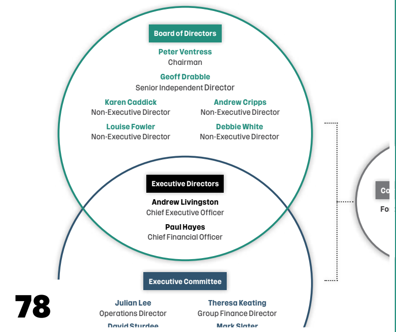
Governance

How we preserve value

Corporate governance report

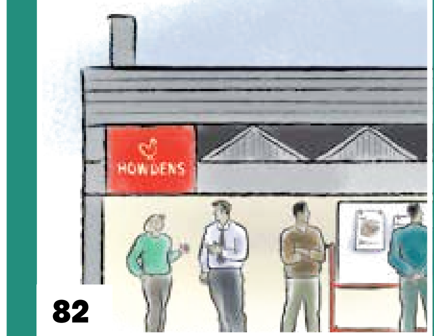


78

Board of Directors

80

Key Board activity

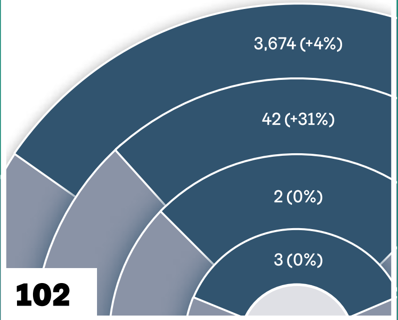


82

UK Corporate Governance Code application and compliance

96

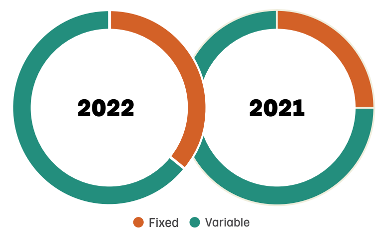
Nominations Committee report



102

Remuneration Committee report

Total Executive Director - Fixed vs Variable Pay

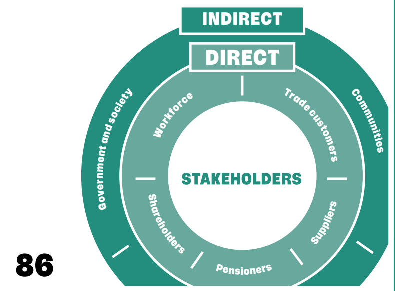


112

Executive Committee and Company Secretary

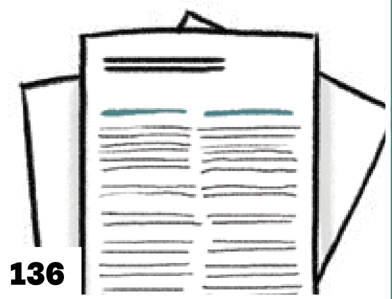
84

Section 172(1) statement and stakeholder engagement



86

Audit Committee report



136

Sustainability Committee report

144

78 Corporate governance report
80 Board of Directors
82 Key Board activity
84 Executive Committee and Company Secretary
86 Directors' duties (Section 172(1) statement)
88 Stakeholder engagement
96 2018 UK Corporate Governance Code: application and compliance
102 Nominations Committee report
112 Remuneration Committee report
136 Audit Committee report
144 Sustainability Committee report
146 Directors' report

Corporate governance report

Board meeting attendance

Peter Ventress (3/3) Appointed 1 July 2022
Richard Pennycook (6/6) Retired 17 September 2022
Karen Caddick (8/8)
Andrew Cripps (8/8)
Geoff Drabble (8/8)
Louise Fowler (7/8)[1]
Paul Hayes (8/8)
Andrew Livingston (8/8)
Debbie White (7/8)[2]

1 Louise was unable to attend the June Board meeting due to a pre-existing commitment. The June Board meeting comprised updates from the CEO and CFO but did not have a wider agenda. The Company Secretary updated Louise following the meeting.

2 Debbie was unable to attend the March Board meeting due to a conflicting work commitment. The March Board meeting was an additional meeting to the Board's usual calendar to consider the appointment of the new Chair. Debbie received the Board papers in advance of the meeting and was able to feed back her views to the Senior Independent Director before the meeting.

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.

2023 Annual General Meeting (AGM)

Details of the 2023 AGM may be found in the 'Additional information' section on page 214.

Share capital and significant agreements

Disclosures may be found in the 'Additional information' section on pages 214 and 215.

Peter Ventress
Chairman

Introduction from the Chairman

In my Chairman's statement at the beginning of this Annual Report (pages 16 to 18), I spoke of the importance of integrity and trustworthiness in business in the modern world. Good governance practices are the bedrock for these principles and I'm pleased to report that I have joined a highly experienced and high-performing Board.

The Board's agenda focuses on the best outcomes for all our stakeholders. It is varied, as you will see on the following pages, and balanced between our commercial imperative and governance safeguards. It gives me great pleasure to join a Board and a Company in such an exciting phase of its development and I look forward to building on the Board agenda from my predecessor, Richard Pennycook.

Strategic initiatives

In April, the Board considered the updated 'Raised Ambition' strategic plan. These plans were subsequently presented to me by management during my induction into the business. I am pleased that the Board was able to continue to support management's strategic initiatives during the year. The acquisition of the Sheridan solid surface worktop business, additional land purchases at the Howden site and investment in a new 'paint to order' line were all investments approved by the Board.

My first Board meeting in July was in France and the Board spent time in the French business with the local management team. The investment in the international business is one of the Board's main strategic initiatives and it was pleasing to see the Howdens model performing well outside of the UK.

When considering investment opportunities, the Board has regard to a wide range of different stakeholder considerations. Sometimes there are conflicting considerations and the Board must balance these in a fair and considered way. More information on the way we balance Directors' duties can be found on page 87.

Stronger governance

I was pleased that health and safety was already on the agenda of all Board meetings and it will remain our primary concern during the decision making process. It is also first on the agenda at Executive Committee meetings and operational Regional Board meetings, demonstrating that it is deeply embedded in our culture.

The Board also spent a significant amount of time on employee engagement during the year. Presentations were received from the Group HR Director and Howdens participated in the Best Companies survey in 2022, ranking in the top 10 best big businesses to work for. The Board took time to consider the results of the engagement survey and are working with management to address areas for improvement. The survey also provided the opportunity to capture (voluntarily) information about our employees which will assist with our equality, diversity and inclusion programmes. Employees are a key stakeholder and the Board was pleased to support the additional payment of £500 per employee recommended by management. We will continue to look for ways to improve our employee engagement during 2023.

During 2023, the Board approved the move from a secured to an unsecured credit facility. This was significant as it removed one of the final legacy issues and encumbrances from the restructuring of the old MFI business. The new facility, more information on which can be found in note 19 on page 188, provides the Board with greater optionality and flexibility when considering strategic opportunities in the future.

The Board in 2023

I look forward to developing and improving the Board's agenda in 2023. As you can see on pages 82 and 83 of this report, we are introducing 'spotlight sessions' to the majority of Board meetings. These sessions look to build on the Board's existing agenda and will give the Board time with the wider Executive team and their direct reports to discuss the fundamentals of the business model, strategy and future plans.

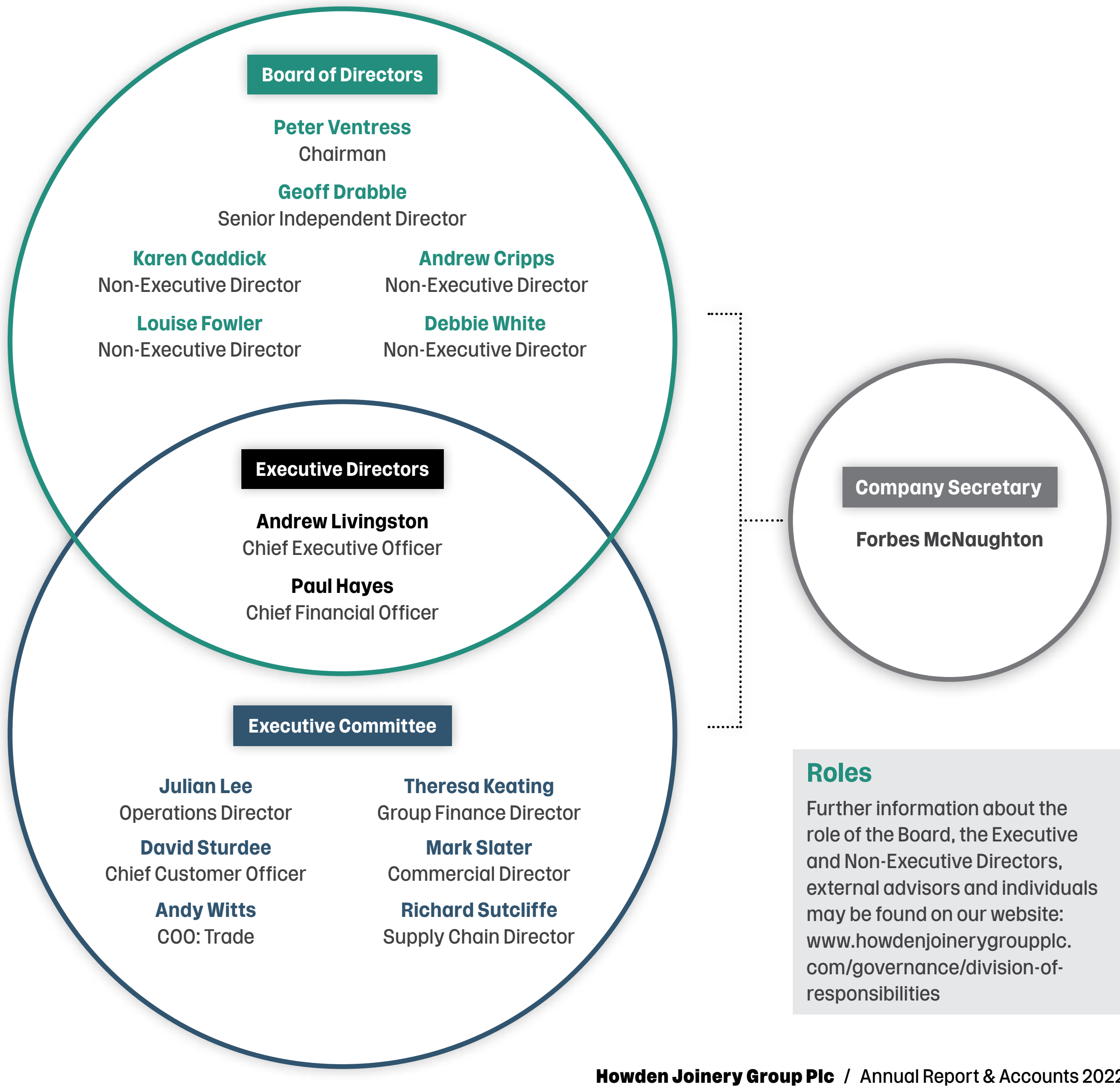
We also look forward to working with the Pension Trustees during the year in reshaping their strategy. In the 2021 Annual Report, we reported that the Defined Benefit Pension Plan (the 'Plan') funding position had improved so that it was in surplus on a technical provisions basis and therefore Company contributions to the deficit had ceased.

Sadly, following the shock volatility in the gilts market in the autumn, the Plan's investment strategy came under significant stress and deficit contributions have since recommenced.

We will also be taking more time to consider our wider equality, diversity and inclusion programmes at all levels of the business, promoting career paths and focusing on employee engagement.

We live in interesting times. At the beginning of 2022, there were still widespread lockdown restrictions and virtual Board meetings, and whilst these restrictions have largely disappeared, Howdens is not immune to the impact of shocks be they from international events or market volatility closer to home. It is our resilient business model, strong governance and the principle that everything we do must be worthwhile for all concerned that will mean Howdens continues to grow from strength to strength.

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 Peter Ventress was independent upon his appointment as Chairman.

Executive Directors


	Andrew Livingston	**Paul Hayes**
	Chief Executive Officer	Chief Financial Officer
Appointed	Andrew was appointed to the Board as Chief Executive Officer on 2 April 2018.	Paul was appointed to the Board as Chief Financial Officer on 27 December 2020.
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 and has an MBA from the London Business School.	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	Non-Executive Director of LondonMetric Property Plc	None
Committee Membership	Neither Executive Director is a member of any Board Committee.	

Non-Executive Directors






	Peter Ventress	**Geoff Drabble**	**Karen Caddick**	**Andrew Cripps**	**Louise Fowler**	**Debbie White**
	Independent Non-Executive Chairman	Senior Independent Director and Non-Executive responsible for workforce engagement	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
Appointed	Peter was appointed to the Board in July 2022 and became Non-Executive Chairman and Chairman of the Nominations Committee and Sustainability Committee in September 2022.	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.	Karen was appointed to the Board in September 2018 and became Chair of the Remuneration Committee in September 2019.	Andrew was appointed to the Board in December 2015 and became Chair of the Audit Committee in May 2016.	Louise was appointed to the Board in November 2019.	Debbie was appointed to the Board in February 2017.
Contribution to the long-term sustainable success of the Company	As former Chairman of Galliford Try plc and current Chairman of Bunzl plc, Peter has in-depth knowledge of UK listed companies and the associated high corporate governance standards required by such companies. He was also formerly Chief Executive Officer of Berendsen plc and has held several senior executive roles including International President of Staples Inc and Chief Executive Officer of Corporate Express NV, meaning he has extensive experience in international distribution businesses and brings a wealth of relevant commercial, financial and high-level management experience to the Board.	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.	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.	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.	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.	Debbie has extensive experience in the B2B sector from her time leading Interserve Plc and the Sodexo global healthcare and government businesses. She has in-depth knowledge of a number of markets, specifically the UK and France, both of which are key to Howdens. Her previous experience as a CFO and her current experience as Chair of the Audit Committee of a NASDAQ-listed business enables her to bring strong financial awareness and competence to the Board. Debbie was previously 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	Chairman of Bunzl Plc	Chairman of Ferguson Plc Chairman of DS Smith Plc	None	None	Non-Executive Director of Assura Plc	Non-Executive Director of PAVmed Inc, Lucid Diagnostics Inc[1], and Spire Healthcare Group plc[1]
Committee Membership	N S	A N R S	A N R S	A N R S	A N R S	A N R S

1 The Board considered Debbie's proposed appointment as Non-Executive Director of Spire Healthcare Group plc and Director of Lucid Diagnostics Inc (a subsidiary of PAVmed Inc, of which Debbie was already a director). 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 98.

Corporate governance report continued

Key Board activity

Set out below and on the facing page are highlights of the matters the Board considered in 2022 and will consider in 2023. 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 2022 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.

2022

January
- Health and safety
- 2022 budget review
- Capital allocation
- Investor relations update
- Principal risks review

February
- 2022 budget approval
- Draft 2021 preliminary results
- Draft 2021 Annual Report and Accounts and 2022 AGM documents
- Dividend and capital returns
- Non-Executive Directors' fees
- Principal advisors
- Whistleblowing report

March
- Appointment of new Chairman

April
- Health and safety
- DB pension plan update
- Shareholder feedback following 2021 Full Year results
- Broker update
- Ukraine crisis update
- Strategic planning (separate session)

May - AGM

All resolutions were passed with the requisite majority.

Further details about the meeting may be found on page 94.

June
- AGM feedback
- Consumer and market update

July
- France and Belgium Business update
- New factory line approval
- HR update
- Investor relations update
- Draft interim results and announcement
- Key risks review
- Whistleblowing report

Executive Committee presenters: KH

September
- Health and safety
- 'Cost of living' help for employees
- Employee survey update
- Supply Chain and Operations update
- Investor relations update
- Broker presentation, market update

Executive Committee presenters: RS JL

November
- Health and safety
- Operations, Commercial and Supply Chain updates
- Pensions update[1]
- Investor relations update
- Schedule of Matters Reserved for the Board and Board Committee Terms of Reference
- 2023 Board calendar

Executive Committee presenters: AW MS RS

2023

January
- Health and safety
- 2023 budget
- Investor relations
- Principal risks
- Whistleblowing report

Spotlight
Trade service and convenience: Digital strategy

February
- Health and safety
- Board evaluation
- Draft 2022 preliminary results, draft 2022 Annual Report and Accounts and 2023 AGM documents
- Shareholder and capital returns
- NED fees
- Group policies
- Principal advisors

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

Spotlight
Product leadership

May
- AGM - further details may be found on page 214.

