in the schemes in order to ensure they are effective.
Risk	
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Whilst the Committee has consciously not set an absolute annual quantum on Executive remuneration, this is something that the Committee will keep under review. The total pay of the Executive Directors is considered by the Committee as well as pay ratios with the wider workforce and shareholder returns.

Remuneration Committee report continued

Directors' Remuneration Policy continued

Predictability	
The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The range of possible rewards for the Executive Directors is considered on page 116 and were communicated when the Directors' Remuneration Policy was approved by shareholders. The range in relation to the PSP reflects the reduced maximum award for 2021 rather than maximum allowed under the policy. The Committee has a wide range of discretion in relation to variable pay awards, new joiners, and leavers, which were identified and explained when the Remuneration Policy was approved.

Proportionality	
The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	In 2020, the profitability of the business was significantly impacted by the COVID-19 lockdown measures put in place by Government in the first half and as such both the 2020 annual bonus and 2018 PSP lapsed in full. While the Committee was pleased with the performance of the Executive Directors throughout the year, particularly given the extraordinary trading environment, it concluded that this was appropriate given the broader stakeholder experience throughout the year. In 2021 the business's strong trading performance was reflected in high levels of variable reward. The Committee remains confident that the awards used to ensure continued delivery of strategy and long-term performance are working as intended.

Alignment to culture	
Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	The Committee remains confident that the incentive schemes operated under the Remuneration Policy are aligned with purpose, values and strategy. Howdens' staff are paid on the performance of their local depot or on the profitability of the Group as a whole. This has created an autonomous, entrepreneurial, profit-focused culture and is reflected in the heavy weighting given to profit measures in our incentive schemes for Executive Directors and senior management.

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 Director's role, skill, responsibilities, performance and experience.	Salaries are reviewed annually, and are effective from 1 January each year. Salaries will not be changed outside of the annual review, except for in exceptional circumstances, such as a mid-year change in role.	Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set with consideration of each Executive Director's performance in role and responsibilities, and within a range defined by a market benchmark derived from companies of a comparable size operating in a similar sector. The peer group used is reviewed whenever benchmarking is performed, and the Committee applies judgement in identifying appropriate peer group constituent companies. The individual's level of total remuneration against the market is considered at the same time. Reviews will also take into account the performance of the individuals, any changes in their responsibilities, pay increases for the wider workforce and internal relativities. 2021 and 2022 salary levels are detailed on page 128.	None.
Benefits			
Provides a competitive level of benefits.	Howdens pays the cost of providing the benefits on a monthly basis or as required for one-off events.	Benefits are based upon market rates and include receipt of a car allowance, health insurance and death-in-service insurance payable by the Company.	None.

Fixed Variable

Element and how it supports our strategy	Operation	Opportunity	Performance Measures
Annual Bonus			
Incentivises annual performance over the financial year. Deferral links bonus payout to share price performance over the medium term.	Performance is assessed annually against targets made up of at least 75% financial metrics. At least 30% of any bonus earned is deferred into shares. Shares are paid out on the second anniversary of deferral date. The Committee has the discretion to adjust the bonus outcome in light of overall underlying performance. Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration. Payment is subject to continued employment. Malus provisions apply for the duration of the performance period and to shares held under deferral. Clawback provisions apply to cash amounts paid for two years following payment. Therefore clawback and/or malus will operate on the award for a total period of up to two years after the performance period. Clawback may be applied in the following scenarios: • material misstatement of accounts; • erroneous assessment of a performance target; • where the number of plan shares under an award was incorrectly determined; or • gross misconduct by a Director.	The threshold for the annual bonus will be dependent on the individual measures used each year. For 2022, the annual bonus will be based on PBT and cash flow, with threshold payout being 20% of salary. The maximum opportunity under the annual bonus is 200% of salary. For FY 2022, the annual bonus level of 150% of salary will be maintained, with the position reviewed each year thereafter. The opportunity could be increased in future years if the Remuneration Committee felt it was appropriate to reflect the performance and market positioning of the Company. The Remuneration Committee would consult with shareholders if it were to consider raising the level of bonus opportunity beyond the current level.	For 2022 the annual bonus will be based on PBT and cash flow measures. The Committee retains the flexibility to use alternative measures during the life of this policy, subject to at least 75% of the bonus being based on financial metrics.
Performance Share Plan (PSP)			
Focuses management on longer-term financial growth than addressed by the annual bonus. Long-term financial growth is key to the generation of shareholder value.	Executives have the opportunity to participate in the PSP on an annual basis. The PSP operates over a three-year vesting cycle. Under the PSP, awards will generally be granted towards the beginning of the performance period and vest based on performance over the following three-year performance period. Malus provisions apply for the duration of the vesting period. The Committee has the discretion to adjust the PSP outcome in light of overall underlying performance. Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration. Vested awards are subject to a two-year holding period following vesting, during which no performance measures apply. Clawback provisions apply for the duration of the holding period, through which vested awards maybe reclaimed in the event of: • material misstatement of accounts; • erroneous assessment of a performance target; • where the number of plan shares under an award was incorrectly determined; or • gross misconduct by a Director. No dividends accrue on unvested shares.	The threshold for the PSP will be 15% of maximum. This may be amended by the Committee dependent on the maximum opportunity in a given year. The maximum opportunity under the PSP is 270% of salary.	For 2022, the PSP will be based in full on PBT growth and relative TSR. The Committee retains the flexibility to use alternative measures during the life of this policy, subject to at least 75% of the PSP being based on financial metrics.
Shareholding requirement strengthens alignment of interests between participants and shareholders.	Executive Directors are expected to retain vested shares from deferred bonus and long-term incentive awards (net of income tax and national insurance contributions) until they reach the minimum requirements. Unvested deferred bonus and long-term incentive shares are not taken into account. PSP shares within a holding period are counted towards the requirement.	Executive Directors will be required to retain 100% of their shareholding requirement (i.e. 200% of base salary or full actual holding if lower) for two years post-cessation from the Board of Howden Joinery Group Plc.	

Remuneration Committee report continued

Directors' Remuneration Policy continued

Element and how it supports our strategy	Operation	Opportunity	Performance Measures
Pension			
Provides competitive long-term savings opportunities.	Executive Directors will be entitled to participate in the Howdens Retirement Savings Plan with contribution rates in line with the wider workforce. The level of salary supplement is aligned to the maximum pension benefit available to the Executive Director.		None.
All-employee share incentive plan			
To encourage employee share ownership.	Executive Directors are able to participate in the tax-advantaged Share Incentive Plan available to all eligible UK employees.	The maximum participation levels will be set based on the applicable limits set by HMRC.	None.

Performance measures and targets

As part of the Committee's review of our remuneration arrangements, we have considered the appropriateness of the performance measures that 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 2022 awards PBT and cash flow will continue to be the measures used for the annual bonus and PBT and relative TSR will be used for the PSP.

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 safeguard the flexibility in our policy to change performance measures, subject to at least 75% of the bonus and 75% of the PSP being based on financial metrics.

Annual bonus

The table below sets out additional information on performance conditions relating to the 2022 annual bonus:

Measure	Definition	How targets are set
PBT	Pre-exceptional profit before tax from continuing operations.	Set by the Remuneration Committee with reference to Howdens' Budget and analysts' consensus forecasts.
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 2021 targets please see the annual bonus targets and outcomes tables on page 127.

Performance Share Plan

The PSP will be based on nominal PBT performance and relative TSR for the 2022 award. Targets are considered by the Remuneration Committee to provide a range that represents long-term success for Howdens, and are kept under review in light of analysts' consensus 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 2022 PSP grants are detailed on page 129.

Fixed Variable

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 participate in the same incentive schemes as the Executive Directors at a reduced level to ensure alignment between the leadership team and with our shareholders. Below this level, the promotion 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.

Non-Executive Directors' Remuneration Policy

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

Element and how it supports our strategy	Operation	Opportunity	Performance Measures
Fees			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	The fees for the Non-Executive Directors are determined by the Chairman and Chief Executive and approved by the Board. 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 128. The fees reflect the time commitment and responsibilities of the roles. Accordingly, committee chairmanship, Senior Independent Director (SID) and the Non-Executive Director responsible for employee engagement 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 and having regard to the base salary increase payable to the wider workforce. Benchmarking is typically undertaken every three years.	NEDs are not eligible to participate in any performance related arrangements.
Benefits			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	Non-Executive Directors are entitled to receive expenses in respect of reasonable travel and accommodation costs.		None.

Remuneration Committee report continued

Directors' Remuneration Policy continued

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 2022 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 2022, salary increases for the wider workforce are around 3% 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.

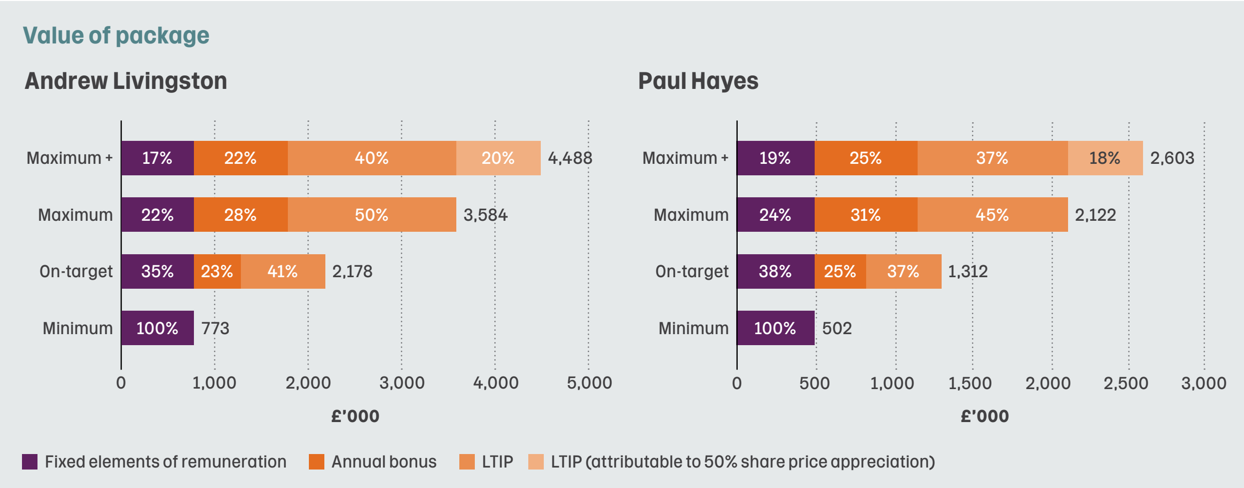
Statement of consideration of shareholder views

The Committee remains committed to maintaining an ongoing and transparent dialogue with its shareholders. This Directors' 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.

