

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

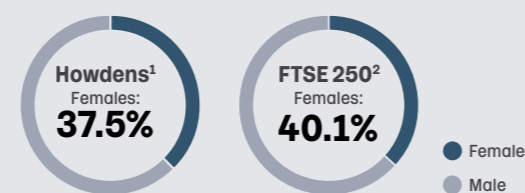
The appointment of a new Chair, as reported in last year's Committee report, was the only Board change during the year. My appointment to the Board followed a rigorous process, which is detailed later in this report on page 109. There followed a short handover period with the previous Chair, Richard 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.

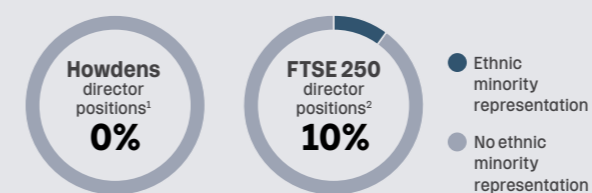
Evaluation

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



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.

Skills and experience	Importance	Number of Non-Executive Directors	
		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

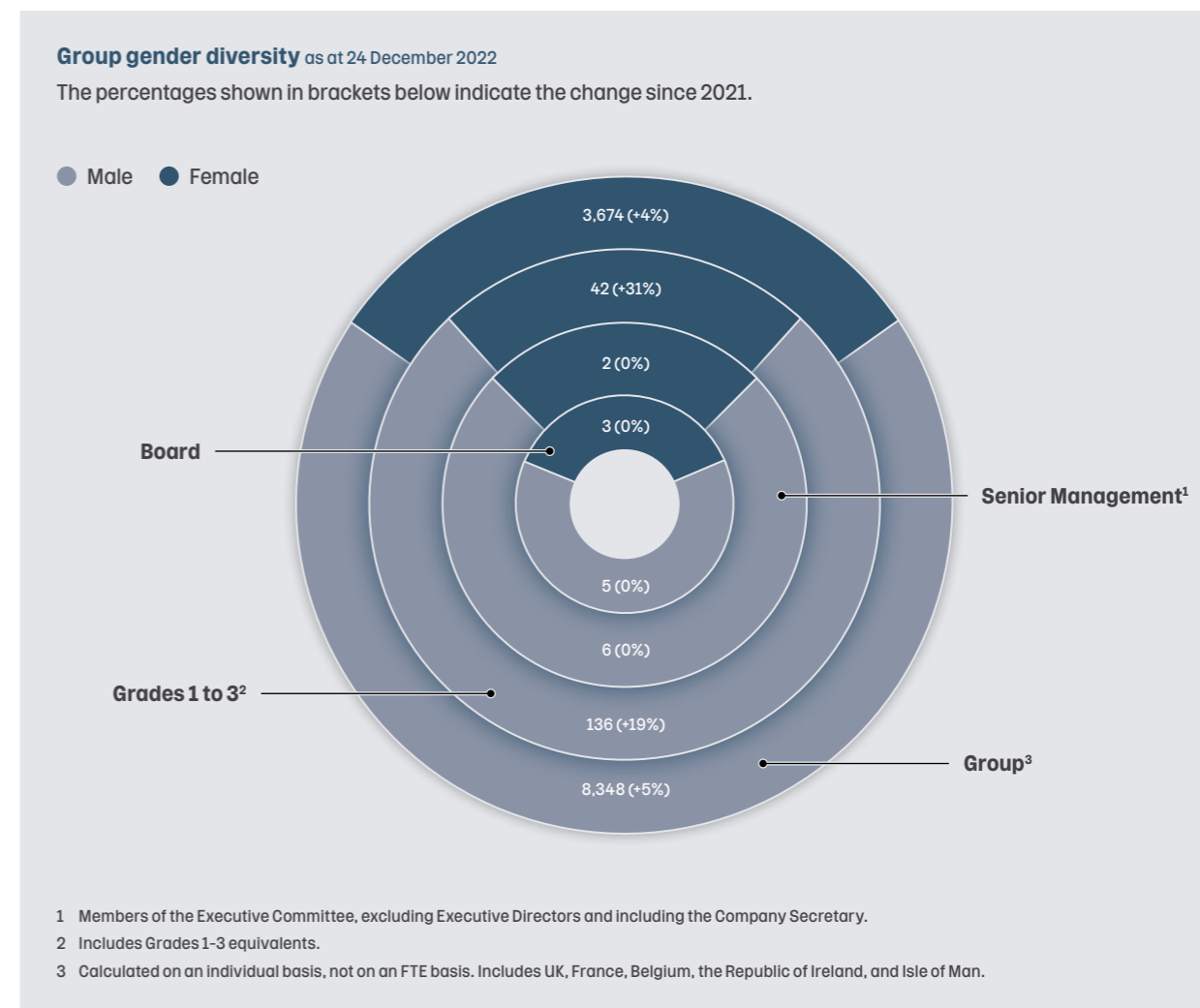
Importance

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.



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.

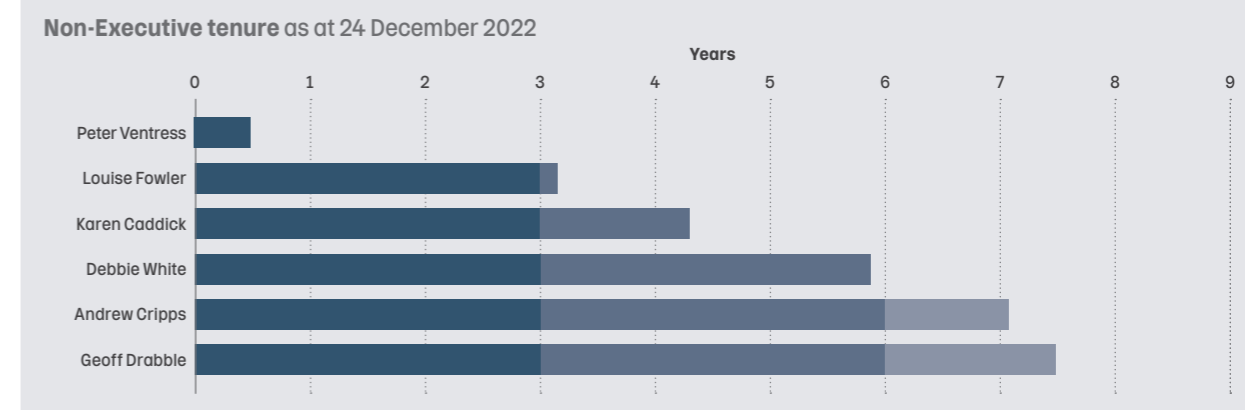
The Group is committed to meeting the code of practice on the employment of disabled people and full and fair consideration is given to disabled applicants for employment. It aims to do all that is practicable to meet its responsibility towards the employment and training of disabled people. The Group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



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 management¹ 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.