July
- Health and safety
- Draft 2023 Interim results
- Key risks
- Broker update
- Whistleblowing report
- Director training session (to be provided by the Group's corporate lawyer)

Spotlight
Trusted trade relationships: Customer

September
- Health and safety
- Employee engagement
- Investor relations

Spotlight
Trade service and convenience: Depot evolution

November
- Health and safety
- Pensions
- Corporate governance
- Board Committees' Terms of Reference
- Schedule of Matters Reserved for the Board
- 2024 Board calendar

Spotlight
Trade value: Vertical integration

Spotlight sessions

Spotlights sessions, introduced for the first time in 2023, are sessions with the wider Executive team and their direct reports to discuss the fundamentals of the business model, strategy and future plans. Topics will focus on the five pillars of the business:

- Trade service & convenience
- Product leadership
- Trade value
- Entrepreneurial culture
- Trusted trade relationships

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 36 to 45. We have reviewed our risk management processes 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 94 and 95.

Executive Committee presenters

- KH Kirsty Homer (Group HR Director)
- RS Richard Sutcliffe (Supply Chain Director)
- JL Julian Lee (Operations Director)
- AW Andy Witts (COO: Trade)
- MS Mark Slater (Commercial Director)

1 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

Theresa Keating
Group Finance Director

Appointed

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

Contribution to the long-term sustainable success of the Company

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's role as Group Finance Director includes leading 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.

Julian Lee
Operations Director

Appointed

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

Contribution to the long-term sustainable success of the Company

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

Appointed

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

Contribution to the long-term sustainable success of the Company

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.

David Sturdee
Chief Customer Officer

Appointed

David joined Howdens in March 2022 and was appointed to the Executive Committee in May 2022.

Contribution to the long-term sustainable success of the Company

Prior to joining Howdens, David was Chief Customer Officer and Chief Operating Officer at Yum! Brands, responsible for Pizza Hut Europe across 25 countries and over 1,500 outlets. He was with Yum! Brands for 14 years with roles in the Middle East & North Africa, Asia Pacific, and Europe.

David is responsible for developing a longer-term customer strategy at Howdens to support our depot teams in managing their relationships with customers and to deliver our ambitious growth plans. David's role also encompasses leading our IT, Digital, and Marketing teams to continually develop and grow awareness of the Howdens brand.

Richard Sutcliffe
Supply Chain Director

Appointed

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

Contribution to the long-term sustainable success of the Company

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

Appointed

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

Contribution to the long-term sustainable success of the Company

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 the Republic of 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

Appointed

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

Contribution to the long-term sustainable success of the Company

Forbes joined the Company as Deputy Company Secretary in 2012 following a period of secondment from KPMG. He is a fellow of the Chartered 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 80.

Corporate governance report continued

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.

Workforce

The interests of the company's employees.

Suppliers

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

...Customers

Howdens was founded on the principle that the business should be worthwhile for all concerned. It's a principle that the business continues to live into today. But balancing the needs and views of all of our stakeholders can be challenging as there are often competing interests at stake. 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 2022 please see pages 82 and 83.

The Board regularly considers feedback from the Company's stakeholders. These are set out in detail on pages 88 to 95. This engagement is effective and in keeping with the Company's culture. For example, much of the feedback is through face-to-face conversations rather than being written, but where there is need for formality and 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 application of the Directors' remuneration policy in 2023 and employee feedback at Regional Board meetings, but it also provides the context for decision making, particularly where there are competing stakeholder interests.

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 facing 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 2022.

£500 payment to employees

In September 2022, all UK employees (below the first two tiers of senior management) received a one-off payment of £500. This was in recognition of the direct impact on employees' everyday lives of the high inflation environment and increasing energy bills. The total cost to the Company of the one-off payment was c.£7m.

Reward and recognition are key features of working at Howdens and the Company scored well in the 2022 Best Companies employee survey (further detail about which may be found on pages 65 and 90). Following engagement with employees and trade unions directly with our CEO and members of the Executive Committee, the Board was supportive of management's recommendation that the Company should provide the additional support for its workforce. This was especially the case given that Howdens' culture is that it should be a business which is worthwhile for all concerned. Maintaining our unique culture and strong reputation for rewarding our people fairly means that we can both attract and retain the best people, who in turn ensure the business's long-term strategic aims are met.

Shareholder returns

Howdens has a prudent risk appetite towards balance sheet management, an approach which has provided a source of great strength through the challenges of the COVID-19 pandemic in recent years. As markets have recovered, the Company prudently reinstated its capital priorities, including the return to paying dividends in 2021, and the return of surplus capital in the second half of the year. These returns were only initiated after having repaid all government support received early in the pandemic.

In February 2022, the Board recommended a final dividend for 2021 of 15.2p per ordinary share, giving a total dividend of 19.5p per ordinary share for 2021. In line with its capital allocations policy (more detail about which can be found on page 18), the Board also approved a £250m share buyback programme. In making its capital returns decisions, the Board considered its long-term strategy of continuing to invest in depots, manufacturing and logistics capabilities and related strategic investments while delivering a progressive dividend.

The Board takes regular feedback from shareholders on the most appropriate method of returning capital, including at the AGM where all shareholders, regardless of the size of their shareholding, are invited to attend and ask questions of the Board. Our CEO and CFO also discuss this during investor roadshows following results announcements.

Sheridan acquisition

In February 2022, Howdens acquired Sheridan Fabrications Limited ('Sheridan'), which was the UK's largest supplier of luxury kitchen worktops. In acquiring the business, Howdens was able to benefit quickly from the additional in-house manufacturing capacity and Sheridan's established experience in the solid work surface market.

In coming to its decision to acquire Sheridan, the Board considered Howdens' customers, who were seeing solid work surfaces becoming a feature of modern kitchens and a growing demand for the provision of bespoke fitted products. The design, template, manufacture, and fitting of premium solid kitchen surfaces therefore would support our trade customers in selling to their customers. In addition, the Board was satisfied that such an acquisition represented good value to its investors as it supported the business's long-term strategic aims.

Paint to order

In July 2022, the Board approved investment in a 'paint-to-order' manufacturing infrastructure to support the provision of a wider range of kitchen colours on certain premium product ranges. The provision of such a service allows our trade customers to provide more choices to their customers and therefore to compete more effectively, whilst also allowing Howdens to satisfy demand without carrying additional inventory to support a broader product range.

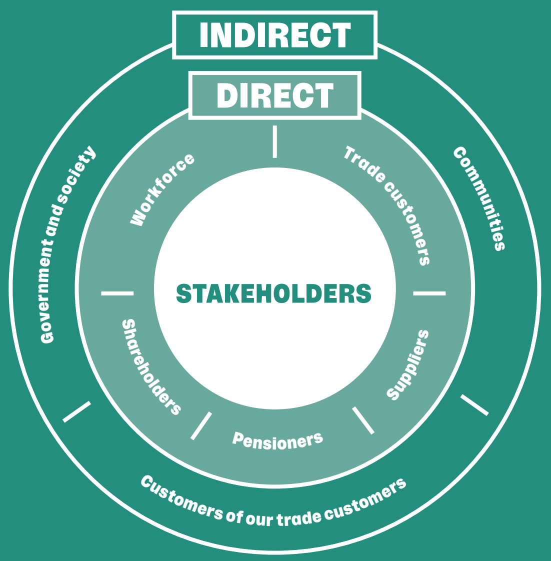
In considering its approval of the investment, the Board considered the payback on investment and that the investment supported the Group's strategic plans, which in turn represented good value for shareholders.

Strategic Report
Governance
Financial Statements
Additional Information

Corporate governance report continued

Stakeholder engagement

Howdens' stakeholders



Stakeholder and forms of engagement

Trade customers	pages 88 to 89
Workforce	pages 90 to 91
Suppliers	pages 92 to 93
Pensioners	pages 92 to 93
Shareholders	pages 94 to 95

Trade customers

Engagement with our trade customers includes the following:

- **Local depots**
- **Customer research**
- **Customer surveys**

Local depots

The primary method of engaging with our trade customers since Howdens opened its doors in 1995 has been through 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 our trade customers' views to management at Regional Board meetings (see 'Workforce' on page 91 for further information), which the COO of Trade is present at and which the CEO and other members of the Executive Committee frequently 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. 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.

Board members, Executive Committee members and senior managers regularly visit depots to ensure they hear from trade customers and the depots teams first-hand.

Trade customer surveys

We run periodic trade customer surveys to better understand our trade customers' forecasted activity, confidence of the industry over the next three months, and how we compare to our competitors. We also use the surveys to ask trade customers about 'hot topics' such as the cost of living crisis, use of our digital platform, perception of certain products, and sustainability, for example, 'end-of-life' issues with kitchens, so that we can feed this back into our sustainability agenda.

We also carry out regular surveys (at least bi-annually) with end-users online and trade customers by telephone. The purpose is to track customer sentiment and associated measures around the Howdens brand.

In 2022, trade customers participated in 'deep dive' research into flooring and ironmongery, which led to the improvement of merchandising and education around flooring within depots and partnerships with new flooring brands. They also helped us identify that our handle offering could be expanded, so new styles were launched in 2022 and more will be launched in 2023.

In addition, in 2022, end-users participated in ad hoc research into their purchasing journey. From this research we learned that there were changes we could make to our printed literature to help our customers better sell to their customers, the end-users. We will be publishing our new brochure in Q2 2023 in line with the changes identified by the research.

Cabinet research builder study

In 2021, as part of our continual efforts to make builders' lives easier, we undertook a cabinet research study with our builder customers (see page 87 of the 2021 Annual Report), and in 2022 several actions were implemented.

The research study helped us identify more ways to support our builder customers, such as by making improvements to the installation activities and configuration of our drawer box offer. It also identified that builders' knowledge of our cabinet offer could be improved further and so our marketing communications were improved to give better visibility of some items. QR codes now also link to product information and installation guides to ensure customers can more easily access the information they need.

Landlord research

We conducted research with our landlord customers to ensure we remain aware of their product, price and service needs and that we remain competitive against our competition in all sectors of the market.

Strategic Report
Governance
Financial Statements
Additional Information

Corporate governance report continued

Stakeholder engagement continued

Workforce

Engagement with our workforce includes the following:

- **Employee engagement survey**
- **Regional Board meetings**
- **Townhalls and feedback sessions**
- **Trade union and works council meetings**
- **Whistleblowing helpline**

Best Companies survey

In March 2022, employees were given the chance to have their say and participate in the Best Companies engagement survey. Over 7,300 surveys were completed by employees. The results from the survey showed that, on the whole, employees felt they are paid fairly for the work they do relative to people in similar positions in similar organisations, and that they believe the organisation does a lot to protect the environment. An aspect which the survey showed required attention was that many in the workforce wanted more support with their wellbeing. As a result of the survey, the following actions have been taken:

- Our Supply Operations team has formed a wellbeing committee, with 24 representatives across our manufacturing and logistics sites.
- We introduced a health app from an external provider to encourage employees to take regular steps to become healthier.
- In June 2022, we started a partnership with ANDYSMANCLUB to support men's mental health. 270 employees attended face-to-face and virtual presentations from ANDYSMANCLUB.
- In July 2022, we gave employees at five of our largest sites access to free blood pressure, heart rate, oxygen saturation, temperature and weight checks. Over 370 employees were checked over the course of seven days.
- We are piloting menopause awareness training and have partnered with Wellbeing of Women and Henpicked, two menopause in the workplace specialists, giving us access to a range of webinars and support tools.
- We are continuing to monitor and encourage the utilisation of flexible work patterns and will gather employee insights on peak times of demand/productivity by role to inform where flexibility can be offered.

As part of the survey process, we asked employees to provide diversity information anonymously if they felt comfortable to do so. We are now using this anonymous data to inform our equality, diversity and inclusion strategy and action plans.

Further information on our EDI roadmap and strategy may be found on page 65 of the sustainability matters report.

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 also attends a majority of these meetings. Certain support functions (including Supply, Commercial, Finance, and HR) also regularly attend. Members of the Board periodically attend Regional Board meetings. There are nine regions in total and one Regional Board meeting is held per region every other period, providing many opportunities each year for two-way discussions about critical business issues.

Townhalls and feedback sessions

The Operations Director holds at least two business updates each year for the manufacturing and logistics teams, and members of the Operations Leadership Team also hold 'Ask away' sessions with groups of employees. At each of our manufacturing and logistic sites regular feedback sessions are held with employees and it was through these channels that employees expressed concern over the cost of living. As a result, the Operations Director fed back these concerns to the Executive Committee, who in turn informed the Board and proposed the one-off payment to all UK employees below the first two tiers of senior management. The Board approved that the payment be made to employees in September 2022. More information about this payment can be found on page 87.

Monthly townhalls are hosted by the Commercial Director and Supply Chain Director. The townhalls focus on business updates, with topics such as insights and market trends, marketing plans, digital roadmap, new HR processes (including equality, diversity and inclusion initiatives) and supply chain updates being covered. Employees are given the opportunity to ask questions throughout the meeting and the meetings also act as an opportunity to give recognition to employees who are going 'above and beyond' in their work.

Informal feedback sessions are hosted by area managers to address local issues in depots. These sessions are usually organised 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.

Engagement with the Trade Union and works councils

Howdens respects the collective bargaining of its employees and actively engages with the Trade Union and works councils collectively at least quarterly. Local sites host Trade Union representative meetings and works councils meetings monthly - site leadership and HR attend these meetings.

In 2022, there were a number of significant areas of engagement with the collective groups which included enhancements to benefits and facilities (for example Occupational Health provision), and the annual pay review.

The Howdens Show

In February 2022, we hosted the Howdens Show, which welcomed over 1,000 employees to the International Convention Centre in Wales. Our CEO and COO of Trade hosted the event, which was a chance to set the scene for the year ahead and it featured business, charity and community updates from senior members of staff from across the business.

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.

Non-Executive Director responsible for workforce engagement

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

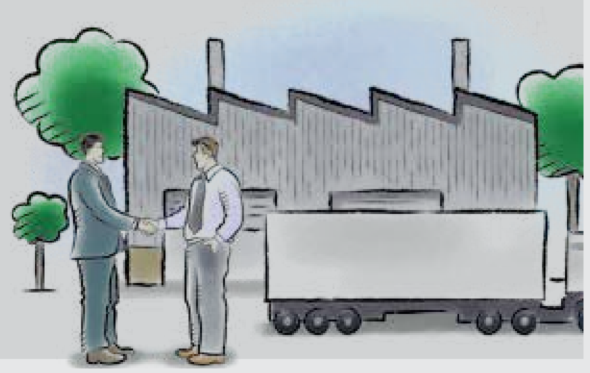
Corporate governance report continued

Stakeholder engagement continued

Suppliers

Engagement with our suppliers includes the following:

- Supplier conferences and meetings
- Category team relationships



Supplier conferences

Our key suppliers are invited to join senior leadership at our 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 2022, we hosted our supplier conference 'Delivering Success in 2022 and Beyond' in-person. The conference was used to maintain the ongoing conversation with our key partners, informing them of our initiatives and business priorities and to ensure we continued to take advantage of the range of opportunities throughout the year. We also covered ESG matters including modern slavery and other global issues affecting us all. The conference was attended by over 100 senior executives from our suppliers who were able to network with and ask questions of our senior leadership team and their industry peers.

In addition to our general supplier conference, for the first time we hosted a virtual ESG conference for our top 30 suppliers (calculated on a spend and emissions basis), which was attended by our Commercial Director and Director of ESG. The aim of the conference was to engage our suppliers on emissions reporting, identification of climate risk to the supply chain and plans to reduce emissions, and to embed the importance of our sustainability agenda. The conference provided a useful forum to raise awareness of what our suppliers are already doing to become more sustainable. To ensure we keep momentum on this subject, additional visits will be made to supplier sites and further sustainability focus sessions will be held. It is anticipated that the ESG conferences will be held on a regular basis going forwards.

Category team relationships and supplier management

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

In addition, we have also partnered with SAP Ariba to further strengthen the way we do business with our suppliers in an efficient and more sustainable (paperless) way. SAP Ariba Supplier Life Cycle Performance (SLP) will help improve the onboarding and management of our suppliers and will allow them to begin transacting and communicating with us digitally.

Pensioners

Engagement with our pensioners includes the following:

- Board engagement with the Trustee Board
- Newsletters
- Triennial valuations

The Howden Joinery Defined Benefit Pension Plan (the 'DB Plan') has over 10,300 members, of whom c.6,000 are deferred members, and c.4,300 are pensioners and dependents.

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 DB 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 2022, the Company engaged with the Trustee Board on a number of matters outside of the normal engagement cycle of investment and funding strategy, including rationalisation of the corporate structure, the Company's refinancing arrangements, information sharing protocols, transfer of the defined contribution plan 'Top-Up' account to a Master Trust, progressing GMP equalisation, September 2022 market volatility, and the Trustee Board's preparation of Task Force on Climate-Related Financial Disclosures (TCFD).