2022 remuneration scenarios

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

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



Fixed elements of remuneration consist of the annual salary that the Executive Director will receive for 2022, alongside their 2022 pension entitlement, and actual benefits received in 2020/21 (as a proxy for 2022).

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

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

Fixed Variable

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

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

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

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

Remunerationi Committee report continued

Directors' Remuneration Policy continued

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 Director would have received if still in employment with the Company.
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 Director 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 on shareholding requirement	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 from the Board of Howden Joinery Group Plc.

Directors' remuneration report

Part 1: Company performance and stakeholder experience

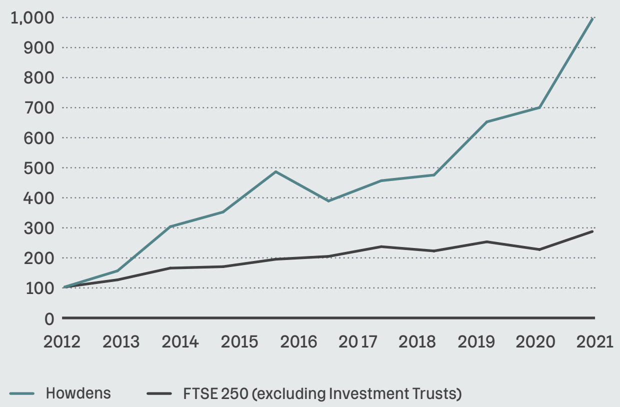
In this opening section of the Directors' remuneration report, we detail some of the considerations of which the Committee has regard when implementing the Remuneration Policy. Contained in this section are specific disclosures on Group performance, as well as comparative disclosures on the relative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

Group performance

Total shareholder return (TSR)

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

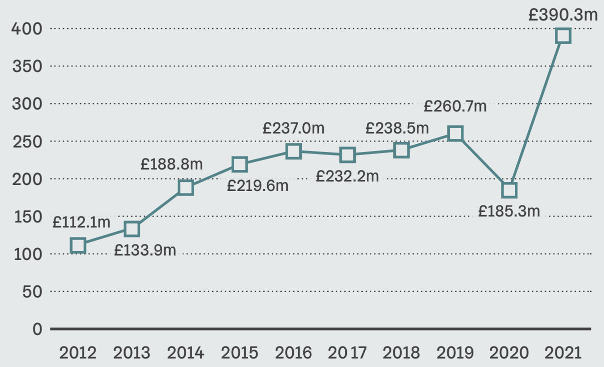
Howdens historic TSR



Profit before tax (PBT)

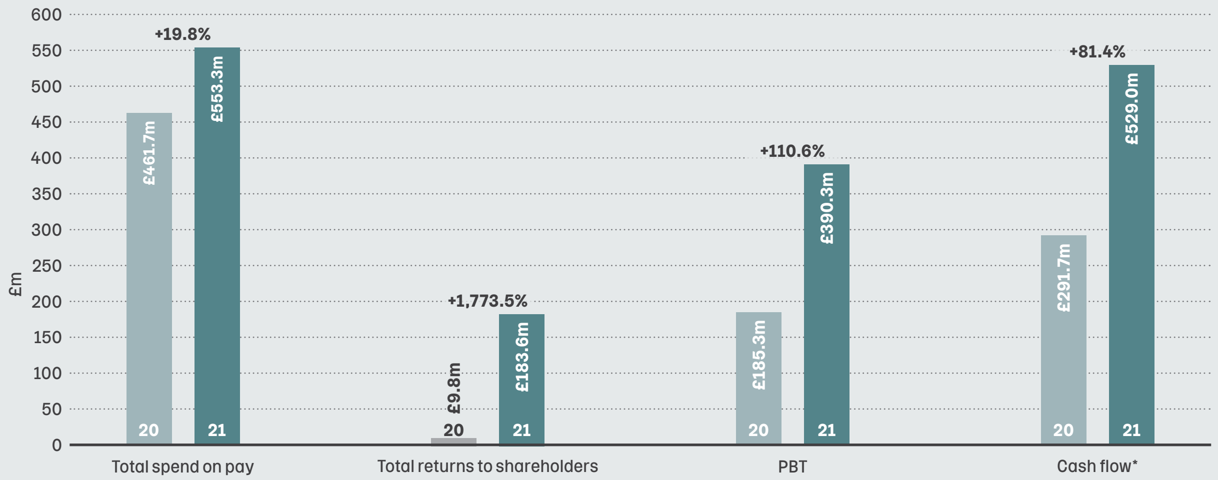
The graph below illustrates the Company's historic PBT performance.

Howdens historic PBT (£m)



Relative importance of spend on pay

The graph below sets out the change in the Group's total remuneration spend from 2020 to 2021 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 is the definition used for the annual bonus scheme (see page 114).

Remuneration Committee report continued

Directors' remuneration report

Part 1: Company performance and stakeholder experience continued

Director pay

Our corporate performance and remuneration

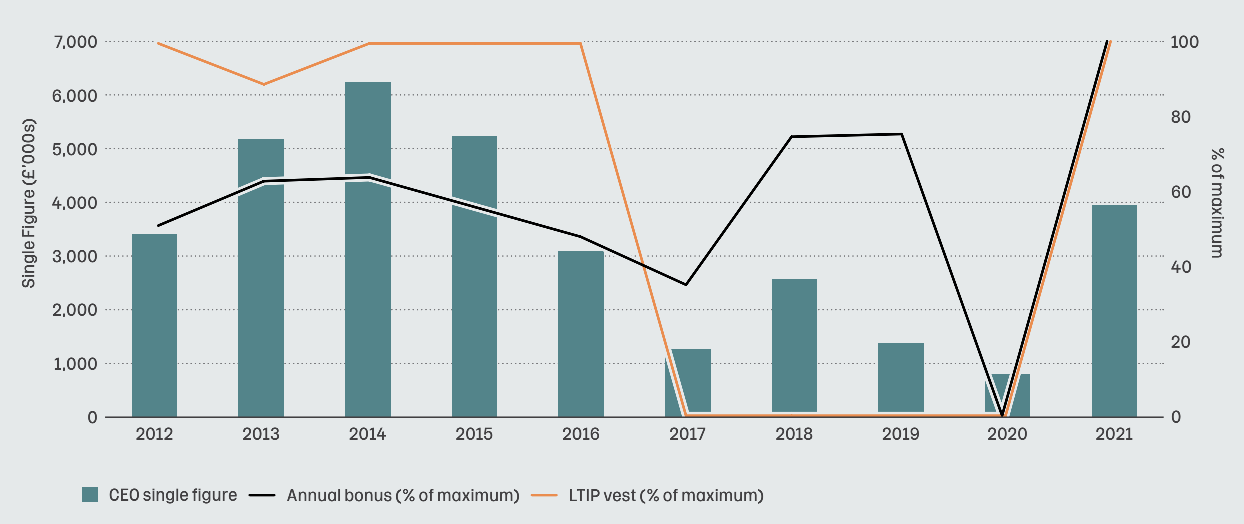
Historic single figure

The table and graph below show the historic CEO single figure and incentive payout levels. They show that, with the exception of 2020, the annual bonus has performed strongly and that long-term incentives have reflected the challenging market conditions following the 2016 referendum on membership of the European Union, although the long-term incentive plan vested in full for 2021.

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

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
CEO single figure (£'000)	3,401	5,168	6,221	5,225	3,098	1,268	2,569	1,391	816	3,951
Annual bonus (% of maximum)	51%	63%	64%	56%	48%	35%	75%	76%	0%	100%
LTIP vest (% of maximum)	100%	89%	100%	100%	100%	0%	0%	0%*	0%	100%

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



Fixed Variable

CEO pay ratio table

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2021	A	135:1	113:1	93:1
2020	A	31:1	25:1	21:1
2019	A	71:1	58:1	48:1
2018	A	122:1	100:1	81:1

During 2021, Howdens has calculated the CEO pay ratio in line with the updates to the Directors' Remuneration Reporting Regulations. The data used to calculate the CEO pay ratio was accurate as at 31 December 2021. In accordance with section 17 of The Companies (Miscellaneous Reporting) Regulations 2018, method A was used in the calculation of the pay ratios; ranking the pay and benefits of all our UK employees for the relevant financial year to identify the 25th, 50th, and 75th percentile-ranked employees and using the pay and benefits figures for these three UK employees to determine the pay ratios at each quartile. Method A has been used as it has been identified by the Department for Business, Energy and Industrial Strategy in its guidance as the most statistically accurate method for identifying the pay ratios.

It should be noted that the CEO did not receive any remuneration relating to a long-term incentive or share awards in 2020 or 2019. He also did not receive any annual bonus in 2020 during which time all other employees received variable performance bonus pay. The combination of these factors resulted in a lower than anticipated CEO pay ratio in 2020 and 2019.

