Remuneration Committee report

2022 meeting attendance

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

Key activities in the year ahead

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

Karen Caddick
Remuneration Committee Chair

Annual Remuneration Committee Chair's statement

I am pleased to present the Howden Joinery Group Plc Remuneration Committee report for 2022. The report has been prepared in compliance with the requirements of the Large and Medium-sized Companies and Groups Regulations 2013 and incorporates changes made under the updated EU Shareholder Rights Directive (SRD II).

Using this report

We have sought to make our Remuneration Committee report as straightforward to access as possible. The content of the report is governed by various legislation and listed company disclosure requirements and, on occasion, this results in duplication of information. We have tried to reduce this wherever possible and present the information in an accessible and more intuitive way. The report is split into three sections:

1. This Committee Chair's statement
2. Summary of the Directors' remuneration policy
3. The Directors' remuneration report

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

Part 1	Company performance and stakeholder experience
Part 2	Application of policy in 2022
Part 3	Implementation of policy in 2023
Part 4	Additional disclosures

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

2022

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

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

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

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

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

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

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

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

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

2022 reward outcomes

Annual bonus

For the 2022 annual bonus, performance was based on the delivery of both profit and cash flow targets. For the full year we have reported an increase in sales of 10.8% and an increase in profit of 4.0%. These results are particularly impressive given the strong performance of the business in 2021.

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

Performance Share Plan (PSP)

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

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

To determine TSR performance, Howdens is ranked against a comparator group of similar sized companies, those being 50 above and 50 below Howdens by market capitalisation in the FTSE All Share index at or shortly before the start of the performance period (excluding Investment Trusts). There is zero pay out for below median performance and threshold vesting at 15% of the maximum opportunity at median. 100% of the opportunity is paid out when performance is equal to or more than upper quartile performance and there is straight-line vesting between the threshold and maximum opportunities.

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

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

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

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

2023 reward and incentives

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

Salary

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

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

Annual bonus

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

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

For the 2023 annual bonus, we replicated the methodology of PBT and cash flow measures used in the 2022 annual bonus. The measures retain their previous weighting of 85% of maximum opportunity for PBT and 15% of maximum opportunity for cash flow. This maintains the focus on profit in incentives and alignment with the depots, whilst maintaining a healthy stretch between target and maximum bonus levels to ensure strong shareholder alignment. The Committee has set sufficiently stretching targets for the annual bonus in 2023.

PSP

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

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

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

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

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

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

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

Pensions

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

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

Senior management and the wider workforce

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

The Committee also received updates on all-employee remuneration related policies in order to provide the context for, and to ensure alignment with, the policy on Executive Director remuneration. In 2019, the Committee adopted a dashboard in line with Provision 33 of the UK Corporate Governance Code, which shows some of the key internal and external measures that the Committee members are aware of when determining Executive Director and senior management remuneration (further detail on the dashboard may be found on page 126).

I hope the information presented within this report provides a clear explanation as to how we have operated our Directors' remuneration policy over 2022 and how we intend to implement it for 2023. We continue to be committed to an open and transparent dialogue with our stakeholders, and the Committee would welcome any feedback or comments you have on this report, our policy or how we implement the policy in 2023.

Karen Caddick
Remuneration Committee Chair

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

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

In reaching its conclusion, the Committee considered the remuneration experience structures and policies for the workforce as a whole in 2022, the relative ratios of Executive and employee reward, continued alignment to shareholder value, as well as the predictability and proportionality of the incentives, and their ongoing alignment to culture. The Committee took all of these matters into consideration and agreed that the vesting in full of these awards without adjustment or withholding was the right overall outcome.

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

2022 Remuneration Committee activity

H1

January

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

February

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

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

April

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

Committee meeting
- Workforce earnings analysis
- LTIP leaver treatment

May

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

H2

July

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

September

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

November

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

December

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

Summary of the Directors' remuneration policy

Fixed Variable

Howdens' Directors' remuneration policy, as set out in our 2021 Annual Report and Accounts, was approved by shareholders at our 2022 AGM. Set out below is a summary of that policy, how that policy links to strategy, and consideration of some of the factors the Committee addressed when formulating the policy. How the policy has been applied during 2022 and will be applied during 2023 can be found on subsequent pages in the report.

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

Executive Directors

The table below sets out the key components of Executive Directors' pay packages, including why they are used and how they are operated in practice.

Remuneration is benchmarked against rewards available for equivalent roles in a suitable comparator group. In addition to benchmarking, the Committee considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market conditions, and to governance requirements.