Newsletters

In July and November 2022, newsletters were sent to all members of the DB Plan. The newsletters provided updates on matters such as Trustee Board changes, the transfer of the DB Plan Top-Up account to a Master Trust, the appointment of auditors, latest funding position and financial review, and new climate governance requirements.

Triennial valuations

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

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.

Following two consecutive periods of the DB Plan funding falling into deficit on a Technical Provisions basis, the Company recommenced payments of £2.5m per month in January 2023. Should the DB Plan return to surplus on a Technical Provisions basis for two consecutive periods, the agreed 'switch off' mechanism will once again operate and payments will cease.

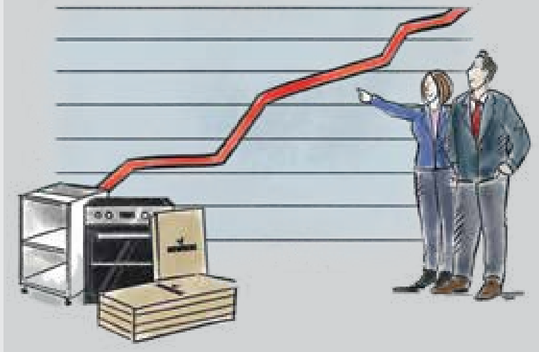
Corporate governance report continued

Stakeholder engagement continued

Shareholders

Engagement with our shareholders includes the following:

- Annual General Meeting
- Shareholder meetings and roadshows
- Shareholder consultations
- Asset reunification and e-comms



Annual General Meeting (AGM)

The 2022 AGM was the first AGM held since 2019 without any COVID-19 restrictions in place. It was a pleasure to be able to welcome shareholders back to in-person meetings and for the Board members to be able to converse with them and to present their updates to them directly. Members of our Executive Committee and senior leadership team were also present to meet with shareholders outside of the formal business of the meeting.

During the Q&A session at the AGM, shareholders asked questions on the following topics: environmental targets, depot revamps, new depots, share buybacks, and gearing.

In addition to the in-person meeting, shareholders were provided with the opportunity to submit any questions they had of their Board of Directors through a question facility on the Company's corporate website. This facility remained open throughout the year following the conclusion of the AGM.

Shareholder meetings

During 2022, we reinvigorated our approach to investor meetings as part of the implementation of a new investor strategy. We started by conducting external research with our corporate brokers to identify potential target investors located in the major investor hubs. This included domestic investors in the UK but also international funds buying equities in North America and Europe. For each hub Howdens has identified a small group of potential investor targets which includes a mix of both existing holders that are underweight in our stock and non-holders who are already invested in distribution peers. This targeting work was used to prioritise meetings for the investor programme throughout the year.

Following each period end, the Board is provided with an investor relations (IR) update, which gives an overview of investor feedback. The Director of Investor Relations regularly provides feedback at Board meetings on the IR programme. Following the half-year and full-year results, more detailed feedback sessions were held with the Board to discuss shareholder views on the results and the Company's strategy. In summary, investors remain very supportive of the Company's strategy and the resilient nature of Howdens' 'trade-only', in-stock business model.

During the year the major activities were as follows:

- Engagement with the 15 sell side analysts who cover the Company and maintenance of Company compiled consensus forecasts.
- Post-financial results roadshows with major institutional shareholders and the Executive Directors and Director of Investor Relations.
- Ad hoc in-person and virtual one-to-one meetings as requested by shareholders and non-holders.
- Site visits to our factory in Howden and depots with small groups of institutional holders and non holders to highlight our key strategic initiatives.
- Supporting industry conferences held by the major banks selling equities.
- Targeted marketing roadshows to major investor hubs internationally.

Directors' remuneration consultation

The Chair of the Remuneration Committee invited the Company's largest shareholders and shareholder representative groups to feed back their views on proposals for the operations of the remuneration policy for 2023.

Further information about the consultation and its outcomes may be found on page 114 of the Remuneration Committee report.

Asset reunification and e-communications

The Company, in conjunction with its Registrar, commenced a proactive asset reunification programme in November 2022. The programme targeted holders of certificated ordinary shares who had 12 consecutively uncashed dividends and sought to reunite them with their shares and unclaimed dividend payments.

In addition, also in conjunction with our Registrar, we wrote to ordinary shareholders receiving hard copies of our Annual Report and Accounts, notice of meetings, and proxy forms and asked them to opt in if they wished to receive these documents as hard copies in future. This process has led to a c.81% reduction in the number of copies of the 2022 Annual Report and Accounts that need to be mailed out to ordinary shareholders.

Howden Joinery Group Plc / Annual Report & Accounts 2022

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. Throughout the financial period under review, 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 2022, and our previous Policy approved in 2019, stipulate that Executive Director new joiners' pension contribution rates must be in line with that available to the wider workforce. Throughout the 2022 financial year, our Chief Financial Officer (appointed to the Board in December 2020) received a pension contribution rate which was in line with the wider workforce. However, our Chief Executive (appointed to the Board in April 2018), received a pension contribution rate that, whilst in line with the 2019 and 2022 Policies for existing Directors, was not in line with the wider workforce until April 2022. This is because the reduction of fixed, contractual remuneration was applied carefully and proportionally over time. Further detail is set out on page 115 of the Remuneration Committee report. The Board confirms that the Chief Executive's pension contribution rate will be in line with the wider workforce throughout the financial year ending 2023 and therefore the Company will be compliant with Provision 38.

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 2022; 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 (the 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 126.

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 2022, the Company (led by the Board) increased shareholder returns, paid more tax, employed more people, and contributed to the communities in which we operate. Further information on our sustainable business model and strategy can be found on pages 13 to 15. Our contribution to wider society and our statement of the extent of consistency with the TCFD framework can be found in our sustainability matters report beginning on page 54.

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 117 to 119.

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 90 and 91.

Integrity and sympathy to the Howdens culture are paramount when the Board recruits new members to the Board. More information about our recruitment and the inductions process can be found on pages 107 and 109.

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 28 and 29.

More information on our risk processes, including our principal and emerging risks, can be found on pages 36 to 45. Our Audit Committee report provides a summary of our internal control framework on page 142.

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 Board members actively engage with each of these groups regularly. 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 88 to 95. How the Board members discharged their 'section 172' statutory directors' duties is described on pages 86 and 87.

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 considers the pay policies and practices of the wider workforce when determining Executive reward. More information in this regard can be found on page 126.

All employees are able to raise any matters of concern using 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 receives 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 Peter Ventress 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 2022 externally-facilitated Board evaluation concluded that the Board was effective, supportive and doing well. There were suggested areas for improvement with some Directors highlighting that the Board remained in transition following the change of Chair. Further information about the outcomes and process of the evaluation may be found on pages 110 and 111.

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.

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 that the Board considered to be independent are shown as such on pages 80 and 81. 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 78. Similarly, the number of meetings of each Board Committee and the attendance may be found on the following pages: 102 (Nominations Committee), 112 (Remuneration Committee), 136 (Audit Committee), and 144 (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. This occurs within the Board's agreed existing protocol whereby any significant appointments taken on whilst serving as 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 London Stock Exchange-listed company, Spire Healthcare Group plc, was authorised by the Board. Debbie's appointment as a director of the NASDAQ-listed company, Lucid Diagnostics Inc (a subsidiary of PAVmed Inc, of which Debbie was already a director), was also authorised by the Board. Prior to the appointments, the Board considered whether Debbie could allocate enough time to her role as a Non-Executive Director of Howdens. The Board was satisfied that Debbie had the requisite time to fulfil the new role as well as her current role with Howdens, particularly given her role at BT Plc as interim HR Director ceased in November 2022.

Members of the senior management team regularly presented to the Board (see pages 82 and 83 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 143.

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 107 of the Nominations Committee report and the Board's diversity policy is available on page 106.

The Nominations Committee regularly reviews the skills matrix and the tenure of each Board member (see pages 104 and 107 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.

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 104.

The tenure of each Director may be found on pages 107 and 108. 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 six months to 7.5 years, and the average tenure is 4.7 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 2022 externally-facilitated Board evaluation process and outcomes may be found on pages 110 and 111 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 80 and 81. 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 2023 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 136.

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 74 and 75.

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, as well as to help the business take appropriate opportunities. 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 36 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 142, 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 and improve visibility to the Executive Committee and Board 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 36 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 112.

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 Directors' 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 126.

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 whether the Remuneration Committee exercised its discretion during the year may be found on page 115 of the Remuneration Committee report.

By order of the Board

Peter Ventress
Chairman

6 March 2023

Nominations Committee report

2022 meeting attendance

Richard Pennycook (1/2)[1] Retired 17 September 2022
Peter Ventress (1/1) Appointed 1 July 2022
Karen Caddick (3/3)
Andrew Cripps (2/3)[1]
Geoff Drabble (3/3)
Louise Fowler (3/3)
Debbie White (2/3)[1]

1 Andrew and Debbie were unable to attend the March Nominations Committee meeting due to conflicting work commitments. The March meeting was an additional meeting to the Board's usual calendar to consider the appointment of the new Chair. Both Non-Executive Directors received the Committee papers in advance of the meeting and were able to feed back their views to the Senior Independent Director before the meeting. Richard did not attend this meeting as it was called to discuss his succession.

Key activities in the year ahead

- **All current Directors will stand for election or re-election at the AGM on 4 May 2023.**
- **Regular updates on Executive Committee and senior management succession and talent planning will be provided to the Committee.**
- **The Committee will undertake its review of skills, composition and size of the Board.**
- **Review of the Boardroom Diversity Policy.**

Peter Ventress
Nominations Committee Chairman

Introduction from the Committee Chairman

I am pleased to present this report covering the work of the Nominations Committee in 2022.

Despite its slightly reduced role following the introduction of the Sustainability Committee, the Nominations Committee continues to be one of the core governance safeguards for the Company. Investors are now prepared to take direct action against individual directors by voting against their annual reappointment. This can be for a whole host of different governance issues and it is generally the Nominations Committee that is responsible for considering such matters and acting upon such shareholder concerns. This report details how the Committee seeks to avoid such issues by engaging in transparent processes and adopting best practice guidance.

Succession

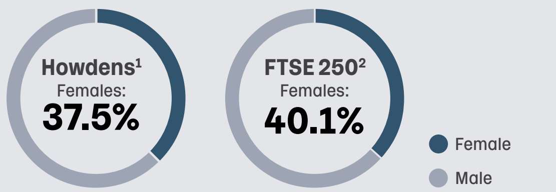
The appointment of a new Chair, as reported in last year's Committee report, was the only Board change during the year. My appointment to the Board followed a rigorous process, which is detailed later in this report on page 109. There followed a short handover period with the previous Chair, Richard Pennycook, which provided a seamless transition of the leadership of the Board. At no point was Richard involved in the process of appointing me as his successor.

The Committee was also involved with new appointments to the Executive Committee. Further details in respect of each of these appointments are set out later in this report.

Composition and diversity

The Nominations Committee remains mindful of the importance of broadening diversity within leadership and senior management teams. Whilst we have made good progress on our equality, diversity and inclusion agenda in recent years, we also recognise that there is more work to be done to make Howdens a more diverse organisation. To that end, we have updated our Boardroom diversity policy to include specific gender and ethnicity targets for the first time.

Board gender split



1 Figures correct as at 24 December 2022.
2 Figures derived from the February 2023 FTSE Women Leaders Review.

These targets are in line with best practice guidance and I look forward to the Committee reporting against these targets in future years. Our boardroom gender and ethnicity data at the end of 2022 is set out below on this page and the facing page.

More information on the equality, diversity and inclusion agenda is contained in the sustainability matters report and the Sustainability Committee report on pages 65 and 145 respectively.

The Committee will spend more time reviewing the make-up of the Board in 2023. We currently have a good mix of skills and experience on our Board but we are aware as a Nominations Committee that we will need to recruit to replace two of our most senior Non-Executive Directors (who have the important roles of Senior Independent Director and Audit Committee Chair) in the near future. In doing so, we will need to be mindful to ensure that we retain the skills required to support Howdens' continued growth, its strategic activities and its ever broadening commitments on environmental, social and governance matters. The Committee will also continue to work with the Executive Directors on the skills and diversity of the senior management teams below Board level.

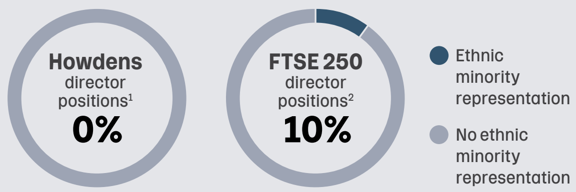
Evaluation

In 2022, in line with the Board's stated practice, an external Board evaluation was undertaken. Unlike the previous two reviews which circumstance dictated were conducted remotely, the review included face to face interviews with all members of the Board as well as observations from a full set of Board and Committee meetings. More information on the Board evaluation process and outcomes are set out on pages 110 and 111.

I look forward to reporting directly to shareholders at our AGM in May.

Peter Ventress
Nominations Committee Chairman

Board ethnicity split



1 Figures correct as at 24 December 2022.
2 Figures derived from the 2022 Parker Review update 'Improving the Ethnic Diversity of UK Boards'.

2022 Nominations Committee activity

February

Committee meeting
- Board evaluation process and outcomes
- Board recommendations for AGM elections
- Draft 2021 Nominations Committee report

March

Committee meeting (out of cycle)
- Chair succession - recommendation to the Board to appoint Peter Ventress as a Non-Executive Director and Chair-elect

September

Committee meeting
- Externally-facilitated Board evaluation approval
- Board succession planning, including consideration of diversity, tenure and skills matrix
- Board diversity policy
- Nominations Committee Terms of Reference

Strategic Report
Governance
Financial Statements
Additional Information

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
Europe	M	5	1
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	3	3
Audit	H	3	1
Executive management	H	6	0
Risk management	H	5	1
HR/Remuneration	M	4	2
Ecommerce	M	3	3
Marketing	M	3	3
IT/Cyber security	M	1	3
Legal	M	1	2
Howdens-specific considerations			
Vertical integration	H	4	2
Multisite depot operation	H	4	2

Importance

M Medium H High

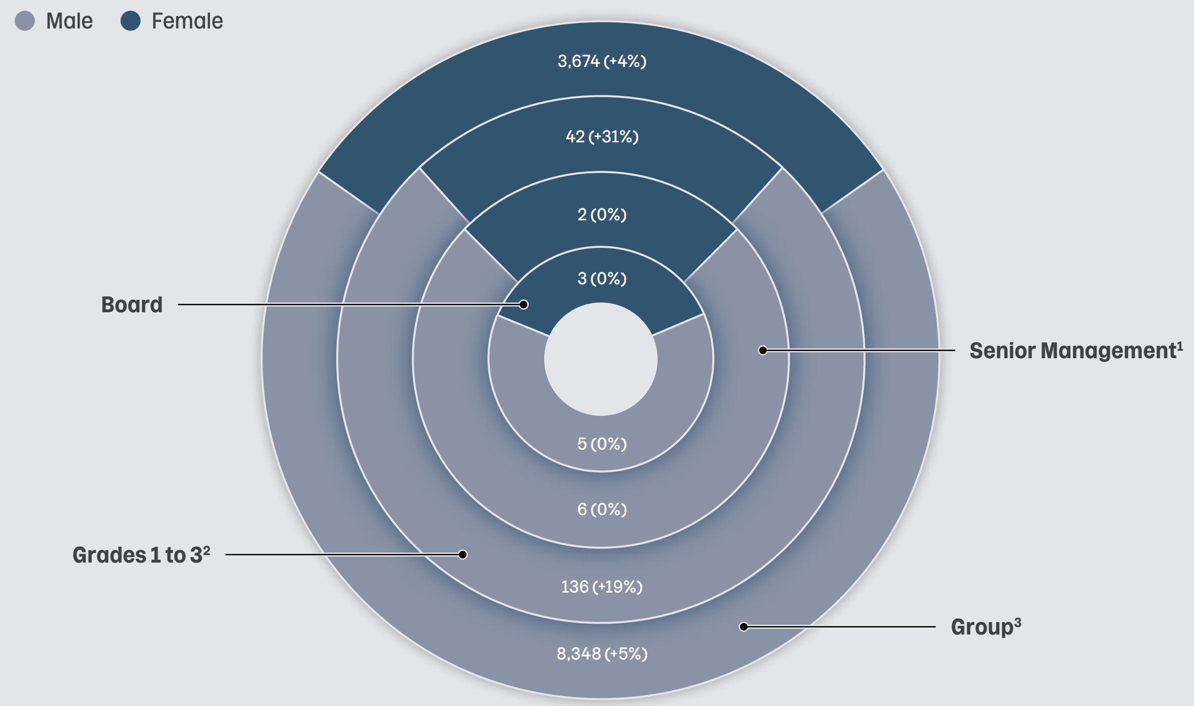
Diversity

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 24 December 2022

The percentages shown in brackets below indicate the change since 2021.