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

	25th percentile	50th percentile	75th percentile
Total pay and benefits (FTE)	£29,278	£34,867	£42,405
Salary (including overtime) (FTE)	£20,872	£25,160	£30,713

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 2021 to 31 December 2021. 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 2021 compensation year; however, for annual bonus payments, we estimated the bonus due to employees for the 2021 compensation year (payment is due in March 2022). P11D values are based on the 2020/21 reportable values, however, they have been annualised accordingly.

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

It is a feature of our pay structure that senior management often receive a larger proportion of their total pay via incentives and the outcome of incentives is likely to be the main cause of variability in the ratio in future years.

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

Remuneration Committee report continued

Directors' remuneration report

Part 1: Company performance and stakeholder experience continued

Case study

Directors' Remuneration Policy Review

The Directors' Remuneration Policy was last approved by shareholders at the 2019 AGM. As such, an updated policy must be approved by shareholders no later than the AGM in 2022.

The context for the 2022 Directors Remuneration Policy review is important when considering the new policy proposals set out on pages 111 to 118. Between 2016 and 2018, profit growth was largely flat and the Company's share price reflected that fact. Since the appointment of Andrew Livingston as CEO, there has been an increase in share price (at the time of writing) of 88% and a TSR of 102%. This has resulted in a significant increase in market capitalisation and could place Howdens within the FTSE 100 over the coming policy cycle. The Committee is therefore mindful of the need to have a policy that allows us the flexibility over its lifetime to adapt our arrangements as we grow.

That said, the Committee believes that the existing policy is largely fit for purpose and we have maintained the overall structure of our remuneration arrangements, subject to a couple of minor changes. A summary of proposed change to the Directors' Remuneration Policy can be found on page 111. The full policy can be found on pages 111 to 118.

Policy review process

The Remuneration Committee has discussed the policy review since Spring 2021 but it was agreed at the July Committee meeting that a working group comprising the Remuneration Committee Chair, Chairman, CEO, CFO, Group HR Director, Company Secretary and the advisors to the Remuneration Committee would undertake a comprehensive review of the existing policy and make recommendations to the Remuneration Committee at an additional meeting in September.

The working group met a number of times over the summer and presented its conclusions to the Remuneration Committee in September. It was agreed that the current policy, and in particular the bonus and long-term incentive constructs, remain appropriate for the three-year policy cycle. Minor amendments were proposed and the Committee agreed to revisit these at the Committee meeting in November.

Whilst the working group included the Executive Directors and the Chairman of the Board, the approval of the draft policy was the responsibility of the Remuneration Committee, which is comprised exclusively of independent Non-Executive Directors. No changes to the policies applicable to Non-Executive Directors were proposed from the current shareholder-approved version of the Policy.

Following the approval of the proposals by the Committee, a letter was sent from the Remuneration Committee Chair to the Company's top 20 shareholders and shareholder advisory groups inviting their input on the proposals.

As part of the review, the working group and the Remuneration Committee considered whether it was appropriate to introduce measures for Executive Directors' variable pay based on ESG metrics. The Committee concluded that the existing policy provided enough flexibility to introduce such measures in the annual bonus in the future if it was deemed appropriate (provided they did not exceed the percentage of non-financial measures afforded by the policy). It was concluded that the Group's ESG metrics were not yet robust enough and there was not yet a discernible enough link between ESG strategy and performance and therefore a meaningful link between pay and performance could not be established. The Committee agreed to keep this under annual review.

The Remuneration Committee Chair engaged with a number of shareholders ahead of the Committee meetings in January and February 2022. Following feedback from shareholders, the Committee agreed to update the draft policy to reduce the minimum percentage of financial measures for the PSP from 100% to 75% to allow for non-financial measures, particularly those measures linked to ESG targets, to be used for the long-term incentive in the future.

In addition, while not related to the updated policy, the Committee have agreed not to proceed with a proposal to change the base point for the 2022 PSP following shareholder feedback. The proposal was to use a blended performance figure for the PBT measure to negate the volatility in markets (and consequently, Howdens' results) in recent years. 2021 PBT outturn will now be used as the base point for the 2022 PBT performance measure for the PSP.

The updated policy will be subject to a binding shareholder vote at the AGM on 12 May 2022.

Fixed Variable

All-Director remuneration relative to average employees (audited)

The updated EU Shareholder Rights Directive (SRD II) requires listed companies to disclose the annual change in each director's pay in comparison to the average change in employee pay. This comparison is made on salary, bonus and taxable benefits and as such does not include some of the elements disclosed under the Single Figure Table such as pension contribution or long-term incentives. While the SRD II requires a listed entity to provide employee pay information for that entity only (i.e. not on a group-wide basis), a 'Group' comparator has also been included in the table below as this provides a more representative comparison. The table below discloses this information from financial year 2019 onwards and will ultimately provide a five-year view of the change in individual Director's pay relative to the change in average employee pay.

	% change in Basic Salary		% change in Benefits		% change in Bonus	
	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020
Average Howden Joinery Group Plc employee remuneration[1]	-	-	-	-	-	-
Average Howdens Group employee remuneration	1%	4%	(15)%	9%	38%	12%

1 In the financial year ended 25 December 2021, Howden Joinery Group Plc did not employ any individuals.

	% change in Basic Salary / Fees		% change in Benefits		% change in Bonus	
	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020	2020 to 2021	2019 to 2020
Executive Directors						
Andrew Livingston[1]	12%	3%	(85)%	84%	100%	(100)%
Paul Hayes[2]	-	-	-	-	-	-
Former Executive Director						
Mark Robson[3]	-	3%	-	(51)%	-	(100)%
Non-Executive Directors						
Richard Pennycook	2%	3%	0%	(100)%	-	-
Karen Caddick[4]	3%	18%	0%	(89)%	-	-
Andrew Cripps	3%	5%	0%	0%	-	-
Geoff Drabble[4]	3%	22%	0%	0%	-	-
Louise Fowler[5]	4%	515%	0%	100%	-	-
Debbie White	4%	3%	(50)%	390%	-	-

1 In 2021, following shareholder consultation, Andrew Livingston's salary was increased by 12%. The rationale for this increase may be found on page 105 of the 2020 Annual Report and Accounts. In 2020, Andrew received a relocation allowance as permitted under the Director's Remuneration Policy.

2 Paul Hayes was appointed to the Board on 27 December 2020 and therefore did not receive a salary, benefits or bonus as a Director in respect of the 2020 financial year. Comparative figures cannot therefore be calculated for the periods reported above.

3 Mark Robson retired from the Board on 26 December 2020 and therefore did not receive a salary, benefits or bonus as a Director in respect of the 2020 financial year. Comparative figures cannot therefore be calculated for the periods reported above.

4 In September 2019, Karen Caddick was appointed Remuneration Committee Chair and Geoff Drabble was appointed Senior Independent Director. Geoff also assumed additional responsibilities as the Non-Executive Director responsible for employee engagement at the beginning of 2019. The increases shown in their Non-Executive Director fees for 2019 to 2020 are predominantly due to these changes.

5 Louise Fowler was appointed to the Board in November 2019 and did not receive a full year of fees in respect of that year. The percentage change between 2019 and 2020 was therefore substantial as the figures are not pro-rated for the purposes of the above calculations.

Wider workforce considerations

The Remuneration Committee received updates from the Group HR Director in respect of average salary of an employee in 2021 versus the respective periods in 2020 and 2019 for depot, manufacturing, and logistics roles. When determining the base salary, benefits and variable pay awards for the Executive Directors and senior management, the Committee had regard to the information contained in the Provision 33 Dashboard, which includes information such as the CEO pay ratio, gender pay gap statistics, and the salary, bonus, pensions, benefits and share plan arrangements available to the wider workforce.

Remuneration Committee report continued

Directors' remuneration report

Part 2: Application of policy in 2021

In this section of the Directors' remuneration report we set out how the Committee has executed policy for 2021. Disclosures in this section are retrospective and where applicable are shown against prior year comparator.

2019 Directors' Remuneration Policy Summary

At the Annual General Meeting of shareholders on 2 May 2019, the Directors' Remuneration Policy (the 'Remuneration Policy'), as set out in the 2018 Annual Report and Accounts, was approved by shareholders. Set out below is a summary of that Policy, how that Policy links to strategy and consideration of some of the factors the Committee addressed when formulating the Policy. How the Policy has been applied during 2021 can be found on subsequent pages in the report. The Remuneration Policy can be viewed in full online at www.howdenjoinerygroupplc.com/governance/remuneration-policy.

Executive Directors

Fixed pay

Base salary	Link to strategy
Salaries are reviewed annually and set within a range defined by a market benchmark. This is derived from companies of a comparable size or operating in a similar sector. Our policy is to pay at median.	Salaries reflect the market value of the Executive's role in addition to their skill, responsibilities, performance and experience.

Benefits	Link to strategy
The Company pays the cost of providing benefits on a monthly basis or as required for one-off events.	Our Policy provides a competitive level of benefits.

Pension	Link to strategy
Executive Directors appointed after May 2019 are invited to join the Company defined contribution pension scheme or receive a salary supplement in lieu of pension in line with the maximum level of benefit they would have received if they had enrolled in the scheme. Company contributions for Executive Directors are aligned with those for the wider workforce. The pension benefits of Directors appointed before May 2019 are governed by earlier Remuneration Policies and their contracts of employment. However, the CEO, who was appointed to the Board in April 2018, has voluntarily agreed to reduce his current benefits to be in line with the wider workforce by May 2022, that being the next scheduled renewal by shareholders of this Policy. More detail on the tapering of their benefits is set out on page 108.	The Committee remains committed to providing competitive long-term savings opportunities provided they are aligned with the opportunities afforded to the wider workforce.

