

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.

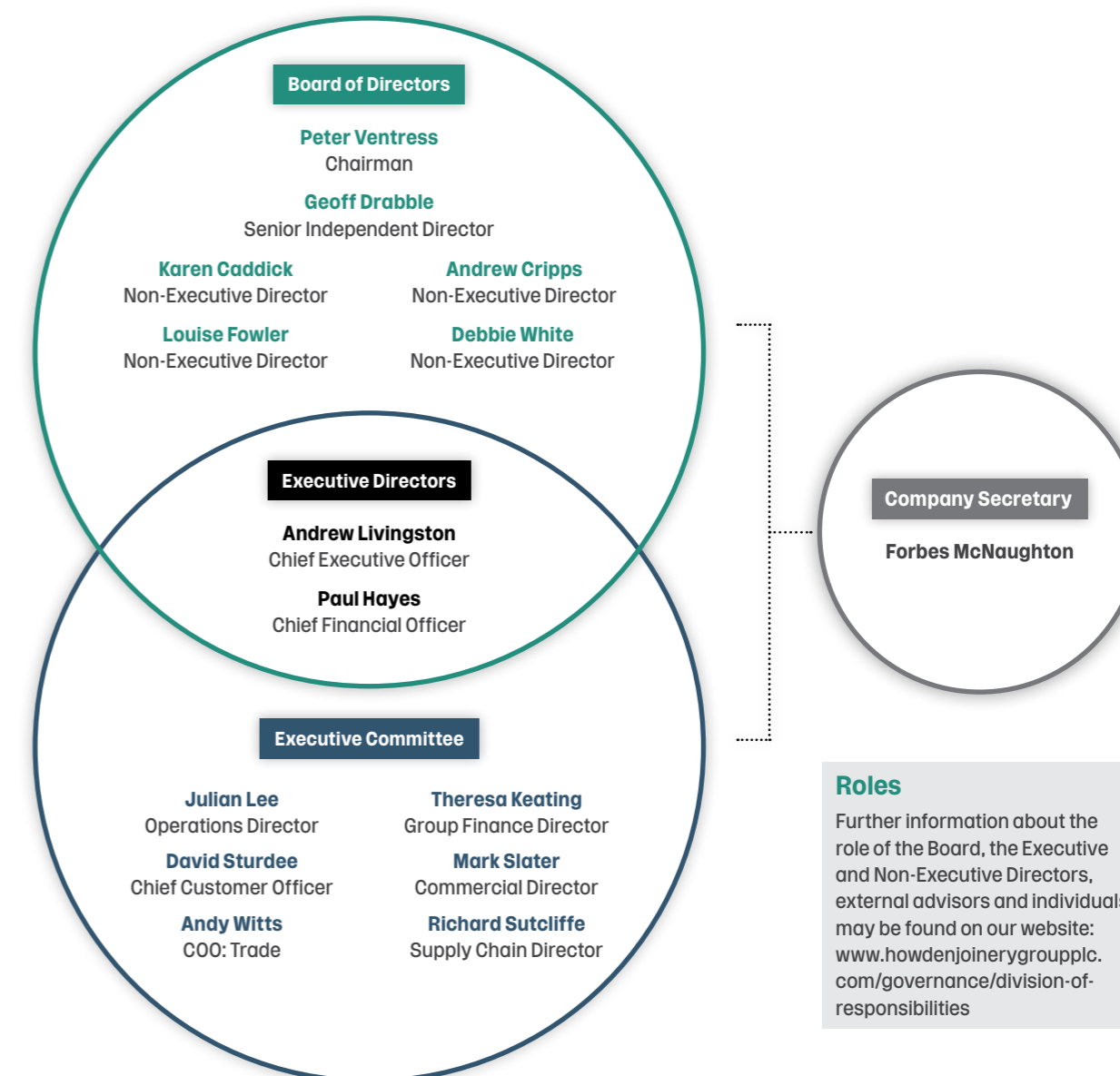
We also look forward to working with the Pension Trustees during the year in reshaping their strategy. In the 2021 Annual Report, we reported that the Defined Benefit Pension Plan (the 'Plan') funding position had improved so that it was in surplus on a technical provisions basis and therefore Company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



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		Non-Executive Directors					
Andrew Livingston Chief Executive Officer	Paul Hayes Chief Financial Officer	Peter Ventress Independent Non-Executive Chairman	Geoff Drabble Senior Independent Director and Non-Executive responsible for workforce engagement	Karen Caddick Independent Non-Executive Director	Andrew Cripps Independent Non-Executive Director	Louise Fowler Independent Non-Executive Director	Debbie White Independent Non-Executive Director
Appointed		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.	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		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.	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 (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 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		Other listed company appointments					
Non-Executive Director of LondonMetric Property Plc	None	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		Committee Membership					
Neither Executive Director is a member of any Board Committee.		N 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 <ul style="list-style-type: none"> Health and safety 2022 budget review Capital allocation Investor relations update Principal risks review 	February <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Appointment of new Chairman 	May - AGM <p>All resolutions were passed with the requisite majority.</p> <p>Further details about the meeting may be found on page 94.</p>
	April <ul style="list-style-type: none"> Health and safety DB pension plan update Shareholder feedback following 2021 Full Year results Broker update Ukraine crisis update Strategic planning (separate session) 		

2023

January <ul style="list-style-type: none"> Health and safety 2023 budget Investor relations Principal risks Whistleblowing report 	February <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Health and safety Strategic opportunities and long-term planning Pensions Investor relations 	May <ul style="list-style-type: none"> AGM - further details may be found on page 214.
<p>Spotlight Trade service and convenience: Digital strategy</p>		<p>Spotlight Product leadership</p>	

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
- Trade value
- Trusted trade relationships
- Product leadership
- Entrepreneurial culture

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.