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, socio-economic background, or formal qualifications.

We believe that it is in the interests of the business and of its shareholders for us to build a Board whose membership is diverse in perspective and experience, as this facilitates better decision-making. We are also mindful of the outputs and recommendations from both the Parker Review and the FTSE Women Leaders Review when making appointments to the Board and membership of the Board is currently in line with their targets.

However, the Board is mindful of the forward looking recommendations of both the Parker Review and FTSE Women Leaders Review and it is the Board's aspiration that it will have at least one member from an ethnic minority by year end 2024., The Board will also target having a minimum female membership of 40% and at least one woman director in one of the 'Big 4' roles (those being Senior Independent Director, Chair, CEO, and CFO) by year end 2025.

The Nominations Committee will continue to seek diversity of mindset as well as of gender, race, ethnicity, and socio-economic background when considering new appointments in the period to 2024, and it will continue to review this policy on an annual basis to ensure it remains appropriate.

More widely, we are committed to developing a long-term pipeline of executive talent that reflects the diversity of Howdens' business and its stakeholders.

As at 24 December 2022, 37.5% of Board members were women. Both of the Executive Directors were male. There were no members of the Board from ethnic minority groups as at 24 December 2022.

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.

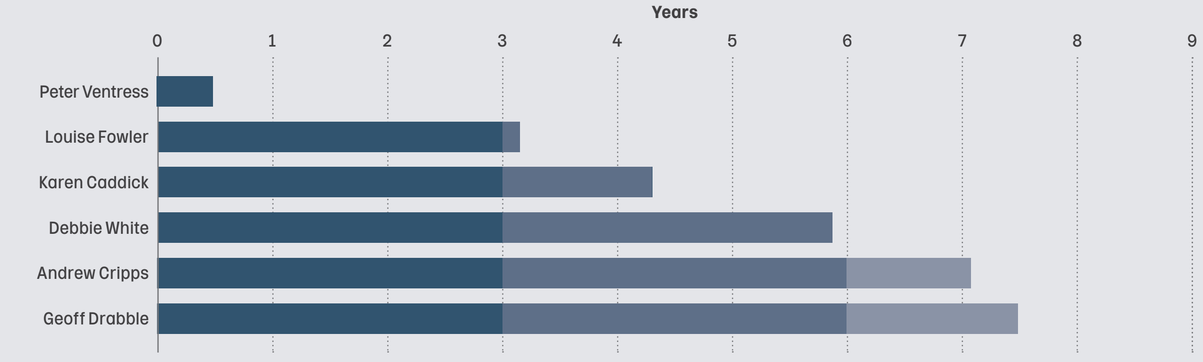
The Group is committed to meeting the code of practice on the employment of disabled people and full and fair consideration is given to disabled applicants for employment. It aims to do all that is practicable to meet its responsibility towards the employment and training of disabled people. The Group 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 24 December 2022



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.

The process normally used in relation to Non-Executive Director 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 109.

Retirement

The Nominations Committee is progressing a phased transition on Board succession and, as part of this process, following nearly 8 years of service, Geoff Drabble will retire at the forthcoming Annual General Meeting (AGM). An announcement will be made in due course regarding the succession of the Senior Independent Director and Non-Executive Director responsible for workforce engagement roles that Geoff currently holds.

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 104), 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. These updates included the planning and processes involved with the appointment of a new Trade Director. Further detail may be found below.

Trade Director

Following an extensive search over a number of years, the Board has appointed Stuart Livingstone as Trade Director. An Executive Committee role, the Trade Director will take over key parts of Andy Witts' Chief Operating Officer: Trade role, following a handover during 2023 and will be responsible for the day to day running of the depots thereafter.

Stuart has extensive operational experience in multi-site and trade businesses. His former roles include: Operations Director at Pets at Home and Director of Retail at Screwfix. Stuart will join Howdens in the second quarter of 2023.

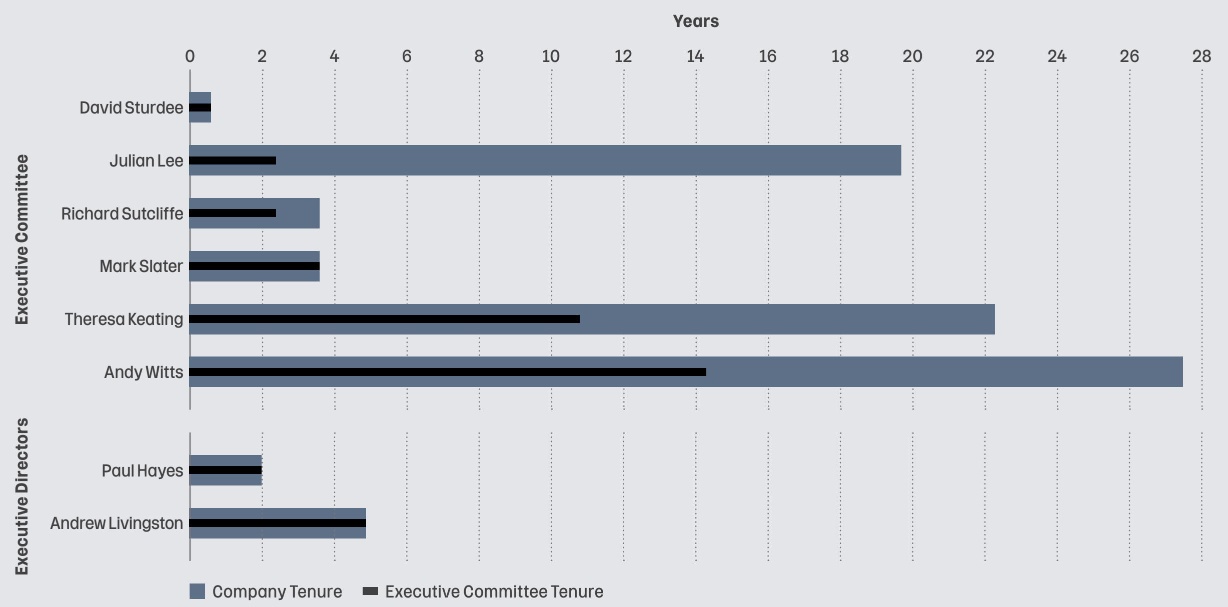
Andy Witts will remain in the business and will take on an oversight and advisory role as Chairman of Howdens' international businesses. In this role, Andy will be able to provide counsel to our maturing French and Belgian business as well as the fledgling Irish business. He will also support the CEO on exploring further international opportunities.

Group HR Director

At the end of 2022, Kirsty Homer, Group HR Director, decided to leave Howdens. During her two years in the business, Kirsty made a significant impact at Howdens and we wish her well for the future. Guy Eccles has been appointed as interim HR Director on a temporary basis. Guy has extensive HR leadership experience in large multinational organisations and previously held the interim Group HR Director role at Howdens between April 2020 and August 2021.

The Nominations Committee will continue to work with the CEO and interim Group HR Director on senior management succession and development in 2023.

Company and Executive Committee tenure as at 24 December 2022



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'.

Strategic Report
Governance
Financial Statements
Additional Information

Case study
Chairman Succession

We reported in the 2021 Nominations Committee report that the succession process for the appointment of a new Chairman of the Board was at an advanced stage and that an announcement regarding the appointment of a successor to Richard Pennycook would be made in due course. In March 2022, Howdens announced that Peter Ventress would be appointed to the Board on 1 July 2022 as Chairman Designate and Non-Executive Director and would assume the role of Chairman from 17 September 2022.

Whilst the appointment process was provided in some detail in out 2021 report, it was incomplete and details regarding the new Chair's induction into the business were not provided (as they had not been finalised). Induction processes are vital for any new employee but particularly so for individuals who have core decision making responsibilities which affect the business as a whole.

With that in mind, the Nominations Committee recommended a short handover period between the new and incumbent Chairman to allow the new Chair to observe how the Board and its Committees operated before having the responsibility for chairing the meetings. It was however agreed that too long a transition period could lead to a lack of clarity on where the Board would look for direction and therefore a two-month handover period was thought most appropriate.

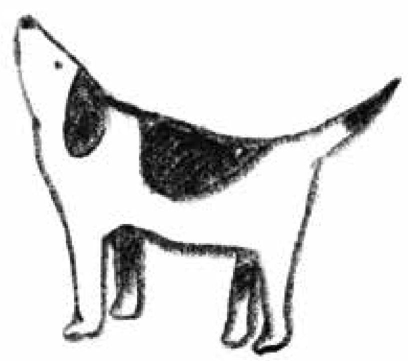
Following his appointment to the Board, Peter received a bespoke induction to the business. Howdens is not a business that can be learned by reading minutes, it is a business that requires an acute sense of feel. As well as depot visits, Peter visited key manufacturing facilities and warehouses, meeting employees and senior managers from the business.

He received a presentation of the Group's strategic plans (which had been presented to the Board earlier in the year) from the Executive Committee and he attended a number of operational sites. Detailed updates on product, design, innovation and sourcing were provided as well as updates (and visits where appropriate) on key strategic initiatives such as Howdens Work Surfaces. Peter's first Board meeting was in France, allowing him access to the international senior management team and French depot network.

In recognition of his key governance responsibilities, Peter received detailed information concerning Board processes and Group structures. He was given unfettered access to management responsible for governance without other senior management present, including the Company Secretary, Head of Internal Audit and Risk, and Director of Investor Relations. Peter also met with the Board's advisors (brokers, lawyers, actuaries, external communications and remuneration consultants) who regularly update the Board and its Committees.

Perhaps most importantly, Peter was able to participate in the activities that help to define Howdens' unique culture. This included observing a Regional Board meeting prior to peak autumn trading and attending recognition events for depot management and senior sales management.

Peter will continue his induction into Howdens during 2023 with further events and meetings scheduled. He is keen to meet with shareholders during the year to share his observations of the business and to discuss his plans for the Board going forwards.

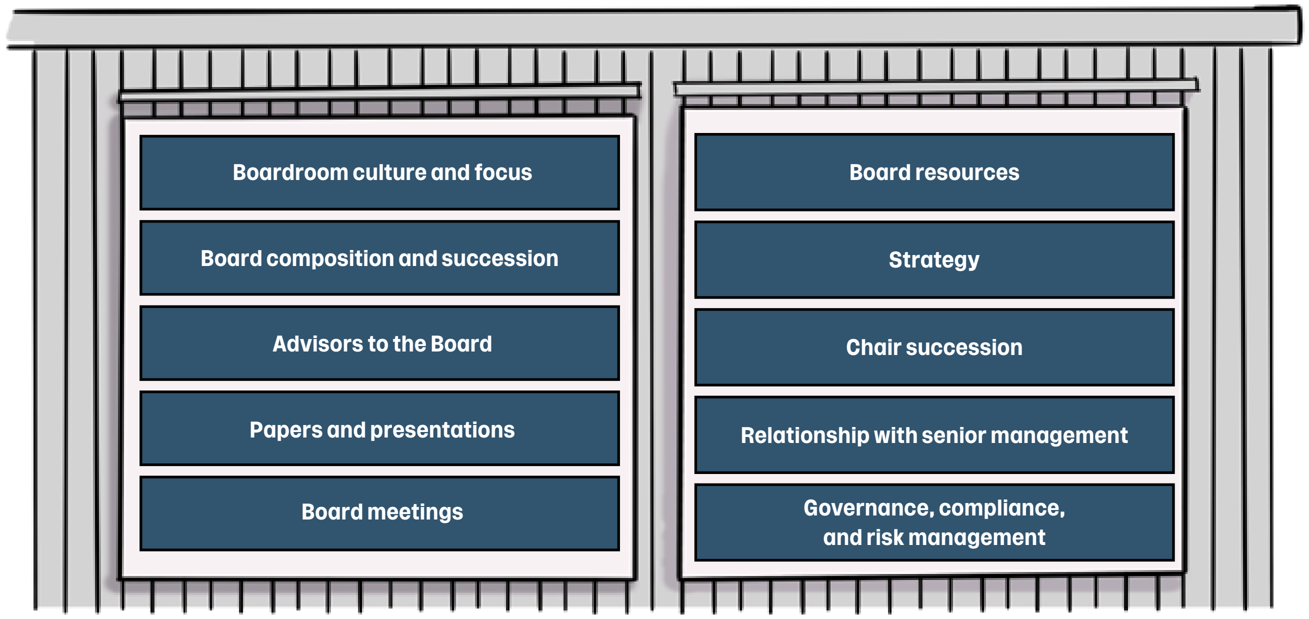


Nominations Committee report continued

Evaluation

In line with the Board's policy to undertake an external Board effectiveness review every three years, and following the 2020 and 2021 reviews which were undertaken by the Senior Independent Director with support from the Company Secretary, the 2022 Board evaluation was conducted by Lisa Thomas of Independent Board Evaluation (IBE)[1], an external third-party consultant. The evaluation took a light touch approach, given the Chair's recent appointment to the Board and Board members were asked to focus their comments on the main areas for improvement. A fuller review of the Board's responsibilities will be carried out later in the three-year cycle.

Evaluation areas of focus



Methodology

The process is outlined below:

- The review of the Howdens Board was conducted following briefings from the Chair, CEO and Company Secretary.
- Observation of the Board and Committee meetings on 19 November 2022.
- Interviews were conducted with all members of the Board and the Company Secretary to consider their views.
- The conclusions of the evaluation, including the observations and recommendations were presented to the Chairman.
- The detailed report and main observations were presented to the Nominations Committee in February 2023 by the Chairman, and a discussion, with Lisa present, is planned for a later meeting.

Conclusions and recommendations

The feedback from the Board was positive with the majority stating that the Board was effective, supportive and doing well but some suggest areas for improvement, considered below, with some members of the Board highlighting that the Board remained in transition following the change of Chair.

The focus and balance of the agenda in 2022 was rated as 'good' and meetings were considered to be well organised. Boardroom culture was described positively and the relationship with the senior team was supportive and transparent. In addition, there was high confidence in how the Board is tackling the commercial agenda and universal Non-Executive membership of the Committees of the Board was considered helpful and efficient.

1 Independent Board Evaluation and Lisa Thomas do not have any other business relationship with the Company or with any member of the Board.

Recommended areas for development and actions going forward

- **People**. Additional focus on the people agenda at the Nominations Committee could help management better realise talent pipeline and diversity opportunities. More data in the Board packs could be provided to assist with the oversight of a strong company culture, and initiatives to reboot Employee Engagement at Board level following the pandemic, including NED engagement visits, should be encouraged.
- **Pay**. Some Remuneration Committee processes should be reviewed following the approval by shareholders of the Directors remuneration policy in 2022.
- **Board composition and culture**. A lack of diversity of background at Board and senior management level was considered and would need to be addressed through a phased transition process. The Board would also be open to more optionality in the debate of issues and welcome more diverse input.

Influence on Board composition

Members of the Board discussed the recommendations of the Parker and FTSE Women Leaders Reviews. In 2023, 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, ethnicity and gender.

Nominations Committee evaluation

The feedback gathered indicated that the Nominations Committee had engaged well over the year but that there were potential areas for improvement and engagement. These included spending more time on the people agenda, which was highlighted as one of the main areas for development.

Senior management succession plans and the diversity pipeline in the business were two areas where it was felt that the Committee could add more value. The succession plan reviews, which would be reported to the Board, would cover long-term, contingency and business-as-usual succession matters, whilst the pipeline discussion should focus on diversity in senior management roles, distinct from diversity in the wider business which could continue to be considered as a matter for the Sustainability Committee.

In relation to Board succession, the Committee should work on a plan for Board composition that will increase the diversity and skills base of the Board, and likelihood of broader challenge.

By order of the Board

Peter Ventress
Nominations Committee Chairman

6 March 2023

Remuneration Committee report

2022 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

- **Governance updates from advisors.**
- **Shareholder update by the Remuneration Committee Chair at the AGM.**
- **Planning for 2024 incentives (taking into account risk and other matters).**
- **Review of the Remuneration Committee Terms of Reference.**
- **Approval of the 2024 Remuneration Committee calendar.**

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 2022. 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 have sought to make our Remuneration Committee report as straightforward to access 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 more intuitive way. The report is split into three sections:

1. This Committee Chair's statement
2. Summary of the Directors' remuneration policy
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 2022
Part 3	Implementation of policy in 2023
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.