Fixed Variable

Variable pay

Annual bonus	Link to strategy	
The annual bonus has a maximum opportunity of 150% of base salary. Performance is assessed annually against stretching PBT and cash flow targets. 30% of any bonus earned is deferred into shares. Shares are paid out on the second anniversary of the deferral date. Malus and/or clawback provisions operate on the bonus for a period of up to two years after the performance period.	PBT and cash flow targets reflect our key internal performance indicators and the role of sustainable profit growth in our entrepreneurial culture. The annual bonus incentivises performance over the financial year. Deferral links bonus pay out to share price performance over the medium term.	**Performance period:** 1 year **Additional deferral period:** 2 years **Time from end of performance period to receipt:** • 70% of bonus has no deferral period. • 30% of bonus paid after 2 year deferral period.

Performance Share Plan	Link to strategy	
The vesting of awards is based on performance over a three-year performance period. The maximum opportunity allowed under the award is 270% of salary. Malus provisions apply for the duration of the vesting period. Vested awards are subject to a two-year holding period following vesting, during which no performance measures apply.	Focuses management on longer-term financial growth than addressed by the annual bonus. Long-term financial growth is fundamental to the generation of shareholder value. As with the annual bonus, deferral links bonus pay out to share price performance but the post-vesting holding period does this over the longer period.	**Performance period:** 3 years **Additional deferral period:** 2 years **Time from grant to receipt:** 100% of vested award after 5 years

Executive Director shareholdings

Significant shareholdings on the part of our Executive Directors are key to ensuring effective alignment with shareholders. Under the Remuneration Policy, the Executive Directors are expected to have a personal shareholding equal to twice their annual base salary. Shares deferred under the deferred bonus plan and unvested conditional share awards are not counted towards this requirement. Executive Directors are also eligible to receive shares awarded under the Share Incentive Plan (SIP), the Company's all-employee share scheme. Any free or matching SIP shares held in the SIP trust that were awarded to an Executive Director less than three years beforehand are not counted towards the shareholding requirement. SIP partnership and dividend shares, which do not have a holding period, are counted towards the shareholding requirement.

In 2019, a post-cessation shareholding requirement was introduced in the Directors' Remuneration Policy. This requires Executive Directors to hold 100% of their shareholding requirement (or full actual holding if lower) for a period of two years post-cessation of employment. See page 131 for the total shares in the Company held by the Directors, together with unvested performance shares and those held subject to deferral conditions.

Non-Executive Directors

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

Fees are reviewed every year and are set within a range defined by a market benchmark of comparable size companies and with reference to any pay increase awarded to the wider workforce. All fees for 2022 and the prior year are set out of page 128. Non-Executive Directors are also entitled to receive expenses in respect of reasonable travel and accommodation costs.

Remuneration Committee report continued

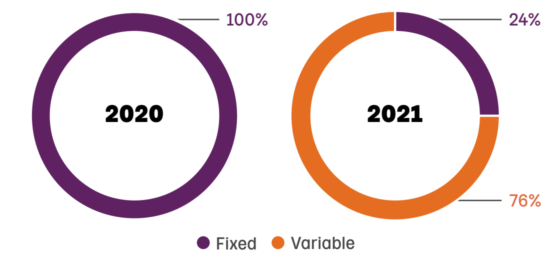
Directors' remuneration report

Part 2: Application of policy in 2021 continued

Single figure of remuneration (audited)

	Fixed								Variable						Total Remuneration	
	Salary/Fees		Taxable Benefits		Pension		Total Fixed		Bonus		LTIP		Total Variable			
£000s	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Executive Directors:																
Andrew Livingston	650	578	19	132	91	106	760	816	975	0	2,216	0	3,191	0	3,951	816
Paul Hayes	425	-	20	-	31	-	476	-	638	-	-	-	638	-	1,114	-
Former Executive Directors:																
Mark Robson	-	452	-	31	-	113	-	596	-	0	-	0	-	0	-	596
Total	1,075	1,030	39	163	122	219	1,236	1,412	1,613	0	2,216	0	3,829	0	5,065	1,412
Non-Executive Directors:																
Richard Pennycook	261	256	0	0	-	-	261	256	-	-	-	-	-	-	261	256
Karen Caddick	70	68	0	0	-	-	70	68	-	-	-	-	-	-	70	68
Andrew Cripps	70	68	0	0	-	-	70	68	-	-	-	-	-	-	70	68
Geoff Drabble	73	71	0	0	-	-	73	71	-	-	-	-	-	-	73	71
Louise Fowler	58	56	1	1	-	-	59	57	-	-	-	-	-	-	59	57
Debbie White	58	56	1	2	-	-	59	58	-	-	-	-	-	-	59	58
Total	590	575	2	3	-	-	592	578	-	-	-	-	-	-	592	578

Total current Executive Director fixed vs variable pay



Notes to the single figure table

Executive Directors

Salary

Salaries will not be changed outside of the annual review, unless there are exceptional circumstances, such as a mid-year change in role. Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set within a range defined by market benchmark derived from companies in a similar sector (policy is to pay median). Salaries for 2022 can be found on page 128. The peer group used is reviewed whenever benchmarking is performed, and the Committee applies judgement in identifying appropriate peer group constituent companies. The individual's level of total remuneration against the market is considered at the same time.

Taxable Benefits

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. In 2020 Andrew relocated and received a relocation allowance in line with the shareholder approved approach to recruitment remuneration of £94,340. Following receipt of the relocation allowance, no further payments were made in respect of hotel costs and no future payments will be made in respect of accommodation costs.

Pension

Both Executive Directors received a cash benefit in lieu of pension during the year. More information about future Executive Director pension benefits can be found on pages 108 and 114.

Fixed Variable

Annual Bonus (Audited)

Targets

Our annual bonus for 2021 was based on PBT and cash flow measures subject to an aggregate maximum of 150% of salary. The PBT and cash flow measures were weighted as follows:

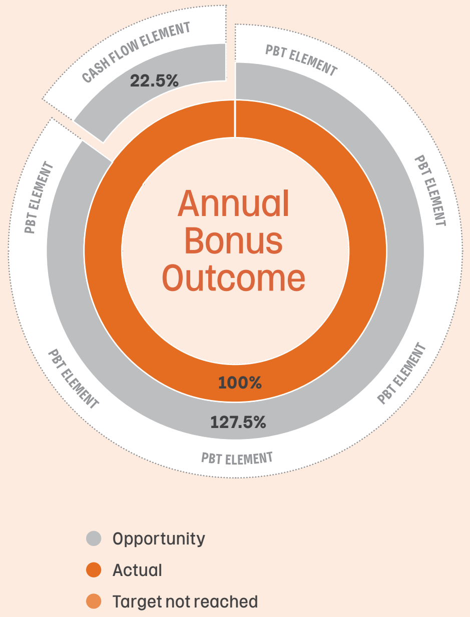
	PBT component	Cash flow component
Threshold	£185.3m (17% of salary)	£246.0m (3% of salary)
Target	£259.1m (63.67% of salary)	£306.0m (11.25% of salary)
Outperformance	£272.1m (127.5% of salary)	£313.0m (22.5% of salary)

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

Outcomes for the year

The PBT figure for the year in relation to the annual bonus is £390.3m. The cash flow figure for the year in relation to the bonus was £529.0m. In aggregate, the Executive Directors will receive an annual bonus of 150% of salary for 2021.

	Andrew Livingston	Paul Hayes
PBT (% of salary)	127.5%	127.5%
Cash Flow (% of salary)	22.5%	22.5%
Total Bonus (% of salary)	150%	150%
Total Bonus (£'000)	975	638



Performance Share Plan ('PSP') (Audited)

Targets

The PSP awards granted from 2016 to 2019 have been measured against PBT growth over a three-year period. The PBT growth for the 2019 award was measured between FY 2018 to FY 2021. Any shares that vest under the PSP award are subject to a two-year post-vest holding period for serving Executive Directors.

Outcomes for the year

The 2019 PSP had a threshold requirement of 5% PBT growth p.a. and a maximum requirement of 15% p.a. At the threshold requirement, 15% of the award would have vested. The PBT for 2021 was £390.3m, and therefore growth on FY 2018 was 17.2% p.a. The award will therefore vest at 100% of maximum opportunity at the beginning of May 2022.

£975,713 of Andrew Livingston's 2019 PSP award was attributable to share price increases. The share price at the date of grant was 502.6p and the three month average to 25 December 2021, the price on which the value of the award is calculated, was 898.0p.

Remuneration Committee report continued

Directors' remuneration report

Part 3: Implementation of policy in 2022

In this section of the Directors' remuneration report we set out how the Committee has implemented policy for 2022. Disclosures in this section are forward looking. The outcome of any variable award for Executive Directors will be reported in the Remuneration Committee report for the financial year 2022.

Non-Executive Director fees

Fee increases from 2022 are set out in the table below.

		Basic NED Fee[1]	Chair Fee	SID Fee	Committee Chair Fee
2022	Fee	£60,250	£273,000	£16,000	£13,300
	Effective date	1 January 2022			
2021	Fee	£58,500	£265,000	£15,500	£12,900
	Effective date	1 July 2021			

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

Executive Director base salaries

Base salary increases from 2022 are set out in the table below. For 2022, salary increases for the wider workforce are around 3% of salary.