Element and how it supports our strategy	Operation	Opportunity	Performance measures
Base salary			
Recognises the market value of the Executive Director's role, skill, responsibilities, performance and experience.	Salaries are reviewed annually, and are effective from 1 January each year. Salaries will not be changed outside of the annual review, except for in exceptional circumstances, such as a mid-year change in role.	Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set with consideration of each Executive Director's performance in role and responsibilities, and within a range defined by a market benchmark derived from companies of a comparable size operating in a similar sector. The peer group used is reviewed whenever benchmarking is performed, and the Committee applies judgement in identifying appropriate peer group constituent companies. The individual's level of total remuneration against the market is considered at the same time. Reviews will also take into account the performance of the individuals, any changes in their responsibilities, pay increases for the wider workforce and internal relativities. 2022 and 2023 salary levels are detailed on page 130.	None.
Benefits			
Provides a competitive level of benefits.	Howdens pays the cost of providing the benefits on a monthly basis or as required for one-off events.	Benefits are based upon market rates and include receipt of a car allowance, health insurance and death-in-service insurance payable by the Company.	None.

Remuneration Committee report continued

Summary of the Directors' remuneration policy continued

Element and how it supports our strategy	Operation	Opportunity	Performance measures
Annual bonus			
Incentivises annual performance over the financial year. Deferral links bonus payout to share price performance over the medium-term.	Performance is assessed annually against targets made up of at least 75% financial metrics. At least 30% of any bonus earned is deferred into shares. Shares are paid out on the second anniversary of deferral date. The Committee has the discretion to adjust the bonus outcome in light of overall underlying performance. Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration. Payment is subject to continued employment. Malus provisions apply for the duration of the performance period and to shares held under deferral. Clawback provisions apply to cash amounts paid for two years following payment. Therefore clawback and/or malus will operate on the award for a total period of up to two years after the performance period. Clawback may be applied in the following scenarios: • material misstatement of accounts; • erroneous assessment of a performance target; • where the number of plan shares under an award was incorrectly determined; or • gross misconduct by a Director.	The threshold for the annual bonus will be dependent on the individual measures used each year. For 2023, the annual bonus will be based on PBT and cash flow, with threshold payout being 20% of salary. The maximum opportunity under the annual bonus is 200% of salary. For FY 2023, the annual bonus level will be increased to 200% of salary, with the position reviewed each year.	For 2023 the annual bonus will be based on PBT and cash flow measures. The Committee retains the flexibility to use alternative measures during the life of this policy, subject to at least 75% of the bonus being based on financial metrics.
Performance Share Plan (PSP)			
Focuses management on longer-term financial growth than addressed by the annual bonus. Long-term financial growth is key to the generation of shareholder value.	Executives have the opportunity to participate in the PSP on an annual basis. The PSP operates over a three-year vesting cycle. Under the PSP, awards will generally be granted towards the beginning of the performance period and vest based on performance over the following three-year performance period. Malus provisions apply for the duration of the vesting period. The Committee has the discretion to adjust the PSP outcome in light of overall underlying performance. Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration. Vested awards are subject to a two-year holding period following vesting, during which no performance measures apply. Clawback provisions apply for the duration of the holding period, through which vested awards maybe reclaimed in the event of: • material misstatement of accounts; • erroneous assessment of a performance target; • where the number of plan shares under an award was incorrectly determined; or • gross misconduct by a Director. No dividends accrue on unvested shares.	The threshold for the PSP will be 15% of maximum. This may be amended by the Committee dependent on the maximum opportunity in a given year. The maximum opportunity under the PSP is 270% of salary.	For 2023, the PSP will be based on PBT growth, relative TSR, return on capital employed, and an environmental measure. The Committee retains the flexibility to use alternative measures during the life of this policy, subject to at least 75% of the PSP being based on financial metrics.

Fixed Variable

Element and how it supports our strategy	Operation	Opportunity	Performance measures
Performance Share Plan (PSP) continued			
Shareholding requirement strengthens alignment of interests between participants and shareholders.	Executive Directors are expected to retain vested shares from deferred bonus and long-term incentive awards (net of income tax and national insurance contributions) until they reach the minimum requirements. Unvested deferred bonus and long-term incentive shares are not taken into account. PSP shares within a holding period are counted towards the requirement.	Executive Directors will be required to retain 100% of their shareholding requirement (i.e. 200% of base salary or full actual holding if lower) for two years post-cessation from the Board of Howden Joinery Group Plc.	
Pension			
Provides competitive long-term savings opportunities.	Executive Directors will be entitled to participate in the Howdens Retirement Savings Plan with contribution rates in line with the wider workforce. The level of salary supplement is aligned to the maximum pension benefit available to the Executive Director.		None.
All-employee share incentive plan			
To encourage employee share ownership.	Executive Directors are able to participate in the tax-advantaged Share Incentive Plan available to all eligible UK employees.	The maximum participation levels will be set based on the applicable limits set by HMRC.	None.