2022

It is hard to remember a year when there has been as much focus on pay as there has been in 2022. Rising inflation and the subsequent cost of living crisis has caused us to rebase our thinking on pay across the organisation. In September, Howdens announced that it would give all UK employees (except the most senior management) a one-off discretionary payment of £500 per employee at a cost of c.£7m. This payment was gratefully received by Howdens employees and was made with total support from the Board.

During the year, the Remuneration Committee continued to monitor changes in average FTE salaries and bonuses across all operational and support roles to ensure that there remained alignment on pay between our senior management and that of the wider workforce.

We are satisfied that there remains good alignment due to Howdens' unique incentive culture across all roles and when setting Executive pay, the Committee has regard to a number of factors which include pay across the wider workforce, CEO and gender pay gap ratios and the experience of our shareholders. In a year where there has been so much volatility in pricing, wages and equity markets, the Remuneration Committee has sought to maintain a consistent approach in line with our principles on pay.

The Committee also received updates on the wider employee benefit landscape, including on the Group pension scheme, where participation rates remain high, and on the all employee share awards made under the Share Incentive Plan. It also received an update from the Group HR Director on the Group's gender pay gap, data and the plans in place to address it. I am pleased to report that, as shown in our Gender Pay Gap Report (which can be found at www.howdenjoinerygroupplc.com/governance/gender-pay-gap-reports) our pay gap reduced year on year from 4.5% to 3.9%. There is clearly more that needs to be done and the Remuneration Committee will keep monitoring this important data point. More information on our broader diversity and inclusion priorities can be found on pages 65 and 145. An additional share award was also granted to senior employees below Executive Committee level in September 2022 (more information on this award can be found on page 125).

I am pleased to report that the Directors' remuneration policy that was contained in the 2021 Remuneration Committee report received strong support with 90.7% of shareholders approving its adoption. The policy was updated following consultation with our largest shareholders. A summary of the new policy is included in this report starting on page 117. There were no significant changes to the existing remuneration framework or policy but some changes were made to provide the Committee with greater flexibility going into the next three-year cycle. As reported later on, the Committee has already used this flexibility to incentivise and retain our strong performing Executive team over the economic cycle.

The Committee also changed its advisor during the year. PwC had advised the Howdens Remuneration Committee since 2007 and following the approval of the Directors' remuneration policy at the Annual General Meeting (AGM), it was felt an appropriate time to refresh the advisors to the Committee. Following a rigorous tender process, which is considered in more detail on page 135, the Committee agreed to appoint Korn Ferry as its advisor. I'd like to take this opportunity to thank PwC for their support over the years and to welcome Korn Ferry to Howdens.

As reported on page 96, the Remuneration Committee did not consult with the wider workforce on Executive Director pay arrangements in 2022. The Committee has safeguards in place (as considered in this report), which ensure good alignment on remuneration across the organisation as a whole.

It is worth remembering that all eligible employees with shares in the Share Incentive Plan, which is the significant majority of UK employees given that Free Shares are granted to all UK employees each year, have a de facto say on Executive Director pay when such matters are considered at general meetings.

In line with the 2022 AGM, I will be presenting a summary of the work of the Committee in 2022 at the 2023 AGM on 4 May 2023.

2022 reward outcomes

Annual bonus

For the 2022 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 10.8% and an increase in profit of 4.0%. These results are particularly impressive given the strong performance of the business in 2021.

This strong financial performance meant that 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)

The 2020 PSP introduced a relative total shareholder returns (TSR) measure for the first time in addition to the existing three-year PBT growth measure.

As reported in the 2020 Remuneration Committee report, the original weighting of the award was to be 67% for PBT growth and 33% for the TSR measure. However, given the uncertainty caused by the COVID-19 pandemic in H1 2020, the Remuneration Committee initially delayed the grant of the 2020 PSP and later that year agreed that the weightings of the two performance measures would be reversed for 2020 only, with PBT growth carrying a 33% weighting and relative TSR carrying a 67% weighting. The rationale for this was that relative TSR provided a more robust measure of management's performance over the three-year period given the extreme levels of uncertainty around lockdowns and absolute trading performance.

To determine TSR performance, Howdens is ranked against a comparator group of similar sized companies, those being 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). There is zero pay out for below median performance and threshold vesting at 15% of the maximum opportunity at median. 100% of the opportunity is paid out when performance is equal to or more than upper quartile performance and there is straight-line vesting between the threshold and maximum opportunities.

Howdens TSR performance during the three-year period equated to vesting at 15% of the total opportunity for this measure.

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

PBT performance targets for the period required 5% per annum PBT growth to achieve threshold vesting and 15% per annum PBT growth to achieve maximum vesting. The 2020 PSP performance was measured to FY 2022 and, over the three-year period, PBT increased by 15.9% per annum, which equated to vesting at 100% of the total opportunity for this measure.

In aggregate, the 2020 PSP will vest at 43% of the maximum opportunity.

2023 reward and incentives

In December 2022, I wrote to our largest shareholders to seek their feedback on our proposals for the operation of the Directors' remuneration policy in 2023. Whilst all of our proposals were in keeping with our approved policy, we acknowledged the need to balance the views of our shareholders with our ambitions to retain and incentivise a strong performing Executive team over the economic cycle and to live into our remuneration philosophy to pay above-market levels of reward for above-market levels of performance. We have listened to our shareholders throughout this feedback process and have set out our proposals for 2023 below.

Salary

Salary increases for the Executive Directors will be in line with the wider workforce. These will be effective from 1 January 2023, the timing of which is also aligned to increases for the wider workforce.

Whilst the Committee is mindful of the external guidance to consider salary increases for executive directors below the rate of increases given to all employees, the salaries of our CEO and CFO are currently c.10% below the mid-market level for companies of a broadly similar average market capitalisation and therefore we believe that it remains appropriate to increase their salaries in line with the wider workforce. As mentioned earlier in this statement, the Committee has been monitoring the Company's approach to the impact of the cost of living crisis on employees and is satisfied that both the annual salary review and one-off payments are proportionate.

Annual bonus

Under the updated policy approved in 2022, we increased the normal maximum policy limit under the annual bonus to 200% of salary for Executive Directors, although there was no change to the operation of policy of 150% of salary for both Executive Directors for the 2022 financial year. Having reviewed the position, taking into account market data for companies that operate in the same or similar industries and UK listed companies of a similar size and complexity, the Committee is increasing the annual bonus opportunity for both our Executive Directors to 200% of salary.

The Committee is fully aware of investor concerns regarding benchmarking-led increases; however, we believe this increase is necessary to correct the significant gap to market in total remuneration opportunity and to reflect the continued growth of the business. In the 2021 Directors' Remuneration report we committed to consulting with shareholders if we were considering increasing the level of bonus opportunity above 150% of salary and we did this prior to reaching our final conclusion. Without this change, we believe that a significant increase in base salary would be required to meet our remuneration philosophy of paying above market levels of reward for above market levels of performance.

For the 2023 annual bonus, we replicated the methodology of PBT and cash flow measures used in the 2022 annual bonus. The measures retain their previous weighting of 85% of maximum opportunity for PBT and 15% of maximum opportunity for cash flow. 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. The Committee has set sufficiently stretching targets for the annual bonus in 2023.

PSP

Since 2020, the PSP has operated with two performance measures: PBT and relative total shareholder returns (TSR). In the two most recent grants, the award was based 67% on PBT and 33% on TSR relative to a peer group of the 50 companies above and below Howdens ranked by market capitalisation. Having reviewed these two metrics considering the Group's strategic plan and key priorities, the Committee is proposing the addition of the following metrics:

- **Return on Capital Employed (ROCE) (10% weighting)** - to incentivise management to generate a high level of returns and balance this with capital allocation effectively as they invest to deliver future growth plans. The range we set will reflect a combination of analyst consensus estimates and internal forecasts; and
- **Environmental measure(s) (10% weighting)** - as part of the policy review, the Committee introduced greater flexibility under the PSP to allow the use of non-financial measures, such as ESG related measures, for up to 25% of the maximum opportunity. The Committee believes that it is the right time to introduce such a measure at 10%, which will have a range of quantitative, externally assessed targets aligned to our stated goals of carbon/ waste reduction.

The introduction of these new measures will reduce the PBT weighting to 60%, but it will remain the largest part of the performance measures. PBT is the core performance metric used throughout the business, from our depot teams through to Executive Directors. We will retain the same TSR performance condition with a 20% weighting. The new ROCE metric and the new Environmental metric will make up the remainder of the award.

The Committee has also concluded that the PBT target range should reflect a combination of analyst consensus estimates, internal forecasts and our long-term strategic goals. This means we will be moving away from the automatic use of the prior year PBT figure as the base for targets for the 2023 and future grants. This latter approach does not produce meaningful targets in periods of volatility as they can end up being too low or too high as we have seen in respect of the 2021 and 2022 grants. The new approach seeks to ensure that there is clear alignment between vesting outcomes and performance and reduces the risk of a 'boom and bust' cyclical payment cycle.

The Committee considers this mix of measures to be appropriate as the Group's focus on profitability is maintained, which is consistent with Howdens' culture, whilst adding ROCE to focus on maintaining strong returns on capital and an environmental measure to reflect a very important part of our strategy. The TSR element continues to provide an important alignment with the shareholder experience over the performance period.

To ensure that our remuneration philosophy is upheld, the Committee will continue to ensure that all performance targets are suitably stretching for the level of remuneration available within the context of our internal expectations and external forecasts. Further details of the measures, targets and weightings are set out on pages 130 and 131 of this report.

No changes are proposed to long-term incentive opportunity for 2023, and therefore the CEO will receive an award equivalent to 270% of salary and the CFO will receive an award of 220% of salary.

Pensions

Since May 2022, both Executive Directors' pension benefits have been aligned with the wider workforce. This was in line with the Committee's commitment that there would be alignment by the time of the Company's next policy cycle.

The Directors' remuneration policy provides that new Executive Directors will only participate in the Company's pension arrangements with contributions in line with those of the wider workforce.

Senior management and the wider workforce

In addition to the Executive Directors, the Howdens Remuneration Committee also sets remuneration for senior management. We classify 'senior management' as members of the Executive Committee (excluding Executive Directors), the Company Secretary and the Head of Internal Audit and Risk. During the year, the Committee agreed in principle to review the long-term incentive awards granted to senior management grades below Executive Committee level. More information on the new incentive structure for this group can be found on pages 119 and 125.

The Committee also received updates on 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 126).

I hope the information presented within this report provides a clear explanation as to how we have operated our Directors' remuneration policy over 2022 and how we intend to implement it for 2023. 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 the policy in 2023.

Karen Caddick
Remuneration Committee Chair

Whether the Committee exercised discretion for the incentive period ending 24 December 2022

The Committee considered the financial performance for the incentive period ending 24 December 2022. PBT for the year was £405.8m and cash flow was £498.0m. Three-year PBT increased by 15.9% per annum and relative TSR for the period was 'median'. The Committee considered whether the incentive outturns projected for the 2022 annual bonus and 2020 PSP were proportionate to financial and relative TSR performance. It also considered whether there were any other external factors it was aware of 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 2022, 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.

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

2022 Remuneration Committee activity

H1

January

Committee meeting
- Investor feedback on proposed Directors' remuneration policy
- Executive Director and senior management salary review

February

Committee meeting
- Shareholder feedback on proposed Directors' remuneration policy
- 2022 incentive considerations (including workforce reward, shareholder alignment, CEO pay ratio and gender pay gap)
- Governance update
- Draft 2021 Directors' remuneration report
- 2022 share awards planning
- Committee advisor review
- Chair fee

Shareholder Communication
- Remuneration Committee Chair communication with shareholders confirming proposed changes to new Directors' remuneration policy following shareholder feedback

April

Share award grants
- SIP Free Shares grant to all eligible UK employees approved
- PSP grant to Executive Directors and senior management

Committee meeting
- Workforce earnings analysis
- LTIP leaver treatment

May

AGM
- Directors' remuneration policy approved by shareholders
- 2021 Directors' remuneration report approved by shareholders

H2

July

Committee meeting
- Workforce pensions communications
- Gender pay gap reporting
- Governance update
- Committee advisor review

September

Share award grants
- Additional conditional share award grant for senior management approved (excluding Executive Committee and Executive Directors)

November

Committee meeting
- 2023 incentives
- Executive compensation review
- Update on outstanding awards
- Risk and rewards consideration
- 2023 Remuneration Committee calendar
- Review of Committee's terms of reference

December

Shareholder communication
- Remuneration Committee Chair communication with shareholders regarding proposed operation of policy in 2023

Summary of the Directors' remuneration policy

Fixed Variable

Howdens' Directors' remuneration policy, as set out in our 2021 Annual Report and Accounts, was approved by shareholders at our 2022 AGM. 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 2022 and will be applied during 2023 can be found on subsequent pages in the report.

The full Directors' remuneration policy can be viewed at www.howdenjoinerygroupplc.com/governance/remuneration-policy.

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. 2022 and 2023 salary levels are detailed on page 130.	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.

Strategic Report
Governance
Financial Statements
Additional Information

Remuneration Committee report continued

Summary of the Directors' remuneration policy continued

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 2023, 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 2023, the annual bonus level will be increased to 200% of salary, with the position reviewed each year.	For 2023 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 2023, the PSP will be based on PBT growth, relative TSR, return on capital employed, and an environmental measure. 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.

Fixed Variable

Element and how it supports our strategy	Operation	Opportunity	Performance measures
Performance Share Plan (PSP) continued			
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.	
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.

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 Executive Committee level, certain senior management grade participate in a similar annual bonus plan that is linked to PBT and cash flow. The promotion of employee share ownership is also cascaded through all tiers of management. From 2023, a deferred bonus share arrangement will replace the PSP for these employees. Given the variable pay-outs of the LTIP in recent years and the increasing complex measures being introduced for the Executive award, it was felt that an alternative structure would be more effective, providing a greater level of understanding and engagement, and therefore retention, among this cohort of employees (further information about incentives below the Executive Committee level may be found on page 125). Free shares grants are made at a reduced level to a wider population within Howdens that do not use performance conditions to encourage share ownership throughout the Company. Employees can also purchase additional shares in the Company in a tax efficient way through our Buy As You Earn scheme, which operates under the Share Incentive Plan.

Remuneration Committee report continued

Summary of the Directors' remuneration policy continued

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 130. 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.

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 on the following page are examples of how the Committee addressed the factors.

Fixed Variable

Clarity	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	In 2021, 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. In 2022, the Company contacted its principal shareholders to consider various changes to remuneration practice that were permitted under the policy. 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 which also operates through the SIP. All employees with shares held in the SIP trust are able to exercise voting rights on those shares and vote on the Directors' remuneration report and the Directors' remuneration policy (when applicable) at general meetings of the Company. Further information on workforce engagement can be found on pages 90 and 91.
Simplicity	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Directors' 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.
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 values of rewards for the Executive Directors is considered on page 129. The range of possible values of rewards for the Executive Directors was also communicated in the 2021 Remuneration Committee report when a revised Directors' remuneration policy was communicated to shareholders. 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 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.	The Committee remains confident that the awards used to ensure continued delivery of strategy and long-term performance are working as intended and that they are delivering outcomes in line with our wider stakeholder experience. In 2022, the annual bonus paid out in full following delivery of exceptional PBT results in challenging market conditions, exceeding market expectations. However, despite the strong profit performance, the vesting percentage for the long-term incentive award was 43% due to challenging share price performance in the final year of the award. This impacted the outturn of the relative TSR measure resulting in a lower vesting percentage.
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 Directors' 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.

Remuneration Committee report continued

Directors' remuneration report
Part 1: Company performance and stakeholder experience

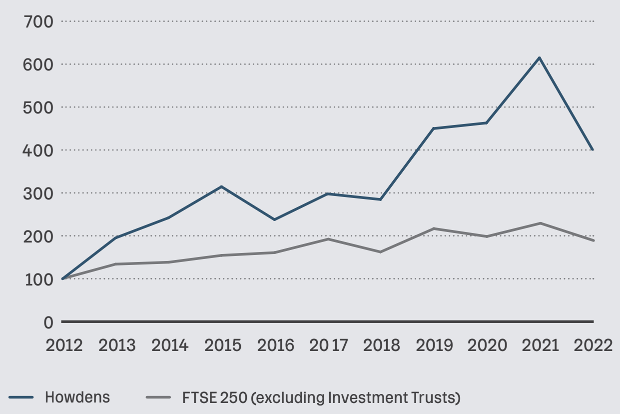
In this opening section of the Directors' remuneration report, we detail some of the considerations the Committee has regard to when implementing the Directors' remuneration policy. Contained in this section are specific disclosures on Group performance, as well as comparative disclosures on the relative 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).