	2022		2021	
Executive Directors	Salary (£'000)	Effective date	Salary (£'000)	Effective date
Andrew Livingston	670	1 January 2022	650	1 January 2021
Paul Hayes	438	1 January 2022	425	-

In the 2020 Remuneration Committee Report, it was reported that the increase to Executive Directors' base salaries would revert to the usual cycle of annual salary reviews that applies at Howdens each year in July. Subsequent to this, the annual salary review date for all Howdens employees was changed to 1 January. The Remuneration Committee has agreed to align the increase in base salaries for Executive Directors and Senior Management to 1 January to provide alignment with the wider workforce. The Board has also agreed to align the effective date for increases in Non-Executive Director fees with the wider workforce and these will also be effective from 1 January.

Annual bonus measures

The table below sets out annual bonus measures for 2022. 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 2022 Remuneration Committee Report.

Bonus measure	Definition	Performance level	Pay out level
PBT	Pre-exceptional profit before tax from continuing operations	Threshold Target Maximum	17% of salary 63.75% of salary 127.5% of salary
Cash Flow	Net cash flow from operating activities, taking into account the efficiency with which working capital is used, and adjusted for exceptional items	Threshold Target Maximum	3% of salary 11.25% of salary 22.5% of salary

Fixed Variable

Performance Share Plan (PSP) measures

Set out below are the performance measures and relative weightings for each of the measures. For 2022 the maximum opportunity under the PSP is 270% of base salary for Andrew Livingston and 220% of base salary for Paul Hayes. The performance period is three years, measured over the relevant financial years, starting with the financial year of grant. See page 132 for scheme interests awarded in 2021.

PSP measure:	PBT growth	
Measure weighting	67%	
PBT component vesting schedule	PBT growth performance condition	Payout level
	12% p.a.	100% of maximum
	Straight-line vesting between these points	
	5% p.a.	15% of maximum
	Less than 5% p.a.	0

PSP measure:	Relative TSR	
Measure weighting	33%	
Comparator group and averaging period for TSR performance	• Companies ranked up to 50 above and 50 below Howdens by market capitalisation in the FTSE All Share index at or shortly before the start of the performance period (excluding Investment Trusts). • One month TSR average for the month preceding the first day of the performance period and one month TSR average for the final month of the performance period.	
Performance assessment	Performance against comparator group	Payout level
	Equal to or above upper quartile	100% of maximum
	Straight-line vesting between these points	
	Equal to median	15% of maximum
	Below median	0

Under the terms of the Directors' Remuneration Policy approved by shareholders at the 2019 AGM, the 2022 PSP awards will be subject to a two-year post-vesting holding period.

Remuneration Committee report continued

Part 4: Additional disclosures

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

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

No loss of office payments or payments to past Directors were made in the year under review other than those paid to Mark Robson, as disclosed in the 2020 Directors' remuneration report.

External appointments

It is recognised that Executive Directors may be invited to become non-executive directors of other companies and that exposure to such duties can broaden their experience and skills, which will benefit the Company. Howdens allows Executive Directors and other appropriate senior employees to accept a maximum of one external non-executive appointment outside the Company, subject to permission from the Committee, provided this is not with a competing company nor likely to lead to conflicts of interest. Andrew Livingston is currently Non-Executive Director of LondonMetric Property Plc, a FTSE 250 REIT. Andrew received £54,937.54 in fees in respect of his role as Non-Executive Director. Andrew held this position upon appointment. Paul Hayes does not have any external appointments. Executive Directors may retain the fees paid to them in respect of their non-executive duties.

Total pension entitlements (audited)

Executive Directors are invited to participate in the Howdens Retirement Savings Plan (the 'Plan') or receive an amount in lieu of membership of the Plan. More information on pension entitlements for Executive Directors can be found on page 108 and in the Directors' Remuneration Policy at www.howdenjoinerygroupplc.com/governance/remuneration-policy

The table below sets out the payments made in lieu of membership of the Plan for the Executive Directors who served during the year. No additional benefits become receivable if Executive Directors retire early.

	Executive Directors	
	Andrew Livingston	Paul Hayes
Accrued pension at 25 December 2021 (£'000)	-	-
Normal retirement date	-	-
Pension value in the year from defined benefit component (£'000)	-	-
Pension value in the year from defined contribution component (£'000)	-	-
Pension value in the year from cash allowance (£'000)	91	31
Total	91	31

Fixed Variable

Director shareholdings (audited)

In order that their interests are aligned with those of shareholders, Executive Directors are expected to build up and maintain a personal shareholding in the Company of at least 200% of salary.

The table below sets out the total shares held together with unvested Performance Share Plan awards and those held subject to deferral conditions. No options were exercised by the Executive Directors during the year.

	Current Executive Directors	
	Andrew Livingston	Paul Hayes
Shareholding requirement %	200%	200%
Shareholding requirement (number of shares)[1]	144,766	94,655
Shares owned outright (including by connected persons)[2,5]	146,577	7,051
Current shareholding (% of salary)[1]	203%	15%
Guideline met	Y	N
Unvested deferred bonus shares	20,242	-
Share awards subject only to continued employment[3,5]	203	49
Share awards subject to performance conditions and continued employment[4]	689,040	125,436
Options subject to performance conditions	-	-
Vested but unexercised options	-	-

1 Based on a share price of £8.98, being the three-month average price to 25 December 2021, and basic salary as at 25 December 2021. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons at 25 December 2021 and the Executive Director's salary at that date.
2 Includes Share Incentive Plan ('SIP') partnership and dividend shares.
3 Includes only SIP free and matching shares.
4 Performance Share Plan awards under the Long-Term Incentive Plan.
5 Between the end of the period (25 December 2021) and 23 February 2022, Paul Hayes has acquired 38 SIP Partnership Shares and 6 SIP Matching Shares. No other changes to the Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 23 February 2022.

Non-Executive Director shareholdings (audited)

There is no shareholding requirement for Non-Executive Directors.

	Non-Executive Director					
	Karen Caddick	Andrew Cripps	Geoff Drabble	Louise Fowler	Richard Pennycook	Debbie White
Shareholding[1,2]:	6,000	3,000	3,000	470	54,663	4,562

1 Including shares held by connected persons.
2 No changes to the Non-Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 23 February 2022.

Remuneration Committee report continued

Directors' remuneration report

Part 4: Additional disclosures continued

Scheme interests awarded during the financial year (audited)

During 2021, the Executive Directors were invited to participate in the Performance Share Plan (PSP) and Share Incentive Plan (SIP), as set out in the table below. Further information on conditional shares and SIP free and matching shares may be found in note 25 on page 177:

Nature of award:	Award of Conditional Shares under the PSP	
	CEO	CFO
Number of shares under award	191,843	125,436
Face value of award[1]	£1,430,000	£935,000
Performance condition	Proportion of PSP award subject to the performance condition	
TSR performance condition:	33%	
PBT performance condition:	67%	
TSR component vesting schedule	Position at which Howdens ranks compared to comparators	Proportion of TSR portion of Award that may vest
	At or above upper quartile	100%
	Straight line vesting between these two points	
	At median	15%
	Below median	0%
PBT component vesting schedule	Annualised PBT growth over Performance Period	Proportion of PBT portion of Award that may vest
	15% p.a.	100%
	Straight line vesting between these two points	
	5% p.a.	15%
	Less than 5% p.a.	0%
Performance period	Performance measured from FY2020 to FY2023	
Grant date	6 Apr 2021	
Vesting date	6 Apr 2024	
Additional holding period	2 years	

1 Based on a share price of £7.454, being the closing price on 1 April 2021.

Nature of award:	Free and Matching Shares under the SIP[1]					
	Award type	Grant date	Vest date	Number of shares under award	Award price[2]	Face value of award[2]
CEO	Free Shares	6 Apr 2021	6 April 2024	33	£7.454	£245.98
	Matching Shares	12 Oct 2021	12 Oct 2024	24	£8.360	£200.64
CFO	Free Shares	6 Apr 2021	6 Apr 2024	33	£7.454	£245.98
	Matching Shares	12 Oct 2021	12 Oct 2024	6	£8.360	£50.16
	Matching Shares	19 Nov 2021	19 Nov 2024	5	£9.248	£46.24
	Matching Shares	17 Dec 2021	17 Dec 2024	5	£8.680	£43.40

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

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

Fixed Variable

Strategic report
Governance
Financial statements
Additional information

Consideration by the Directors of matters relating to Directors' remuneration

The Committee met six times during 2021 and discussed a number of items for which it is responsible. Under its terms of reference, which are reviewed on an annual basis, the Committee is responsible for determining the broad policy and specific remuneration packages for Executive Directors and senior management (that being the members of the Executive Committee, the Company Secretary and the Head of Internal Audit and Risk), including pension rights and, where applicable, any compensation payments. The Committee is also regularly updated on pay and conditions applying to other employees in the Company.

Advisors to the Committee

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

The Committee also has access to detailed external information and research on market data and trends from independent consultants. PricewaterhouseCoopers LLP (PwC) is the Committee's retained independent advisor and provided advice to the Committee during the year. PwC has been independent advisor to the Committee since 2007 and was appointed by the Committee as the result of a tender process. During the year, the Committee reviewed the ongoing independence of PwC as adviser to the Committee and agreed to retain them. It was satisfied that PwC was providing robust and professional advice. Work undertaken by PwC for the Committee included updating the Committee on trends in compensation and governance matters and advising the Committee in connection with benchmarking of the total reward packages for the Executive Directors and other senior members of staff. A representative from PwC usually attends each meeting of the Remuneration Committee. Fees paid to PwC in relation to remuneration services provided to the Committee in 2021 totalled £171,350 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 2021. PwC is a member of the Remuneration Consultants' Group which operates a code of conduct in relation to executive remuneration consulting.

Voting at the 2021 AGM

The results of the advisory vote on the Directors' remuneration report at the 2021 AGM may be found in the chart below, along with the results of the 2020 and 2019 AGMs.