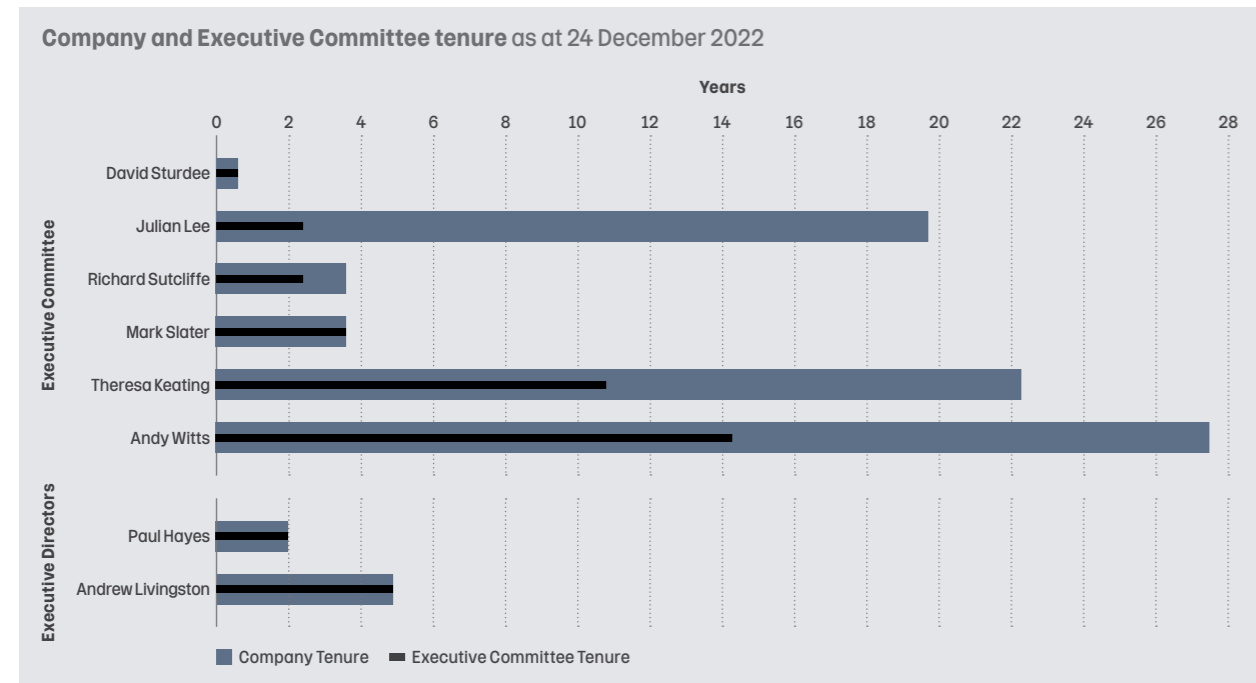
Stuart has extensive operational experience in multi-site and trade businesses. His former roles include: Operations Director at Pets at Home and Director of Retail at Screwfix. Stuart will join Howdens in the second quarter of 2023.

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.



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

Case study Chairman Succession

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 our 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.

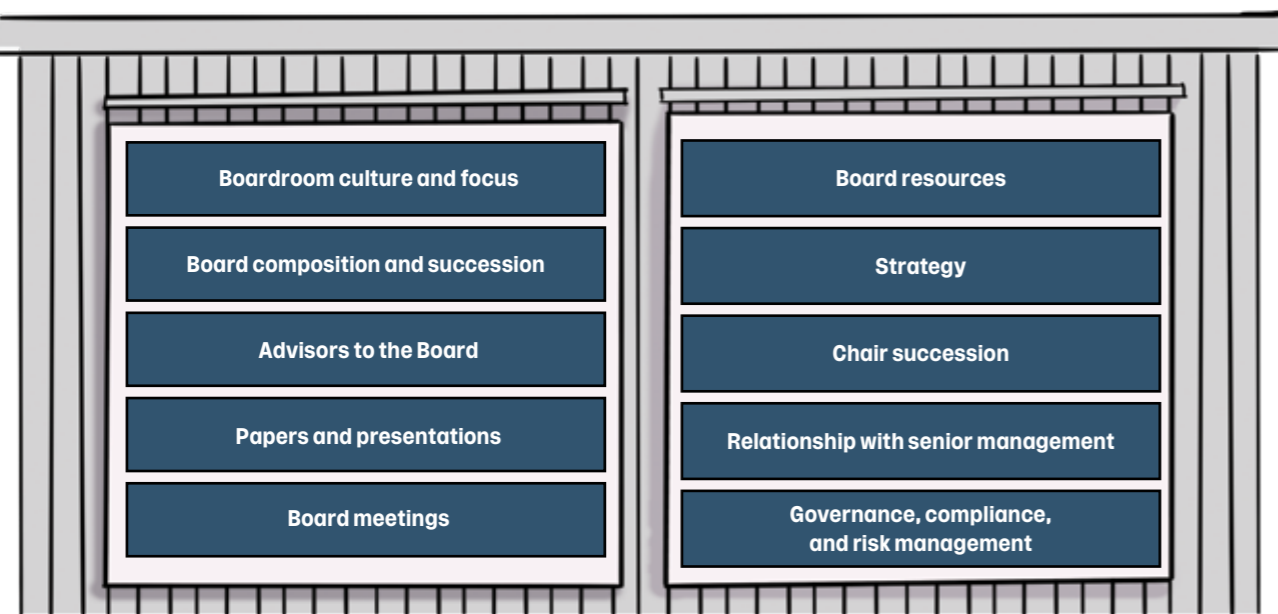


Nominations Committee report continued

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.

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

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