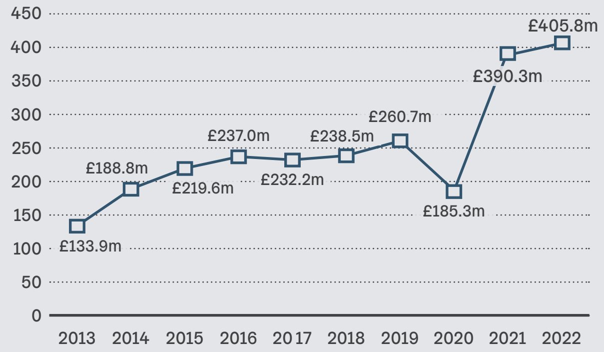
Howdens historic TSR



Profit before tax (PBT)

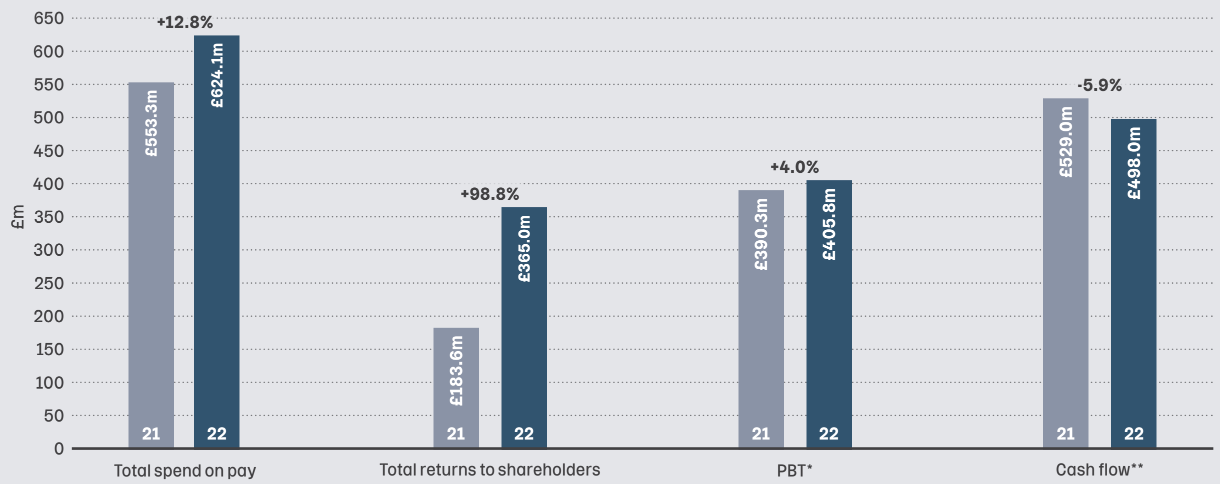
The graph below illustrates the Company's historic PBT performance.

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 2021 to 2022 compared to the total returns to shareholders of the Group and the two incentive performance measures PBT and cash flow.



* See consolidated income statement on page 164.
** Net cash flow from operating activities is the definition used for the annual bonus scheme (see page 130).

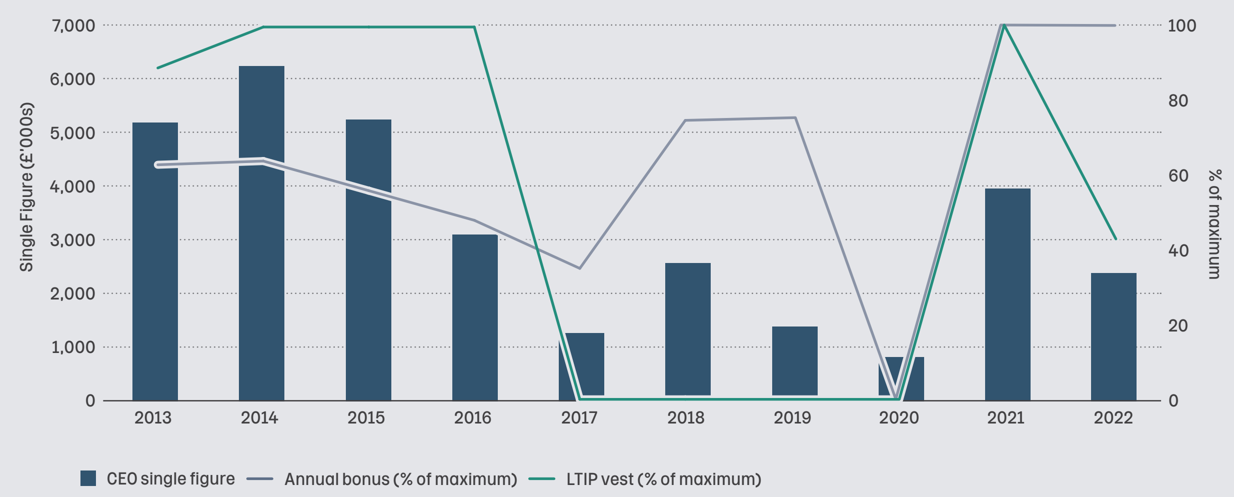
Director pay
Our corporate performance and remuneration
Historic single figure

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.

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CEO single figure (£'000)	5,168	6,221	5,225	3,098	1,268	2,569	1,391	816	3,951	2,373
Annual bonus (% of maximum)	63%	64%	56%	48%	35%	75%	76%	0%	100%	100%
LTIP vest (% of maximum)	89%	100%	100%	100%	0%	0%	0%[1]	0%	100%	43%

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



Strategic Report
Governance
Financial Statements
Additional Information

Remuneration Committee report continued

Directors' remuneration report

Part 1: Company performance and stakeholder experience continued

CEO pay ratio table

Howdens has calculated the CEO pay ratio for 2022 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 2022. 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.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2022	A	74:1	64:1	53:1
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

It should be noted that the CEO did not receive any remuneration relating to long-term incentive share awards in 2019 or 2020 as he was appointed to the Board in 2018. 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 2019 and 2020. In 2021, the CEO pay ratio increased due to the vesting in full of the 2019 long-term incentive share award. In 2022, the ratio has reduced as the 2020 long-term incentive share award will vest at 43% of maximum and the share price upon which the award is valued is lower than in 2021.

The total pay, benefits, and salary of each employee 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)	£32,066	£37,105	£45,006
Salary (including overtime) (FTE)	£22,450	£26,260	£32,026

The pay and benefits of employees was calculated in line with the Single Total Figure of Remuneration methodology. In our calculations we used actual pay from 1 January 2022 to 31 December 2022. 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 2022 compensation year; however, for annual bonus payments, we estimated the bonus due to employees for the 2022 compensation year (payment is due in March 2023). P11D values are based on the 2021/22 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 through incentives and the outcome of incentives is likely to be the main cause of variability in the ratio in future years.

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

Case study
Review of incentives below Executive Committee level

Having a talent pipeline that is highly motivated and highly incentivised is key to Howdens long-term success. It is this group that provides front-line support for the Executive Committee in delivering the strategic priorities of the Board and it is this leadership group who will become future Executive Committee members.

In previous years the performance measures for incentives for our Grade 1s and 2s have been aligned to those for members of the Executive Committee, albeit at a lower quantum. This has generally worked well, particularly in relation to the annual bonus where an annual stretch target was introduced for this cohort in 2020. However, it became apparent that the long-term incentive awards granted to Grade 1s and 2s had not been as effective in recent years and were not highly valued by management. Share price movement and volatility of long-term incentive outcomes had resulted in this group having less shares in the Company than they would have done previously. As a Remuneration Committee, we want to promote employee share ownership at all levels but it is particularly important that our most senior employees share our shareholder experience and have skin in the game.

In September 2022, the Remuneration Committee took steps to address this by granting an additional share award under the existing LTIP rules. This share award to Grade 1s and 2s was made without financial performance conditions but was conditional upon three years continued employment from the date of grant. At that time, the Committee also agreed to review the long-term incentive plan arrangements for this group for 2023.

Following the review, the Committee agreed to replace the long-term incentive plan for Grade 1s and 2s with a deferred bonus share award. This award replaces the PSP and looks to provide a more consistent vesting pattern through the trading cycle whilst providing sufficient incentive to maximise performance.

The sole measure for the deferred bonus share award is PBT, our most important KPI. Like the PSP, there is a performance range with 20% of the award vesting at the bottom of the range and a 100% vesting at stretch target. The performance period for the award will be one year, reduced from three years under the PSP. However, shares under the award will be deferred for two years (in line with the Executive Committee deferral period) during which time dividends will be payable but employees will not be able to sell or transfer their awards. Normal 'Good' and 'Bad' leaver provisions will apply with shares being retained from 'Bad leavers'.

The Committee believes that by introducing the new award structure, it will remove some of the complexity in measures being included in the Executive awards and will result in more consistent outcomes and greater retention for this group of key employees.

Whilst the work of the Committee is necessarily focused on members of the Executive Committee, it is also important to demonstrate that the Remuneration Committee is actively involved in the total reward structures of all our employees.

Remuneration Committee report continued

Directors' remuneration report
Part 1: Company performance and stakeholder experience continued

All-Director remuneration relative to average employees

Listed companies are required 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 of remuneration 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 therefore also been included in the table below as this provides a more representative comparison.

	% change in Basic Salary			% change in Benefits			% change in Bonus		
	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020
Average Howden Joinery Group Plc employee remuneration[1]	-	-	-	-	-	-	-	-	-
Average Howdens Group employee remuneration	5%	1%	4%	(9)%	(15)%	9%	(4)%	38%	12%

1 In the financial year ended 24 December 2022, Howden Joinery Group Plc did not employ any individuals.

	% change in Basic Salary / Fees			% change in Benefits			% change in Bonus		
	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020
Executive Directors									
Andrew Livingston[1]	3%	12%	3%	5%	(85)%	84%	3%	100%	(100)%
Paul Hayes[2]	3%	-	-	80%	-	-	3%	-	-
Non-Executive Directors									
Karen Caddick[3]	6%	3%	18%	100%	0%	(89)%	-	-	-
Andrew Cripps	6%	3%	5%	0%	0%	0%	-	-	-
Geoff Drabble[3]	4%	3%	22%	0%	0%	0%	-	-	-
Louise Fowler[4]	3%	4%	515%	300%	0%	100%	-	-	-
Peter Ventress[5]	-	-	-	-	-	-	-	-	-
Debbie White	3%	4%	3%	(100)%	(50)%	390%	-	-	-
Former Directors									
Richard Pennycook[6]	(26)%	2%	3%	100%	0%	(100)%	-	-	-

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 also 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 '2019 to 2020' and '2020 to 2021'.

3 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.

4 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.

5 Peter Ventress was appointed to the Board in July 2022. Comparative figures cannot therefore be calculated for the periods reported above.

6 Richard Pennycook, former Non-Executive Chairman, retired from the Board in September 2022 and therefore did not receive a full year of fees in respect of 2022. The percentage decrease between 2021 and 2022 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 2022 compared to previous years 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 a 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.

Directors' Remuneration Report
Part 2: Application of policy in 2022

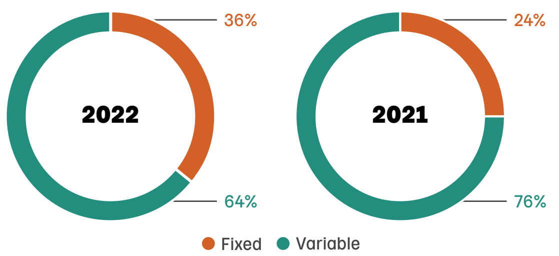
Fixed Variable

In this section of the Directors' remuneration report we set out how the Committee has executed policy for 2022. Disclosures in this section are retrospective and where applicable are shown against prior year comparator.

Single figure of remuneration (audited)

	Fixed								Variable						Total Remuneration	
	Salary/Fees		Taxable Benefits		Pension		Total Fixed		Bonus		LTIP		Total Variable			
£000s	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Executive Directors:																
Andrew Livingston	670	650	20	19	84	91	774	760	1,004	975	595	2,216	1,599	3,191	2,373	3,951
Paul Hayes	438	425	36	20	48	31	522	476	657	638	-	-	657	638	1,179	1,114
Total	1,108	1,075	56	39	132	122	1,296	1,236	1,661	1,613	595	2,216	2,256	3,829	3,552	5,065
Non-Executive Directors:																
Karen Caddick	74	70	2	0	-	-	76	70	-	-	-	-	-	-	76	70
Andrew Cripps	74	70	0	0	-	-	74	70	-	-	-	-	-	-	74	70
Geoff Drabble	76	73	0	0	-	-	76	73	-	-	-	-	-	-	76	73
Louise Fowler	60	58	4	1	-	-	64	59	-	-	-	-	-	-	64	59
Richard Pennycook Retired Sept 2022	194	261	27	0	-	-	221	261	-	-	-	-	-	-	221	261
Peter Ventress Appointed July 2022	162	-	0	-	-	-	162	-	-	-	-	-	-	-	162	-
Debbie White	60	58	0	1	-	-	61	59	-	-	-	-	-	-	61	59
Total	701	590	33	2	-	-	734	592	-	-	-	-	-	-	734	592

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. Salaries for 2023 can be found on page 130. 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.

Pension

Both Executive Directors received a cash benefit in lieu of pension during the year. More information about Executive Director pension benefits can be found on pages 115 and 119.

Remuneration Committee report continued

Directors' remuneration report
Part 2: Application of policy in 2022 continued

Notes to the single figure table continued

Annual bonus (audited)

Targets

Our annual bonus for 2022 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:

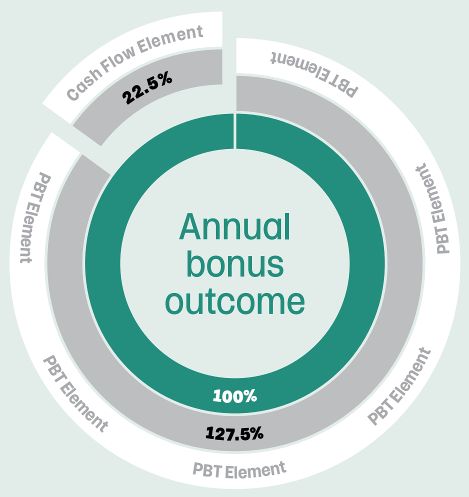
	PBT component	Cash flow component
Threshold	£340m (17% of salary)	£420m (3% of salary)
Target	£370m (63.67% of salary)	£445m (11.25% of salary)
Outperformance	£400m (127.5% of salary)	£469m (22.5% of salary)

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 £405.8m. The cash flow figure for the year in relation to the bonus was £498.0m. In aggregate, the Executive Directors will receive an annual bonus of 150% of salary for 2022.

	Andrew Livingston	Paul Hayes
PBT (% of salary)	127.5%	127.5%
Cash Flow (% of salary)	22.5%	22.5%
Total Bonus (% of salary)	150.0%	150.0%
Total Bonus (£'000)	**1,004**	**657**



Performance Share Plan (PSP) (audited)

Targets

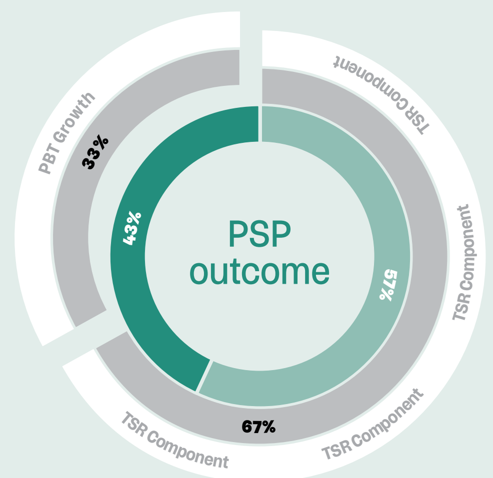
The PSP awards granted from 2020 onwards have been measured against PBT growth and relative total shareholder returns (TSR) over a three-year period. The PBT growth and TSR for the 2020 award was measured between FY 2019 to FY 2022. Any shares that vest under the PSP award are subject to a two-year post-vest holding period for serving Executive Directors.

Outcomes for the year

33% of the 2020 PSP award was based on a PBT growth threshold requirement of 5% p.a. and a maximum requirement of 15% p.a. At the threshold requirement, 15% of the PBT growth component of the award would vest. The PBT for 2022 was £405.8m, and therefore growth on FY 2019 was 15.9% p.a. This component of the award will vest at 100% of maximum opportunity.