By order of the Board

Karen Caddick
Remuneration Committee Chair

23 February 2022

Audit Committee report

Audit Committee 2021 meeting attendance

Andrew Cripps (6/6)
Karen Caddick (6/6)
Geoff Drabble (6/6)
Louise Fowler (6/6)
Debbie White (6/6)

Key activities in the year ahead

- **Review of the Annual Report and Accounts and preliminary results announcement.**
- **KPMG's appointment as auditor to be recommended to shareholders at the AGM.**
- **Shareholder update by the Audit Committee Chair at the AGM.**
- **Review of the 2022 interim results.**
- **Consideration of internal audit's annual plan, independence, resources and findings.**
- **Review of key controls.**
- **Approval of the 2023 Audit Committee calendar.**

Andrew Cripps
Audit Committee Chair

Introduction from the Committee Chair

I am pleased to present this Report covering the work of the Audit Committee in 2021.

It has been a busy year for the Audit Committee. In addition to ensuring effective external and internal audits, the Committee has undertaken a number of projects.

We also concluded the process of selecting a new external auditor in 2021. We have provided a detailed case study of the external audit tender process on page 138 of this report given the vital role an effective external audit performs. The Committee are looking forward to the fresh perspectives a new external auditor will bring from 2022. We thank Deloitte for two decades of independent scrutiny of our annual accounts and recommend KPMG for appointment at the AGM.

As reported in this Committee report last year, Howdens is undertaking a project to review the Group's internal controls in order to reappraise and document key controls and strengthen the controls environment. This is an extended project that will continue into 2022. The scope of the work includes the mapping of core processes, IT general controls (ITGC) and a programme of enhancements to existing fraud risk management activity. The Group is systemising its control framework to provide greater segregation of duties. The Audit Committee will continue to receive updates from management on this important project in 2022.

The Committee continued its programme of presentations from management, particularly in the key areas of divisional finance, compliance and information security, including cyber risk. Receiving updates from the Head of Information Security remains a vital part of the Committee's agenda in helping to address the risk of a cyber security incident.

The Committee undertook its regular governance reviews during the year and worked with the newly formed Sustainability Committee and the Board in developing controls over the implementation of Task Force on Climate-Related Financial Disclosures (TCFD). More information on the Group's approach to TCFD can be found on pages 52 to 57.

Finally, it was pleasing to receive the FRC's letter in respect of their thematic review of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' relating to the disclosures in our 2020 Annual Report and Accounts. The FRC did not raise any questions or queries to which the Group needed to respond and only recommended minor improvements to our existing disclosures[1]. This demonstrates the Group's continued commitment to high quality, transparent reporting and robust corporate governance practices.

I look forward to reporting directly to shareholders at our AGM and responding to questions.

Andrew Cripps
Audit Committee Chair

2021 Audit Committee activity

H1

February

Committee meeting
- 2020 draft Annual Report and Accounts and Full Year Announcement
- External audit report
- External audit policies
- External audit tender
- Internal audit report
- Key controls project
- Discussion with external auditors (without management present)

April

Committee meeting
- External audit tender
- Corporate governance reform update from external auditor
- Effectiveness of the external auditor and audit processes
- Information and cyber security reviews
- Internal audit report
- Key controls project update
- Audit Committee effectiveness
- Discussion with Head of Internal Audit (without presence of management)

May

AGM
- The reappointment of the external auditor and authority for the Directors to determine the auditor's remuneration were approved by shareholders

June

Additional Committee meeting
- Prospective external audit candidate presentations
- Decision to recommend KPMG as external auditor from 2022

H2

July

Committee meeting
- 2021 half year results, including going concern considerations
- External auditor half year review
- Internal audit report
- Key controls project update
- Conflicts of interest review
- Discussion with external auditor (without management present)

September

Committee meeting
- Internal audit report
- Key controls project update
- Review of fraud controls
- Depot financial controls and compliance review
- Discussion with Head of Internal Audit (without management present)

November

Committee meeting
- 2021 external audit plan
- 2022 internal audit plan
- Key controls project update
- Consideration of a more formalised Audit and Assurance Plan
- Terms of reference review
- 2022 Audit Committee calendar
- Discussion with external auditor (without management present)

1 The FRC asks that companies make clear the inherent limitations of their review and that their review was based solely on our report and accounts and did not benefit from detailed knowledge the Howdens business or an understanding of the underlying transactions entered into.

Strategic report
Governance
Financial statements
Additional information

Audit Committee report continued

Financial reporting

Results review

The Audit Committee reviewed the Group's 2021 Annual Report and Accounts and the half-yearly financial report published in July 2021.

As part of these reviews, the Committee received papers from management on changes in accounting policy, areas of significant judgement, the Group's key risks, going concern considerations and longer-term viability. The Committee also discussed reports from Deloitte on their audit of the Annual Report and Accounts and review of the half-yearly financial report.

The Committee 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 and Risk 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.

The Committee also received regular updates in respect of the key controls project during the year. More information on the key controls project can be found on page 140.

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's reports detailed the results of their procedures in relation to these areas to the Committee.

The matters shown below have been discussed with the 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 2021 Annual Report and Accounts are appropriate.

Areas of significant financial judgement

- Inventory obsolescence provisioning
- Validity of the actuarial assumptions

Area of significant financial judgement in 2021 and 2020

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 inventory to ensure local availability of stock while at the same time minimising obsolescence and wastage. In 2021, management continued to take a strategic position on additional safety stock to try and minimise the impact on depots from the issues seen in global supply chains caused by COVID-19.

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.

The Committee reviewed the processes used to value each category of inventory, including the assumptions behind obsolescence provisions, and were satisfied with the judgements made.

Validity of the actuarial assumptions

The Committee carefully reviewed the report of the Company's actuaries and concluded that:

- the actuarial assumptions applied to pension fund liabilities, and in particular the discount, inflation and mortality assumptions, were appropriate;
- the valuation of pension fund assets was consistent; and
- they concurred with the views of the external auditors.

It was noted that the upward trend in discount rates ahead of inflation, coupled with better than projected asset returns, resulted in the Pension Fund moving into surplus on an IAS 19 basis. The Committee concurred that this asset be regarded as recoverable in the balance sheet.

Distributable reserves

As reported in the 2020 Audit Committee report, the Committee requested that management analyse the revenue and other reserves of the Parent Company to ascertain the full extent to which these may be distributable. This information is included on page 196.

Governance

Governance updates

Updates on the latest governance practices for Audit Committees and changes in reporting requirements were provided by the external auditor. In addition to other resources, members of the Audit Committee are members of the Deloitte Academy, which provides updates on financial and reporting matters.

The Committee received regular updates on the proposed corporate governance reforms as set out in the Government White Paper 'Restoring trust in audit and corporate governance'.

Committee effectiveness

An effectiveness review was carried out on the Committee and its members as part of the wider Board evaluation process. The review concluded that the current mix of financial, commercial and relevant sector experience of the Audit Committee, and that of its advisors, was such that the Committee could effectively exercise its responsibilities to the Group in relation to risk and controls.

The Committee also undertakes an Audit Committee effectiveness self-assessment questionnaire each year. Audit Committee specific training plans and audit and assurance policies were two areas which the Committee agreed to consider further.

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 140) and employment of ex-audit firm personnel. It also reviewed the Directors' conflicts of interest register. Further information about conflicts of interest may be found on page 141.

Competition and Markets Authority (CMA) Order compliance

The Audit Committee confirms that the Company has complied with the provisions of the Order throughout its financial year ended 25 December 2021 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.

Committee 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 Internal Audit and Risk, the Company Secretary and senior representatives of the external auditor.

The Committee Chair 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 in the Annual Report.

Andrew will present a summary of the work of the Audit Committee to shareholders at the 2022 Annual General Meeting.

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 Chair of a number of FTSE 250 and other 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.

External auditor*

External auditor	Deloitte LLP (Deloitte)
External auditor tenure	20 years
Lead audit partner	Claire Faulkner
Lead audit partner tenure	5 years (of a 5 year cycle)
New external auditor to be engaged	2022
Total fees paid to auditor in the year	£0.8m (Non-audit fees accounted for £0.1m of the total fee)

* The information above is correct as at 25 December 2021.

External audit tender

Following a comprehensive external audit tender process during the year, the Audit Committee made a recommendation to the Board to appoint KPMG LLP as the Group's external auditor from 2022. The Board will recommend KPMG's appointment to its shareholders at the 2022 Annual General Meeting. A case study on the external audit tender process can be found on page 138.

Case study
External Audit Tender Process

Having retained the same audit firm, Deloitte LLP, for the previous 20 years, the Audit Committee decided to run a tender process for a new external auditor before the Statutory Auditors and Third Country Auditors Regulations 2017 obliged the Group to do so in 2023. The Committee was aware that best practice was to coincide the change of auditor with the end of the current engagement partner's five-year term and decided early in 2021 that it would not take advantage of the flexibility afforded by the FRC due to the impact of COVID-19 to extend auditor and engagement partners' terms by one year.

The Committee were particularly mindful of the key statutory and regulatory requirements set out by the Competition and Markets Authority (CMA), Financial Conduct Authority (FCA) and Financial Reporting Council (FRC) applicable to the external auditor tender process and received legal advice in respect of these at the outset of the process.

2019
The Audit Committee identified the key experience required of a new auditor, including experience of FTSE 100 audits, capital market transactions and cross border audits in view of the expected growth of the Group over the appointment period (up to ten years). These requirements were compared with the full range of audit firms, including those outside of the 'Big 4'. Once a short-list of firms with the requisite experience had been established, management was tasked with ensuring that none of these firms were offered new work which would potentially compromise their independence as prospective auditors.