June <ul style="list-style-type: none"> AGM feedback Consumer and market update 	July <ul style="list-style-type: none"> France and Belgium Business update New factory line approval HR update Investor relations update Draft interim results and announcement Key risks review Whistleblowing report 	September <ul style="list-style-type: none"> Health and safety 'Cost of living' help for employees Employee survey update Supply Chain and Operations update Investor relations update Broker presentation, market update 	November <ul style="list-style-type: none"> Health and safety Operations, Commercial and Supply Chain updates Pensions update¹ Investor relations update Schedule of Matters Reserved for the Board and Board Committee Terms of Reference 2023 Board calendar
<p>Executive Committee presenters:</p> <p>KH</p>	<p>Executive Committee presenters:</p> <p>RS JL</p>	<p>Executive Committee presenters:</p> <p>AW MS RS</p>	

July <ul style="list-style-type: none"> 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) 	September <ul style="list-style-type: none"> Health and safety Employee engagement Investor relations 	November <ul style="list-style-type: none"> Health and safety Pensions Corporate governance Board Committees' Terms of Reference Schedule of Matters Reserved for the Board 2024 Board calendar 	<p>Executive Committee presenters</p> <p>KH Kirsty Homer (Group HR Director)</p> <p>RS Richard Sutcliffe (Supply Chain Director)</p> <p>JL Julian Lee (Operations Director)</p> <p>AW Andy Witts (COO: Trade)</p> <p>MS Mark Slater (Commercial Director)</p>
<p>Spotlight Trusted trade relationships: Customer</p>	<p>Spotlight Trade service and convenience: Depot evolution</p>	<p>Spotlight Trade value: Vertical integration</p>	<p>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.</p>


Corporate governance report continued

Executive Committee and Company Secretary

Executive Committee members			
			
Theresa Keating Group Finance Director	Julian Lee Operations Director	Mark Slater Commercial Director	David Sturdee Chief Customer Officer
Appointed			
Theresa joined Howdens in September 2000 and has been a member of the Executive Committee since February 2012.	Julian joined Howdens in 2003 and was appointed to the Executive Committee in July 2020.	Mark joined Howdens in June 2019 as a member of the Executive Committee.	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			
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.	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 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.	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.

Executive Directors	
	
Andrew Livingston Chief Executive Officer	Paul Hayes Chief Financial Officer

Andrew and Paul's profiles may be found on page 80.

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.

	
Richard Sutcliffe Supply Chain Director	Andy Witts Chief Operating Officer: Trade
Appointed	
Richard joined Howdens in January 2019 and was appointed to the Executive Committee in July 2020.	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	
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 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.

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.



Suppliers

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



Workforce

The interests of the company's employees.

...Customers



Howdens 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

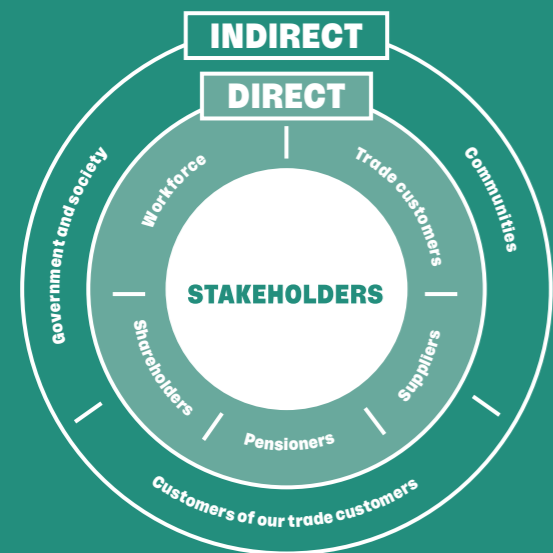
In July 2022, the Board approved investment in a 'paint-to-order' manufacturing infrastructure to support the provision of a wider range of kitchen colours on certain premium product ranges. The provision of such a service allows our trade customers to provide more choices to their customers and therefore 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.

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.

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 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.

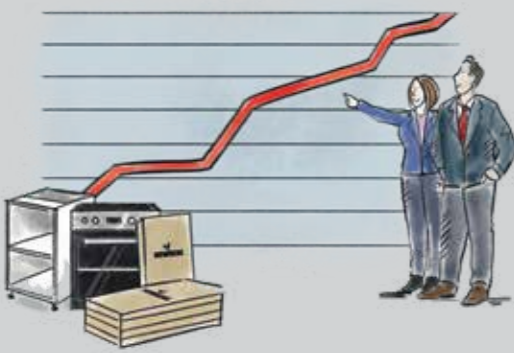
Corporate governance report continued

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.

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 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.

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.

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.

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).

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).

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.

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