Remuneration policy for other employees

The remuneration policy described above applies specifically to Executive Directors of the Group. However, the Remuneration Committee believes it is appropriate that all reward received by senior management is directly linked to the performance of the Company and aligned with shareholder value. Accordingly, Executive Committee members participate in the same incentive schemes as the Executive Directors, at a reduced level, to ensure alignment between the leadership team and with our shareholders.

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

Remuneration Committee report continued

Summary of the Directors' remuneration policy continued

Non-Executive Directors' remuneration policy

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

Element and how it supports our strategy	Operation	Opportunity	Performance Measures
Fees			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	The fees for the Non-Executive Directors are determined by the Chairman and Chief Executive and approved by the Board. The fee for the Chairman is determined by the Remuneration Committee while the Chairman is absent. No other services are provided to the Group by Non-Executive Directors.	Fees for Non-Executive Directors are set out in the statement of implementation of policy on page 130. The fees reflect the time commitment and responsibilities of the roles. Accordingly, committee chairmanship, Senior Independent Director (SID) and the Non-Executive Director responsible for employee engagement fees are paid in addition to the NEDs' basic fee. Committee chairmanship fees apply only to the Audit and Remuneration Committees. The Chairman receives no fees in addition to the Chairman's fee. Fees may be reviewed every year, and are set within a range defined by a market benchmark of comparably sized companies and having regard to the base salary increase payable to the wider workforce. Benchmarking is typically undertaken every three years.	NEDs are not eligible to participate in any performance related arrangements.
Benefits			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	Non-Executive Directors are entitled to receive expenses in respect of reasonable travel and accommodation costs.		None.

Underlying principles

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

Fixed Variable

Clarity	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	In 2021, the Company invited its principal shareholders and shareholder representative groups to consult on the updated Directors' remuneration policy and received supportive feedback. The draft policy was updated following feedback from shareholders. In 2022, the Company contacted its principal shareholders to consider various changes to remuneration practice that were permitted under the policy. All UK employees are awarded Free Shares in the Company through the Share Incentive Plan (SIP). UK employees are also able to participate in a partnership and matching shares programme which also operates through the SIP. All employees with shares held in the SIP trust are able to exercise voting rights on those shares and vote on the Directors' remuneration report and the Directors' remuneration policy (when applicable) at general meetings of the Company. Further information on workforce engagement can be found on pages 90 and 91.
Simplicity	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Directors' remuneration policy has received positive feedback from stakeholders in relation to its simplicity. The Committee's approach to performance measures had always been that they must be understandable for participants in the schemes in order to ensure they are effective.
Risk	
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Whilst the Committee has consciously not set an absolute annual quantum on Executive remuneration, this is something that the Committee will keep under review. The total pay of the Executive Directors is considered by the Committee as well as pay ratios with the wider workforce and shareholder returns.
Predictability	
The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The range of possible values of rewards for the Executive Directors is considered on page 129. The range of possible values of rewards for the Executive Directors was also communicated in the 2021 Remuneration Committee report when a revised Directors' remuneration policy was communicated to shareholders. The Committee has a wide range of discretion in relation to variable pay awards, new joiners, and leavers, which were identified and explained when the policy was approved.
Proportionality	
The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	The Committee remains confident that the awards used to ensure continued delivery of strategy and long-term performance are working as intended and that they are delivering outcomes in line with our wider stakeholder experience. In 2022, the annual bonus paid out in full following delivery of exceptional PBT results in challenging market conditions, exceeding market expectations. However, despite the strong profit performance, the vesting percentage for the long-term incentive award was 43% due to challenging share price performance in the final year of the award. This impacted the outturn of the relative TSR measure resulting in a lower vesting percentage.
Alignment to culture	
Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	The Committee remains confident that the incentive schemes operated under the Directors' remuneration policy are aligned with purpose, values and strategy. Howdens' staff are paid on the performance of their local depot or on the profitability of the Group as a whole. This has created an autonomous, entrepreneurial, profit-focused culture and is reflected in the heavy weighting given to profit measures in our incentive schemes for Executive Directors and senior management.