2020
Having identified two preferred audit firms for the full tender process, presentations were made by the Group to each firm. The firms were requested to propose three potential engagement partners for evaluation. It was communicated to each of the audit firms that the Audit Committee's preferred process was first to get to know and select potential engagement partners from each firm, followed by a presentation of information relevant to the audit and due diligence process concluding with final proposals and face to face presentations. The tender process was paused during COVID-19 restrictions.

2021
February
An update on the tender process was provided to the Audit Committee. It was agreed that Debbie White would join the Committee Chair in the detailed selection and evaluation process for additional non-executive input.

Each firm submitted three potential engagement partners who were evaluated using a pre-agreed evaluation list.

Subsequent to the February Audit Committee meeting, and having confirmed their independence, a tender timetable was agreed with the shortlisted audit firms. Non-disclosure arrangements were put in place and request for proposals (RFPs) issued by the Group.

A data room was populated and was made available to the two audit firms ahead of management presentation meetings.

May
Each prospective audit partner met with senior management and all members of the Board ahead of the final evaluations.

Clear directions were provided for written proposals to the Committee to include:

- Explanation of approach to independence
- Audit approach and use of technology
- Team structure, continuity and succession planning
- Materiality assessment
- Assessed key audit risks
- Approach to controls, use of Internal Audit
- Approach to technical accounting issues
- Approach to regulatory and disclosure compliance
- Reporting to the Audit Committee
- Approach to transition from the incumbent auditor
- Assurance of professional scepticism, challenge and highest audit quality

June
The Audit Committee considered the written proposals and presentations from each of the tendering audit partners at an additional Audit Committee meeting. After careful consideration, the Audit Committee concluded that both audit firms were suitable for appointment but that the Committee's preferred auditor was KPMG LLP.

KPMG have been shadowing Deloitte during the 2021 audit to familiarise themselves with Company processes as part of the wider transition arrangements put in place. Shareholders will be asked to approve KPMG's appointment for the 2022 audit at the AGM in 2022.

Audit Committee report continued

External 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 2021, which included:

- A review of the independence of the external auditor and the arrangements which they have in place to restrict, identify, report and manage conflicts of interest.
- 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. The Audit Committee also has a policy in relation to the employment of former members of the external audit team.

External 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 2021 audit.
- The external auditor's fulfilment of the agreed audit plan and any variations from the plan.
- Evaluation from key management personnel and members of the Committee of the external auditor's exercise of professional scepticism and challenge.
- 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.
- Independence of thought and potential for conflict.

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

Details of the fees paid during the year to Deloitte may be found in the table on page 137 and in note 5 to the consolidated financial statements (page 158).

Performance expectations for the external auditor

Specific auditor responsibilities
- Discuss the audit plan, materiality, 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 auditor's reports and respond to requests and queries.
- Ensure consistent communication between local and central audit teams.

Wider responsibilities
- 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.

Independence
The Committee reviews the independence of the external auditor bi-annually. This includes consideration of the potential for conflicts of interest as well as the auditor's internal procedures to ensure independence of its staff.

Audit Committee report 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 has reviewed and updated the policy for non-audit services to ensure that it is in line with the FRC's Revised Ethical Standards 2019 (which took effect from 15 March 2020) and the FRC's Audit Quality Practice Aid 2019.

The policy, in line with regulation, substantially limits the non-audit services which can be provided by the external 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.
- Categories of service that are prohibited from being carried out by the auditor.

The policy specifies a de minimis 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 ensures that 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.

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

Controls and internal audit

Internal control framework

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

- The Board approves the Group's strategy and annual budgets; the Executive Committee are accountable for performance within these.
- 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 Terms of Reference (which may be found on the Company's website at www.howdenjoinerygroupplc.com/governance/corporate-governance-report/terms-of-reference-of-the-audit-committee). It receives reports from the Internal Audit function on the results of work carried out under an annually agreed audit programme. Operational and compliance controls are considered when the Committee reviews the annual Internal Audit programme. The Audit Committee has full and unfettered access to the internal and external auditors.
- Operating entities provide certified statements of compliance with specified key financial controls. These controls are cyclically tested by Internal Audit to ensure they remain effective and are being consistently applied.
- The Audit Committee annually assesses the effectiveness of the assurance provided by the internal and external auditors.

Key Controls

As reported in the 2020 Annual Report and Accounts, work is underway to review our key controls across the business to focus and further strengthen our overall control framework. Sponsored by the CEO and CFO, and reporting regularly to the Audit Committee, this project is improving our capability to identify operational, IT and financial controls which mitigate our key and principal risks. Phase 1 of this project was delivered in 2020.

Good progress in delivery of the project continued throughout 2021 with regular updates being provided to the Audit Committee. Internal project management and governance frameworks were determined to be working effectively and the Committee was satisfied with the progress made during the year.

The Committee remains committed to the activities to strengthen the control environment regardless of the outcome of the White paper 'Restoring Trust in Audit and Corporate Governance' although it is likely that this will guideprioritisation and activity for 2022.

Internal audit

The internal audit team has continued to develop its capabilities during the year. This includes continued development of data analytics and systemisation of controls. It has communicated an updated Internal Audit Charter to management and thereby refreshed understanding of responsibilities for internal controls and their verification, based on the three lines of defence model.

The Committee reviewed:

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

Independent assurance

The Committee assessed the coverage of independent assurance by reviewing the annual internal audit plan against the Group's key controls.

Internal audit effectiveness

The Committee considered that the Internal Audit function remained effective and provided a comprehensive level of assurance through its programme of work.

In previous years, the Audit Committee has commissioned an external assessment of the internal audit function every five years in order to assess the performance and effectiveness of the Internal Audit department. The last external assessment was undertaken by Grant Thornton in 2017.

In 2021 the Audit Committee commissioned an external quality assessment (EQA) readiness assessment (a standard developed by the Chartered Institute of Internal Auditors) of the internal audit function. An EQA evaluates conformance with the International Professional Practices Framework (IPPF), which includes the Code of Ethics, the Core Principles, the Definition of Internal Audit and the International Standards for the Professional Practice of Internal Auditing (the IIA Standards). The readiness assessment concluded that the function's processes were effective and robust and would be sufficient to meet the requirements of a full EQA. No areas reviewed were considered to be of concern, although a small number of best practice improvement recommendations were made.

Given the output of the EQA readiness assessment, the Audit Committee agreed to reconsider external assessment of the function in three years' time. As such, the next EQA readiness assessment will be undertaken in 2024.

Fraud risk

The Committee considered the controls in place to mitigate fraud risk and received a report from Internal Audit which confirmed the effectiveness of those controls.

Cyber and information security risk

The risk of a cyber security incident is considered to be one of the Group's principal risk. More information on this risk can be found on page 44.

An update on cyber and information security was presented to the Committee by the Head of Information Security and the Director of Infrastructure and Service Delivery at the Committee meeting in April.

The Committee noted that, in addition to the development of technical controls to mitigate the increasing risk of a cyber security incident, a strategy for Security Governance had been implemented to ensure clear direction to the business. The promotion of security risk management through improved business engagement and targeted training were other key area developed during the year. Biannual training on cyber security is completed by all employees on a rolling basis.

There were no significant information security breaches during the year and there had been no such breaches during the preceding three year period.

Divisional controls

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

Whistleblowing

Complaints on accounting, risk issues, internal controls, auditing issues and related matters are reported to the Audit Committee as appropriate. Oversight of the Company's whistleblowing policy is a matter considered by the Board. The Board receives biannual updates on whistleblowing statistics and trends (see pages 78 and 79).

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. The Audit Committee reviews the output of this process annually to ensure it is appropriately monitored.

By order of the Board

Andrew Cripps
Audit Committee Chair

23 February 2022

HOWDENS

Sustainability Committee report

Sustainability Committee 2021 meeting attendance

Richard Pennycook (1/1)
Geoff Drabble (1/1)
Karen Caddick (1/1)
Andrew Cripps (1/1)
Louise Fowler (1/1)
Debbie White (1/1)

Key activities in the year ahead

- **Deep-dive review on skills.**
- **Establishing a Group-level commitment toward Net Zero.**
- **Presentations in respect of the Group-wide diversity agenda.**
- **Initiative updates from the Sustainability Director.**

Richard Pennycook

Sustainability Committee Chairman

Introduction from the Sustainability Chair

Whilst there has long been an expectation that companies should behave in a socially responsible way, there has been a marked change in the previous decade as to the political and public will in relation to the advancement of progressive environmental and social matters. We see the awareness of these matters, such as the 'decarbonsiation' of the global economy, waste reduction, levelling-up in respect of diversity and ethnicity, and social mobility, and the willingness to act from our customers, employees and shareholder.

ESG initiatives and reporting have been a recurring item on the agenda of the Howdens Board. The business has responded to increased focus on ESG matters by dedicating additional resource and first appointing a Chief Governance Officer and latterly a Director of Sustainability. But it is important that leadership sets the tone from the top, particularly in relation to setting strategy and metrics, and therefore (following a recommendation by the Nominations Committee) the Board established a dedicated committee in 2021 to review sustainability initiatives and reporting. Delegating the responsibilities which originally sat with the Board will allow for additional focus and scrutiny and it is intended that the Sustainability Committee will look to identify areas where Howdens can really make a difference, as well as ensuring high standards of governance and reporting in this area.

It is probably true to say that 'ESG' is used as a catch-all term for almost all non-commercial or non-financial business matters. Corporate governance, in its current form of a codified set of rules against which companies must 'comply or explain', has been in place for nearly 30 years and Howdens has a well-developed set of Board and Committee practices and systems which are designed to mitigate corporate governance risks and failures. Howdens already has developed high-quality financial and governance reporting practices and therefore the remit of the Sustainability Committee does not cover governance matters per se and these remain a matter for the Board and its Committees.