67% of the 2020 PSP award was based on a relative TSR measure. The threshold vesting for the TSR component of the award was where the Company was ranked 'median' compared to the comparator group of companies. The maximum vesting was where the Company ranked 'at or above upper quartile'. At threshold, 15% of the TSR component would vest. Based on performance to FY 2022, the Company was ranked 'median' compared to the comparator group and therefore 15% of the TSR component of the award will vest.

The overall final vesting of the 2020 PSP award is 43% of the maximum opportunity. £45,174 of Andrew Livingston's award is attributable to share price increases. The share price at the date of grant was 510.40p and the three month average to 24 December 2022, the price on which the value of the award is calculated, was 552.35p.



Strategic Report
Governance
Financial Statements
Additional Information

Directors' remuneration report
Part 3: Implementation of policy in 2023

Fixed Variable

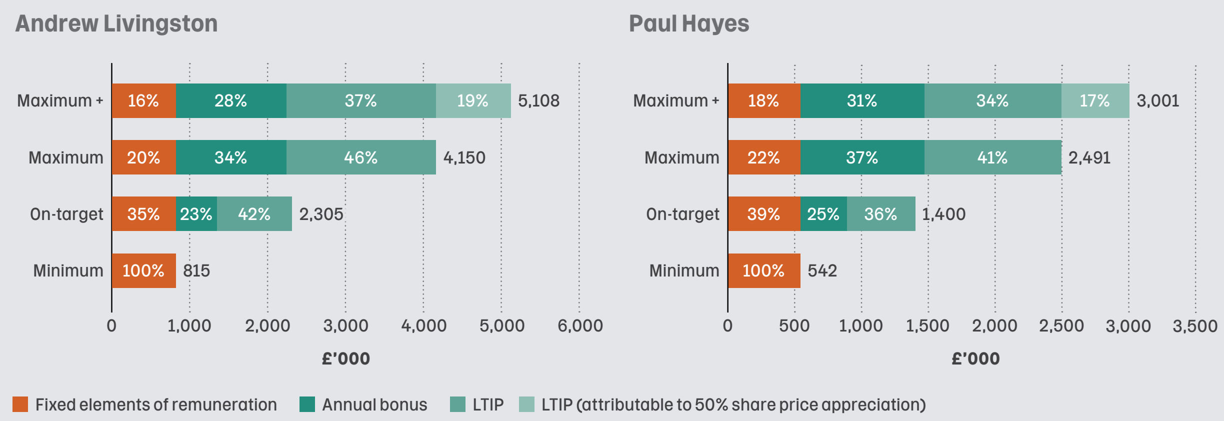
In this section of the Directors' remuneration report we set out how the Committee has implemented policy for 2023. Disclosures in this section are forward looking. The outcome of any variable award for Executive Directors will be reported in the Remuneration Committee report for the financial year 2023.

2023 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 Directors' 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.

Value of package



Fixed elements of remuneration consist of the annual salary that the Executive Director will receive for 2023, alongside their 2023 pension entitlement, and actual benefits received in 2021/22 (as a proxy for 2023).

Annual bonus is based on a maximum opportunity of 200% of salary and an on-target opportunity of 100% 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.

Remuneration Committee report continued

Directors' remuneration report
Part 3: Implementation of policy in 2023 continued

Non-Executive Director fees

Fee increases from 2023 are set out in the table below. Non-Executive Director fees are generally aligned to the average increase for the wider workforce. However, for 2023, the Non-Executive Directors have agreed to waive this increase. The only exception is the increase to the Committee Chair fee, which had fallen behind benchmark.

		Basic NED fee[1]	Chair fee	SID fee	NED Responsible for Workforce Engagement fee	Committee Chair fee
2023	Annual Fee	£60,250	£325,000	£10,600	£5,400	£17,000
	Effective date			1 January 2023		
2022	Annual Fee	£60,250	£325,000	£10,600	£5,400	£13,300
	Effective date			1 January 2022		

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 and Sustainability Committees.

Executive Director base salaries

Base salary increases from 2023 are set out in the table below. The rationale for the increases may be found in the Annual Remuneration Committee Chair statement on page 114. For 2023, salary increases for the wider workforce were, on average across the Group, 6.3% of salary.

	2023		2022	
Executive Directors	Salary (£'000)	Effective date	Salary (£'000)	Effective date
Andrew Livingston	710	1 January 2023	670	1 January 2022
Paul Hayes	464	1 January 2023	438	1 January 2022

Annual bonus measures

The table below sets out annual bonus measures for 2023. 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 2023 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 85% of salary 170% 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 15% of salary 30% of salary

Performance Share Plan (PSP) measures

Set out on the facing page are the performance measures and relative weightings for each of the measures. Detail about the new measures introduced for the 2023 PSP may be found in the Annual Remuneration Committee Chair statement on page 114. The maximum opportunity under the PSP is 270% of base salary for Andrew Livingston (CEO) and 220% of base salary for Paul Hayes (CFO). The performance period is three years, measured over the relevant financial years. See page 134 for scheme interests awarded in 2022.

The Committee agreed that for the 2023 PSP it would move away from using the prior year PBT outturn as the basis for target in the coming year. Going forwards, the Committee will determine threshold and vesting targets by having regard to a combination of analyst consensus estimates, internal forecasts, and our long-term strategic goals.

Under the terms of the Directors' remuneration policy approved by shareholders at the 2022 AGM, the 2023 PSP awards will be subject to a two-year post-vesting holding period.

Fixed Variable

PBT growth - 60% weighting

	PBT growth performance condition	Payout level
PBT component vesting schedule	£484m	100% of maximum
	Straight-line vesting between these points	
	£400m	15% of maximum
	Less than £400m	0% of maximum

Relative TSR - 20% weighting

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

	Performance against comparator group	Payout level
Performance assessment	Equal to or above upper quartile	100% of maximum
	Straight-line vesting between these points	
	Equal to median	15% of maximum
	Below median	0% of maximum

Return on Capital Employed (ROCE) - 10% weighting

ROCE component measurement details	Calculated by dividing the Group operating profit by the average capital employed under management's control, expressed as a percentage. The capital employed will include investments in assets, working capital and related balances but will exclude balances that relate to historic or long-term financing or are outside the control of current management. Excluded items include: cash, pension deficit repair contributions, deferred tax and long-term financing of the Group, such as lease liabilities and borrowings.

	ROCE performance condition	Payout level
Performance assessment	30%	100% of maximum
	Straight-line vesting between these points	
	25%	15% of maximum
	Less than 25%	0% of maximum

Environmental measure - 10% weighting

Environmental component measurement details	All carbon emission and waste targets to be achieved by 31 December 2025. Base year for all targets is 2021 (other than for those relating to manufacturing sites achieving or maintaining carbon neutral status).

	Performance condition	Payout level
Improving our carbon intensity ratio Year-on-year cumulative average Scopes 1 and 2 carbon emissions reduction, based on tCO_2e per £m	4.2% p.a. reduction	33.3% of maximum
	Straight-line vesting between these points	
	4.0% p.a. reduction	7.5% of maximum
	Below 4.0% p.a. reduction	0% of maximum
Fleet emissions reduction UK primary fleet only, based on CO_2KG/km	15% reduction	33.3% of maximum
	Straight-line vesting between these points	
	12% reduction	7.5% o f maximum
	Below 12% reduction	0% of maximum
Achieving carbon neutral status across manufacturing sites Maintain certified carbon neutrality or, in newly acquired sites, achieve certified carbon neutrality	Four manufacturing sites	33.3% of maximum
	Straight-line vesting between these points	
	Two manufacturing sites	0% of maximum

A target of a minimum average over three years of 99% waste avoiding landfill across UK operations will apply which, if not achieved, will result in a downward modifier to the outcome under this Environmental measure.

Strategic Report
Governance
Financial Statements
Additional Information

Remuneration Committee report continued

Directors' remuneration report
Part 4: Additional disclosures

In this section of the Directors' 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 AGM voting performance.

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 at the Annual General Meeting 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.

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.

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 £56,714.16 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 pages 115 and 119 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 24 December 2022 (£'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)	84	48
Total	84	48

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. Neither of the Executive Directors held share options in the Company that were subject to performance conditions or held share options that were vested but unexercised.

	Current Executive Directors	
	Andrew Livingston	Paul Hayes
Shareholding requirement %	200%	200%
Shareholding requirement (number of shares)[1]	242,600	158,595
Shares owned outright (including by connected persons)[2,5]	318,772	22,816
Current shareholding (% of salary)[1]	263%	29%
Guideline met	Y	N
Unvested deferred bonus shares	19,432	12,705
Share awards subject only to continued employment[3]	165	118
Share awards subject to performance conditions and continued employment[4]	676,790	250,377

1 Based on a share price of £5.5235, being the three-month average price to 24 December 2022, and basic salary as at 24 December 2022. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons at 24 December 2022 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 24 December 2022 (the end of the period) and 6 March 2023, Andrew Livingston has acquired 42 SIP Partnership 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 6 March 2023.

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	Peter Ventress	Debbie White
Shareholding[1,2]:	6,000	3,000	3,000	470	-	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 6 March 2023.

Remuneration Committee report continued

Directors' remuneration report
Part 4: Additional disclosures continued

Scheme interests awarded during the financial year (audited)

During 2022, 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 23 on page 199:

Nature of award:	Award of Conditional Shares under the PSP	
	CEO	CFO
Number of shares under award	234,516	124,941
Face value of award[1]	£1,808,000	£963,000
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 FY2021 to FY2024	
Grant date	6 Apr 2022	
Vesting date	6 Apr 2025	
Additional holding period	2 years	

1 Based on a share price of £7.708, being the closing price on 5 April 2022.

Nature of award:	Free and Matching Shares under the SIP[1]					
	Award type	Award date	Vest date	Number of shares under award	Award price[2]	Face value of award[2]
CEO	Free Shares	6 Apr 2022	6 Apr 2025	32	£7.708	£246.65
	Matching Shares	19 May 2022	19 May 2025	7	£6.564	£45.95
	Matching Shares	17 Jun 2022	17 Jun 2025	8	£5.994	£47.95
	Matching Shares	19 Jul 2022	19 Jul 2025	8	£6.266	£50.13
	Matching Shares	19 Aug 2022	19 Aug 2025	7	£6.588	£46.12
CFO	Matching Shares	19 Jan 2022	19 Jan 2025	6	£8.216	£49.30
	Free Shares	6 Apr 2022	6 Apr 2025	32	£7.708	£246.65
	Matching Shares	19 May 2022	19 May 2025	31	£6.564	£203.48

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 Award 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 2022 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, CFO 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. A representative from the Committee's independent advisor usually attends each meeting of the Remuneration Committee. PricewaterhouseCoopers LLP (PwC) was the Committee's retained independent advisor until September 2022. PwC had been independent advisor to the Committee since 2007. During 2022, the Committee reviewed the independence and tenure of PwC as adviser to the Committee and agreed that a new advisor would provide a fresh perspective to the Committee. Following a tender process, Korn Ferry was appointed by the Committee in September 2022 to be its independent advisor. Korn Ferry is a member of the Remuneration Consultants' Group, which operates a code of conduct in relation to executive remuneration consulting, and it does not provide any other services to the Group. PwC provided consultancy advice and support to the internal audit function to the Company during 2022.

The Committee is satisfied that its advisors provided robust and professional advice during the year. Work undertaken during the year 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.

Total fees paid to the Committee's advisors in relation to remuneration services provided to the Committee totalled £153,000 with fee levels based on the quantity and complexity of work undertaken.

Voting at the 2022 AGM

The results of the advisory vote in respect of the Directors' remuneration report ('Report') and the binding vote on the Directors' remuneration policy ('Policy') at the 2022 AGM may be found in the chart below, along with the 2021 and 2020 AGM results.

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

By order of the Board

Karen Caddick
Remuneration Committee Chair

6 March 2023

Audit Committee report

2022 meeting attendance

Andrew Cripps (5/5)
Karen Caddick (5/5)
Geoff Drabble (5/5)
Louise Fowler (5/5)
Debbie White (5/5)

Key activities in the year ahead

- **Review of the Annual Report and Accounts and preliminary results announcement.**
- **Review of Audit Committee effectiveness.**
- **KPMG's reappointment as auditor to be recommended to shareholders at the Annual General Meeting (AGM).**
- **Shareholder update by the Audit Committee Chair at the AGM.**
- **Review of the 2023 interim results.**
- **Consideration of internal audit's annual plan, findings, independence, and resources.**
- **Review of key controls.**
- **Approval of the 2024 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 2022, global events and business developments have required us to review a variety of financial and control risks at each meeting. In addition to our normal business overseeing the external and internal processes, we have also received updates from management on cyber and information security strategy, depot compliance and we met with the Commercial Finance Director to consider that function's risks and priorities.

Volatility in financial markets in the autumn also resulted in the Committee calling an additional meeting in January 2023 with the Company's pension advisors to review valuations of pension fund assets and liabilities because the carrying value of the pension fund is a significant item in the consolidated balance sheet.

During 2022, the new lead external audit partner and I were in regular contact and, at each meeting, the Committee received updates on KPMG's progress in their first year as our external auditor. More information on the onboarding process can be found in the case study on page 140. I'd also like to take this opportunity to thank Deloitte for their tenure as external auditor to Howdens.

I reported last year on our project to review the Group's internal controls to reappraise and document key controls and strengthen their evidencing of the control environment. This work has continued throughout 2022 with the Audit Committee receiving updates on the project at each of its meetings during the year. This is considered in more detail on page 142 but I am pleased to note that the Group has made significant progress in documenting and 'attesting' controls and is automating controls wherever possible. This will improve our ability to evidence our control environment and enable the Committee to provide greater assurance to the Board.

The Committee undertook its regular governance reviews, reviewing external audit policies, monitoring the effectiveness of the external audit process and reviewing conflicts of interest. We await the outcome of the Government's White paper on 'Restoring trust in audit and corporate governance' and believe that we remain well positioned to respond to any proposed changes.

Finally, I was pleased no questions were raised by the FRC following their review of our 2021 Annual Report and Accounts in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures[1]. It was also pleasing to receive a number of accolades during the year in respect of the quality of our external reporting. Howdens was the recipient of the Annual Report of the Year - FTSE 250 award by the Chartered Governance Institute (formerly the ICSA) which recognised that our 2021 Annual Report had a consistently high standard of commentary throughout the report and offered real insights into the business. Later in the year, the FRC used our schematic on purpose, culture, sustainability and governance as a best practice example in their publication 'What makes a good… Annual Report and Accounts'.

Whilst it is reassuring to receive external recognition, we recognise the ongoing importance of maintaining rigorous reporting standards and will continue to strive for high standards in both our financial and non-financial reporting.

I look forward to reporting directly to shareholders at our AGM in May.

Andrew Cripps
Audit Committee Chair

2022 Audit Committee activity

H1

February

Committee meeting
- 2021 draft Annual Report and Accounts and Full Year Announcement
- External audit report
- External audit policies
- Internal audit report
- Key controls project
- Audit Committee effectiveness
- Discussion with external auditor (without management present)

April

Committee meeting
- Information security and cyber security reviews
- Key controls project update
- Internal audit report
- 2022 external audit plan
- Effectiveness of the external auditor and audit processes
- Discussion with Head of Internal Audit (without presence of management)

May

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

H2

July

Committee meeting
- 2022 half-year results, including going concern considerations
- External auditor half-year review
- Cyber security update
- Internal audit report
- Key controls project update
- Conflicts of interest review
- Discussion with external auditor (without management present)

September

Committee meeting
- Cyber security strategy
- Internal audit report
- Key controls project update
- Fraud control framework
- Commercial Finance Director update
- Depot compliance review
- Annual Report timetable
- Discussion with Head of Internal Audit (without management present)

November

Committee meeting
- External audit update
- 2023 internal audit plan and budget
- Audit and assurance policy update
- Key controls project update
- Terms of reference review
- 2023 Audit Committee calendar

1 The FRC's review was based on the Annual Report and Accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. It was, however, conducted by FRC staff with an understanding of the relevant legal and accounting framework. The review carried out by the FRC provides no assurance that the Annual Report and Accounts were correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Audit Committee report continued

Financial reporting

Results review

The Audit Committee reviewed the Group's 2022 Annual Report and Accounts and the half-yearly financial report published in July 2022.

As part of these reviews, the Committee received papers from management on accounting policy, areas of significant judgement, the Group's key risks, going concern considerations and longer-term viability. The Committee also discussed reports from KPMG 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.

Controls over financial reporting

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 142.

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 report details 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. The Committee is satisfied that each matter has been fully and adequately addressed by the Executive Committee, appropriately tested, and reviewed by the external auditor, and the disclosures made in the 2022 Annual Report and Accounts are appropriate.