It is expected that the function of the Sustainability Committee will develop over time but we have set out below the core role, remit and responsibilities of the Committee to provide a summary of how the Committee will operate in 2022. We have also disclosed some of the key work of the Committee during the year, some of which was addressed by the Board prior to the establishment of the Sustainability Committee.

Role, remit and responsibilities

The principal role of the Committee is to assist the Board in articulating and developing its sustainability strategy and providing oversight of sustainability initiatives across Howdens, in line with the purpose, values, and strategy of Howdens as established by the Board.

This includes monitoring of the content and completeness of Howdens' external statements, disclosures and other reporting on Sustainability matters. The Committee shall carry out the duties considered below in relation to any environment and climate action and Howdens' contribution to society. However, it will also consider any other matters referred by the Board or its Committees relevant to sustainability.

The Committee will carry out the following duties:

- Oversee Howdens' sustainability strategy, consider and approve proposals from management on the content of that strategy and recommend its adoption by the Board.
- Monitor and review progress against priorities and objectives, including compliance with public commitments on sustainability matters.
- Oversee management's plans on environment and climate action, including the setting, disclosing, and achievement of targets.
- Oversee and assess Howdens' overall contribution to, impact on, and role in society in the countries where it operates.
- Review external reporting and recommend for approval the external statements and disclosures made by Howdens in relation to sustainability, including the relevant sections of Howdens' Annual Report. This shall include keeping under review the extent and effectiveness of Howdens' external reporting of sustainability performance and its participation in external benchmarking indices.
- Consider Howdens' position on relevant emerging sustainability issues and consider and approve proposals on Group targets and/or the Group's commitment to non-mandatory sustainability related objectives.

The Committee will liaise as necessary with all other Board Committees as required.

Diversity: Equality, Diversity and Inclusion (EDI) Group

At the Sustainability Committee meeting in November, the Committee received an update from the Group HR Director on the progress made during the year in respect of the EDI Group.

The Group's EDI priorities were considered and an Executive Sponsor was agreed for each priority. Each sponsor will be supported by an internal and external resource and will be responsible for building an action plan for their priority area as well as having responsibility beyond their focused demographic to steer the overall direction of the EDI strategy.

The Committee also noted that an employee engagement survey would be undertaken in March 2022. This will be used as an opportunity to communicate the EDI priorities and collect the data needed to better understand the current EDI landscape and to and measure progress.

Apprentices

Howdens has an externally recognised track record for apprenticeships and we are proud of our strong success in this area. Many of our commercial strengths are underpinned by our home-grown model and, in conjunction with our focus on social mobility, will remain an area of focus.

The development of skills both at Howdens and in the wider construction industry will help sustain our business as well as helping to address the skills gap in construction more generally.

Howdens uses its apprentice levy across four key investment areas:

- Continuing to build our apprentice pipelines.
- Developing existing employees.
- Funding the education of construction apprentices.
- Educating and enabling our trade customers to employ apprenticeships.

The Sustainability Committee will undertake a deep-dive review on skill in 2022.

More information on apprenticeships at Howdens can be found in the Sustainability Matters report on page 46.

Task Force on Climate-Related Financial Disclosures (TCFD)

Following updates to the Board during the year, the Sustainability Committee considered and approved the methodology and draft disclosures under TCFD. Supported by external consultancy, TT Impact Strategies, the Group utilised the following methodology for TCFD implementation:

1. Governance and oversight: Board and management oversight to ensure that climate issues are embedded in the strategic planning/ enterprise risk management
2. Assess materiality of climate-related risks: Understand potential climate related risks and opportunities for Howdens' business involving all relevant internal stakeholders
3. Develop and define scenarios: Construct appropriate scenarios to develop relevant narratives according to Howdens' context and business model
4. Evaluate business impacts: For each scenario (three scenarios), identify key strategic and financial impacts - qualitative to quantitative
5. Identify potential responses: Use the results to identify realistic strategic responses to manage risks and opportunities
6. Document and disclose: Communicate to relevant parties - the inputs, assumptions, methods, outputs, and potential management responses

The Group's reporting under TCFD in respect of the year ended 25 December 2021 can be found on pages 52 to 57.

The Sustainability Committee will continue to receive updates from management on how the outputs from the TCFD review process are being implemented across the business as well as the development of TCFD reporting in the future.

By order of the Board

Richard Pennycook
Sustainability Committee Chairman

23 February 2022

Directors' report

The Directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 25 December 2021. Comparative figures relate to the 52 weeks ended 26 December 2020.

In order to make our Annual Report and Accounts more accessible a number of the sections traditionally found in this report can 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 and research and development ('R&D'). Any sections that have been moved have been cross-referenced below for ease of reference:

Located in the Sustainability report:

Greenhouse gas emissions and streamlined energy and carbon reporting (SECR): Details of the Group's greenhouse gas emissions, as required by Sch. 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, are set out on page 65. Information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (SI 2018/1155), may be found on pages 64 and 65.

Located in the Governance section:

2018 UK Corporate Governance Code (the 'Code'): Information on how the Company applied the Principles and complied with the Provisions of the Code may be found on pages 90 to 95. A copy of the Code can be accessed via www.frc.org.uk.

Internal control and risk management arrangements: Internal control arrangements information may be found in the Audit Committee report on page 140. Risk management arrangements information may be found on pages 38 and 39 and in the Principal risks and uncertainties section beginning on page 40.

Diversity policies: The Board and Group diversity policies are available on page 100 of the Nominations Committee report.

Stakeholder engagement: Details regarding the engagement with suppliers, customers, and others in business relationships with the Company, as required by Sch. 7 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), may be found on pages 84 to 89.

Employees: Information about the total number of employees and gender diversity statistics are located on page 99. The average number of employees and their remuneration are shown in note 6 on page 159. The methods of engaging with the workforce may be found on pages 84 and 85. All eligible UK employees have been invited to participate in a free share award under the Company's Share Incentive Plan (SIP) each year since 2015, and in 2021 were invited to participate in a new SIP Partnership and Matching Shares plan. Further details of the SIP may be found in note 25 on page 177.

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 1 to 37.

Dividend: Dividend information can be found in the Chairman's statement on pages 17 and 18 and the 'Financial review' on pages 34 and 35.

Directors' statement of disclosure of information to the auditor: This statement may be found on page 70.

Located in the additional information section:

Annual General Meeting (AGM): Information about the AGM can be found on page 202. The recommendation to appoint KPMG LLP as the Group's auditor, can be found on pages 134 and 137.

Share capital, substantial shareholdings and acquisition of the Company's own shares: Information in this regard can be found on pages 202 and 203.

Indemnity and Insurance: Details of Directors' Indemnity and Insurance is located on page 203.

Significant agreements: Details of any agreements that take effect, alter or terminate upon a change of control may be found page 203.

Political donations and R&D

The Group made no political donations during the current and previous financial year. Nor has it made any contributions to any non-UK political party during the current or previous financial year.

The Group has undertaken research and development activities during the financial year to further enhance the service proposition to our trade customers.

By order of the Board

Forbes McNaughton
Company Secretary

23 February 2022

Non-financial reporting

Non-financial measures are an important part of our business and we have recognised the importance of non-financial information in our annual reports for many years. The Board is 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 48.

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 and Accounts 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 (see Group website).	• Greenhouse gas emissions and streamlined energy and carbon reporting (pages 64 and 65). • Discussion of the Company's progress on implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (pages 52 to 57). • Discussion of the UN Sustainable Development Goals and our progress on 'zero waste to landfill' and carbon neutral manufacturing (page 50). • KPI on production, reuse, recovery and recycling of warehouse waste and our target of 100% packaging used in manufacturing being made from recycled or certified sources (page 64). • KPI on use of certified timber in our manufacturing processes (page 62). • Discussions of our efforts to reduce waste and our responsible, energy-efficient operations (page 64).
Social matters	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	• Our impact on our stakeholders (starting on page 58) and engagement with stakeholders (starting on page 84). • Our work with local and national charities (page 66).
Respect for human rights	Sustainability and Corporate Social Responsibility Statement of Intent, and Modern Slavery Statement (see Group website).	• Discussion of the UN Sustainable Development Goal 8 (Decent Work and Economic Growth) (page 50). • Our Modern Slavery Statement (see Group website) sets out how we actively monitor suppliers and train our procurement staff. • Internationally recognised labour standards form part of our contracts of employment.
Anti-bribery and corruption	Anti-Bribery and Corruption, Conflicts of interest, Corporate gifts and hospitality, Anti-money laundering, Anti-tax evasion and Competition law policies.	• The Board considers and approves the following Group policies: anti-bribery and corruption, anti-money laundering, anti-tax evasion, competition law policy, market abuse compliance and the modern slavery statement and whistleblowing. • We have a rolling programme of refresher training on Modern Slavery and Anti-Bribery for our compliance team and buyers. • Further information about our whistleblowing facility may be found on page 85.
Employees	Health & Safety Statement of Intent (see Group website), Market abuse compliance, Data Protection and Privacy, Whistleblowing.	• KPI on Health and Safety and discussion of Health and Safety performance and initiatives (page 60). • Discussion of employee rewards and benefits, development opportunities and apprentice schemes (page 61). • Diversity policies and statistics (pages 99 and 100). • Workforce engagement (pages 84 and 85). • Directors' Remuneration Policy (see Group website for the full policy or pages 124 and 125 for a summary of the policy). A proposed new policy is set out on pages 111 to 118.

We outline our business model on pages 14 and 15. All of our non-financial KPIs are presented together on pages 30 and 31. A discussion of our principal and emerging risks, including those related to our business relationships, products and services, as well as a description of our risk management process, starts at page 38.