Areas of significant financial judgement:

Inventory obsolescence provisioning

Defined benefit pension scheme

Parent company accounting (new in 2022)

Inventory obsolescence provisioning

The Group's in-stock model (further information about which may be found on pages 14 and 15) 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 2022, management continued to take a strategic position on stock.

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.

Actuarial valuation of pension fund liabilities

Whilst there were no changes in the year to the methodology for the valuation assumptions, the significant change to the discount rate during the year meant that there was additional focus on this judgemental disclosure.

The Committee met with the Company's actuaries and carefully reviewed their report, concluding that:

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

Valuation of pension fund assets

The Audit Committee also considered processes to value pension fund assets. Following market volatility in September 2022, 76% of total pension fund assets at the 2022 financial period end (2021: 35%) were assets for which there is no observable market value (see page 196). Some of the asset valuations required judgement because manager valuations at the balance sheet date were not expected to be available until after the finalisation of this report. To minimise the risk that the valuations were not in line with assumptions, the asset managers were contacted to check for indicators of impairment or expected impairments, any significant market events that may have impacted the assets since the latest valuation, or any significant changes in fund composition which would lead them to think that there had been any impairment since the most recent valuation date. The Committee concurred with the approach taken.

Parent company accounting

During the year, management reassessed accounting in the parent company, Howden Joinery Group Plc. This has led to clarification of the disclosure of the parent company's investment in its principal subsidiary and an impairment of an inter-company receivable in the parent company balance sheet. In addition, a review of the Group's leases under IFRS16 identified that certain leases needed to be included in the parent company accounts rather than being accounted for in the operating companies utilising the relevant properties because the parent company is the signatory of these leases.

These changes resulted in prior year adjustments to the parent company's accounts, including to distributable reserves. However, these do not affect the consolidated results of the Group previously reported.

The Audit Committee reviewed management's proposals relating to the parent company and concluded that all recommendations were appropriate. Further details of the changes to the parent company balance sheet may be found on page 209.

Other areas of Audit Committee consideration

Patent Box tax relief

The Board approved the submission of a claim for tax relief under the UK Patent Box Tax Relief Scheme in July 2022, as set out in detail on page 31. Following the approval, the claim was included in the 2021 tax computation. The claim relates to a patented cabinet leg and the submission to HMRC covers the total period claimable since the patent was filed in 2017. The Committee reviewed the recommendations of EY tax specialists who have been advising the Company on the claim.

The Company has to recognise the full likely amount of the claim in the financial statements in accordance with IFRIC 23 given the success of the claim is deemed to be more likely than not. However, the amounts will only be confirmed when the relevant tax returns are agreed by HMRC. The Audit Committee considered the Company's accounting treatment, assumptions surrounding the valuation of the claim, and the views of the tax advisors and external auditors, and concurred with the approach taken.

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 KPMG Board Leadership Centre, 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's 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 external 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.

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 pages 141 and 142) and employment of ex-audit firm personnel. It also reviewed the Directors' conflicts of interest register. Further information about the Committee's review of conflicts of interest may be found on page 143.

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 period ended 24 December 2022 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. He 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 2023 AGM.

Recent and relevant financial experience

Andrew Cripps is a qualified Chartered Accountant 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. Thorough inductions are provided to the Committee members and opportunities to meet with senior management and Executives further enhance their working knowledge of the way the Company operates.

Audit Committee report continued

External auditor*

External auditor	KPMG LLP ('KPMG')
External auditor appointed	12 May 2022
Lead audit partner	Robert Brent
Lead audit partner tenure	Year 1 (of a 5-year cycle)
Total fees paid to auditor in the year	£1.2m (non-audit fees accounted for £0.1m of the total fee)

* The information above is correct as at 24 December 2022.

External audit tender

Following a comprehensive external audit tender process, the Audit Committee made a recommendation to the Board in 2021 to appoint KPMG as the Group's external auditor from 2022. The Board recommended KPMG's appointment to its shareholders at the 2022 AGM and shareholders approved the appointment with 98.8% of votes in favour. A case study on the onboarding of the new external auditor can be found below. The Board will recommend KPMG's re-appointment to shareholders at the 2023 AGM.

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 prior to appointment and during 2022, 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.

Case study

External auditor transition

Transitioning to a new external auditor creates a number of risks and benefits for companies. Ensuring that the new auditor is prepared and 'hits the ground running' on their first audit can help to mitigate some of these risks. Selecting the right audit team that will work collaboratively with the Company's finance teams and minimise management disruption is essential. However, an updated audit approach and fresh perspective also benefits audit quality, so it is important to ensure a seamless transition between ingoing and outgoing auditors.

During the external auditor tender process, the Audit Committee considered proposals on the approach to transition from the incumbent auditor (Deloitte). In their proposal, KPMG set out their transition methodology and timetable, which is considered in this case study.

Following confirmation of the Company's intention to appoint KPMG as auditor, KPMG set out to execute their transition plans to the agreed timetable. Five factors for a successful transition were identified:

1. Early clearance of accounting judgements
2. Clear understanding of how the Howdens business operates
3. Focus on all aspects of reporting, including statutory accounts
4. Early and proactive communication and identification of issues all year round
5. Focused approach without compromising quality

From June 2021, KPMG shadowed Deloitte and this continued throughout the 2021 year-end process. The KPMG team were able to observe ways of working with the Howdens finance teams and familiarise themselves with the key accounting judgements and risk assessments. Senior members of the KPMG team also attended Audit Committee meetings from July 2021 to observe the Committee at work. Concurrently, the KPMG team met with the Howdens finance and internal audit teams to discuss plans for the 2022 half-year review and audit.

Following the conclusion of the 2021 audit by Deloitte, KPMG undertook a thorough review of the outgoing auditor's audit files, launched the KPMG Clara collaboration tool and provisionally confirmed key accounting policies and approach to judgements. There were initial walkthroughs of the end-to-end processes for the key transaction flows (such as revenue recognition and inventory management). The approach towards technology was set out in a detailed plan, as well as data extraction to assess the general IT control environment.

The Audit Committee received an update on how transition plans were progressing at the April 2022 Committee meeting. The lead audit partner also met with all members of the Board ahead of the half-year review to discuss their expectations and areas of focus for the audit process.

The successful transition process has resulted in a high-quality audit from the KPMG team and a corresponding level of assurance for the Audit Committee. We will continue to refine the audit process further in future years.

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 2022 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 external audit fees may be found in the table on the facing page and in note 4 to the consolidated financial statements (page 172).

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 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.

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 KPMG 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 KPMG.
- 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.

Strategic Report
Governance
Financial Statements
Additional Information

Audit Committee report continued

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.

No non-audit services were provided by KPMG during the year.

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 is 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, IT and cyber 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 2021 Annual Report and Accounts, management have challenged and reviewed 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 and evidence their effective implementation.

Good progress in delivery of the project continued throughout 2022 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 Government's White paper 'Restoring trust in audit and corporate governance', although it is likely that this will guide prioritisation and activity for 2023.

Internal audit

The Internal Audit team has continued to develop its capabilities during the year. This includes further development of data analytics and systemisation of controls. An updated Internal Audit Charter has been approved by the Committee and communicated to management, thereby refreshing 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.

The Audit Committee has commissioned an external assessment of the internal audit function every five years to assess the performance and effectiveness of the Internal Audit department.

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 and have been implemented in 2022.

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 effectiveness review will be considered 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. A further enhancement project is underway as part of our key controls.

Cyber and information security risk

The risk of a cyber security incident is considered to be one of the Group's principal risks. More information on this risk can be found on page 43.

Updates on cyber and information security were presented to the Committee by the Head of Information Security and the Director of Infrastructure and Service Delivery at the Committee meetings in April and July. In September, the Committee noted that, in addition to the development of technical controls to mitigate the increasing risk of a cyber security incident, a revised strategy for Security Governance had been implemented to ensure clear direction to the business.

There were no significant information security breaches during the year and there have 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. In September, the Commercial Finance Director also presented to the Committee.

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 82 and 83).

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

6 March 2023

Strategic Report
Governance
Financial Statements
Additional Information

Howden Joinery Group Plc / Annual Report & Accounts 2022

Sustainability Committee report

2022 meeting attendance

Peter Ventress (1/1) Appointed 1 July 2022
Richard Pennycook (1/1) Retired 17 September 2022
Andrew Cripps (2/2)
Karen Caddick (2/2)
Geoff Drabble (2/2)
Louise Fowler (2/2)
Debbie White (2/2)

Key activities in the year ahead

- **Receive updates on workforce skills and development.**
- **Receive updates on sustainability strategy, including Net Zero plans.**
- **Review of the Sustainability Comittee Terms of Reference.**
- **Approval of the 2024 Sustainability Committee calendar.**

Peter Ventress
Sustainability Committee Chairman

Introduction from the Sustainability Committee Chair

Howdens has a sustainable business ethos. Being 'worthwhile for all concerned' means that having a positive impact on our environment is a key part of our overall growth plans. But we are also committed to making our business more diverse, creating opportunities for all, and removing barriers to employment. These are the matters, in line with commercial considerations, that matter most to our employees, our investors, and our wider stakeholder base.

Many of the items considered and approved at the Sustainability Committee are considered in detail in the sustainability matters report (which begins on page 46), part of the strategic report, so this Committee report is necessarily shorter than other Committee reports to avoid duplication. However, it is important to detail the role, remit, and responsibilities of the Committee, to highlight some of the key work of the Committee during the year, and to consider the work of the Committee in the year ahead.

Role, remit and responsibilities

The primary purpose of the Howdens Sustainability Committee is to assist the Board in articulating and developing its sustainability strategy and providing oversight of sustainability initiatives across the business, in line with the purpose, values, and strategy of Howdens as established by the Board. This includes monitoring the content and completeness of Howdens' external statements, disclosures, and other reporting on sustainability matters.

Setting the tone from the top on environmental and social matters, ensuring that these priorities are embedded in wider strategy, and developing robust KPIs are key functions of the Committee and I am pleased to report that the first full year of the Sustainability Committee has been a successful one.

The key duties the Committee carries out in relation to any environment and climate action and Howdens' contribution to society were set out on page 143 of the 2021 Annual Report and Accounts, which can be accessed on our corporate website (www.howdenjoinerygroupplc.com). However, it will also consider any other matters referred by the Board or its Committees relevant to sustainability.

The remit of the Sustainability Committee does not cover governance matters per se and these remain a matter for the Board and its Committees. The Committee will also liaise as necessary with all other Board Committees as required.

The work of the Committee in 2022

Reducing carbon

Having made great progress on energy and waste reduction in 2021, particularly achieving carbon neutral in manufacturing at our Howden and Runcorn sites, the Committee was mindful to keep the momentum into 2022. Building a credible SBTi Net Zero plan and extending carbon neutral to Howdens Work Surfaces were two priorities for the Committee during the year. More information on our SBTi Net Zero plans can be found on page 52. The Committee will monitor the development of these plans, particularly the initiatives to reduce Scope 3 emissions which make up 90% of the Group's total emissions.

To support the implementation of the Net Zero plan, the Remuneration Committee has for the first time introduced carbon reduction measures as part of our Executive remuneration framework (see page 114).

TCFD - business resilience

The Sustainability Committee is mindful to understand key climate risks and opportunities. We do this through our business resilience framework, which is documented through our TCFD disclosures.

These disclosures are contained in the strategic report on pages 54 to 61. The Committee has encouraged a simple and pragmatic approach to business resilience. Building on the disclosures in 2021, the Committee considered three model scenarios, a materiality impact assessment and associated action plan. These are integrated with the SBTi Net Zero plans which include comprehensive supply chain mapping, a compelling customer sustainability offer and regular review of Howdens sustainability strategy.

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.

Equality, diversity and inclusion (EDI)

The Sustainability Committee received updates from the Group HR Director and the senior HR team on the progress made during the year in respect of the EDI Group. Building on the progress made during 2021, the Committee considered updates on Executive Sponsorship of priority areas, training, engagement and data. In the short term, business focus is on building foundations, increasing confidence and capability, but in the longer term, the business believes that a mature EDI programme will provide a competitive advantage and will be fully integrated into our ways of working.

In September, the Committee received the Best Companies diversity data. Data captured as part of the Best Companies survey provided the Company with its first diversity census. The Committee noted that the data was being used to drive local EDI activities. Around 5,900 of the 7,300 employees who participated in the survey completed the EDI questions, equating to an average response rate of 80%.

The Committee also considered the work done to date on employee wellbeing.

2022 Sustainability Committee activity

April

Committee meeting
- Sustainability progress
- EDI, wellbeing and apprenticeships
- Modern Slavery Statement

September

Committee meeting
- Sustainability progress, including Net Zero plans, TCFD disclosures and industry leadership
- EDI and apprentices
- 2023 Committee calendar
- Terms of reference

Apprentices

The Committee received updates on Howdens' apprenticeship programmes at each of its meetings during the year. Having committed to transferring 20% of the apprenticeship levy to fund construction apprenticeships in small businesses across the UK, it was particularly pleasing to receive the UK Social Mobility Award for Innovation in October.

More information on Howdens' approach to social mobility can be found on page 65.

Sustainability in 2023

The Committee will continue to focus on the core environmental and social matters that matter the most to our stakeholders. This will include further development of our SBTi Net Zero carbon reduction strategy and promoting our EDI agenda. We will continue to communicate our progress and priorities as part of Howdens wider strategy.

By order of the Board

Peter Ventress
Sustainability Committee Chairman

6 March 2023

Strategic Report
Governance
Financial Statements
Additional Information

Directors' report

The Directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 24 December 2022. Comparative figures relate to the 52 weeks ended 25 December 2021.

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 is deemed that the information is 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 69. 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 68 and 69.

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 96 to 101. 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 142. Risk management arrangements information may be found on pages 36 to 38 and in the Principal risks and uncertainties section beginning on page 39.

Diversity policies: The Board and Group diversity policies are available on page 106 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 88 to 95.

Employees: Information about the total number of employees and gender diversity statistics are located on page 105. The average number of employees and their remuneration are shown in note 21 on page 192. The methods of engaging with the workforce may be found on pages 90 and 91. 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 and 2022 were invited to participate in a new SIP Partnership and Matching Shares plan. Further details of the SIP may be found in note 23 on page 199.

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 2 to 35.

Dividend: Dividend information can be found in the Chairman's statement on page 18 and the 'Financial review' on page 32.

Directors' statement of disclosure of information to the auditor: This statement may be found on page 74.

Located in the additional information section:

Annual General Meeting (AGM): Information about AGM can be found on page 214. The recommendation to reappoint KPMG LLP as the Group's auditor, can be found on pages 136 and 140.

Share capital, substantial shareholdings and acquisition of the Company's own shares: Information in this regard can be found on pages 214 and 215.

Indemnity and Insurance: Details of Directors' Indemnity and Insurance is located on page 215.

Significant agreements: Details of any agreements that take effect, alter or terminate upon a change of control may be found page 215.

Disclosure required under Listing Rule 9.8.4R: The locations in this Annual Report and Accounts of disclosures in relation to LR 9.8.4R are set out below:

- Details of long-term incentive schemes: note 23 beginning on page 199.
- Dividend waivers: page 214.
- Published profit forecast made during the reporting period to 24 December 2022: page 215.

The remaining disclosures required by LR 9.8.4R are not applicable to the Company.

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 also has not undertaken research and development activities during the 2022 financial period.

By order of the Board

Forbes McNaughton
Company Secretary

6 March 2023

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 matters 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 68 and 69). • Discussion of the Company's progress on implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (pages 54 to 61). • Discussion of the UN Sustainable Development Goals and our progress on 'zero waste to landfill' and carbon neutral manufacturing (page 50). • KPI on production waste reuse, recovery, and recycling and our target of 100% of wood-based material used in manufacturing processes being made from FSC® or PEFC certified sources (page 29). • Discussions of our efforts to reduce waste and our responsible, energy-efficient operations (page 50).
Social matters	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	• Our impact on our stakeholders (starting on page 62) and engagement with stakeholders (starting on page 88). • Our work with local and national charities (page 70).
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.	• 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 pages 91, 97 and 143.
Employees	Health & Safety Statement of Intent (see Group website), market abuse compliance, data protection and privacy, and whistleblowing.	• KPI on Health and Safety and discussion of Health and Safety performance and initiatives (page 29). • Discussion of employee rewards and benefits, development opportunities and apprentice schemes (pages 65, 119 and 121). • Diversity policies and statistics (pages 105 and 106). • Workforce engagement (pages 90 and 91). • Directors' remuneration policy (see Group website for the full policy or pages 117 to 121 for a summary of the policy).

We outline our business model on pages 14 and 15. All of our non-financial KPIs are presented together on page 29. 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 on page 36.