Strategic Report
Governance
Financial Statements
Additional Information

Remuneration Committee report continued

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

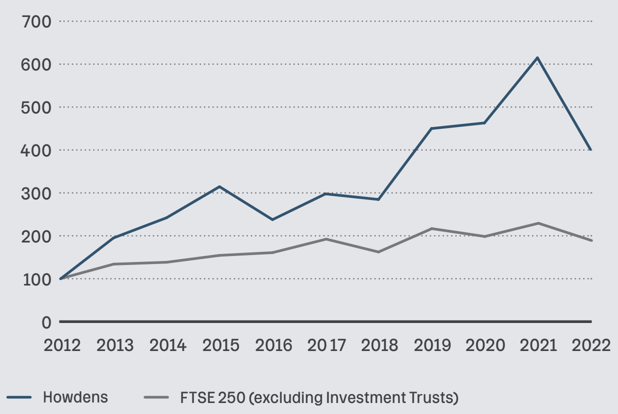
In this opening section of the Directors' remuneration report, we detail some of the considerations the Committee has regard to when implementing the Directors' remuneration policy. Contained in this section are specific disclosures on Group performance, as well as comparative disclosures on the relative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

Group performance

Total shareholder return (TSR)

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

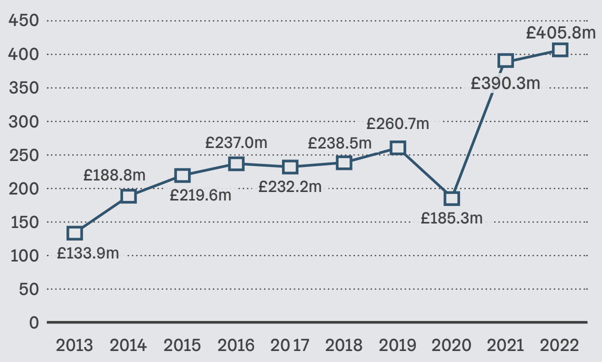
Howdens historic TSR



Profit before tax (PBT)

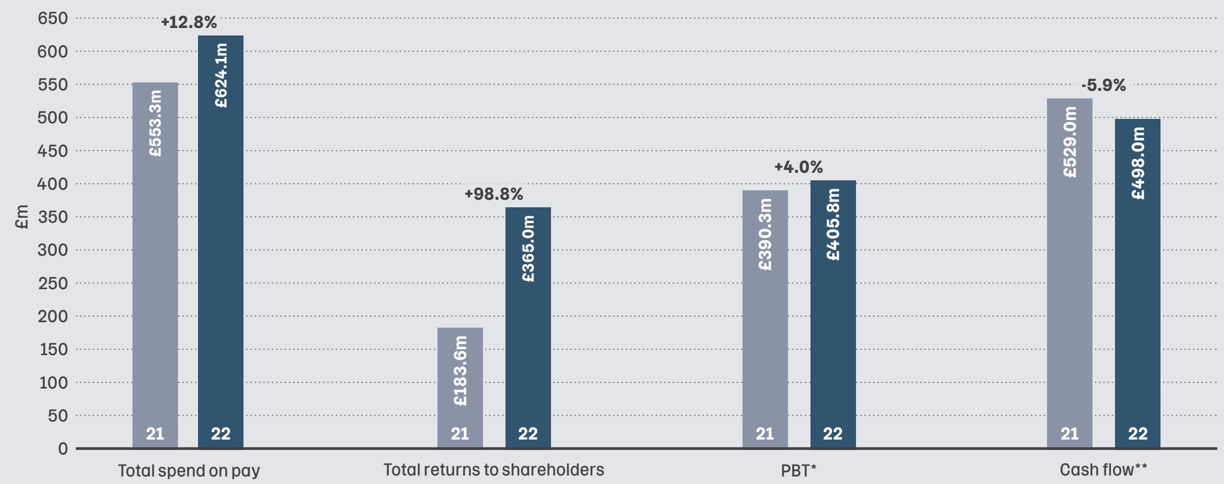
The graph below illustrates the Company's historic PBT performance.

Howdens historic PBT (£m)



Relative importance of spend on pay

The graph below sets out the change in the Group's total remuneration spend from 2021 to 2022 compared to the total returns to shareholders of the Group and the two incentive performance measures PBT and cash flow.



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

Director pay

Our corporate performance and remuneration

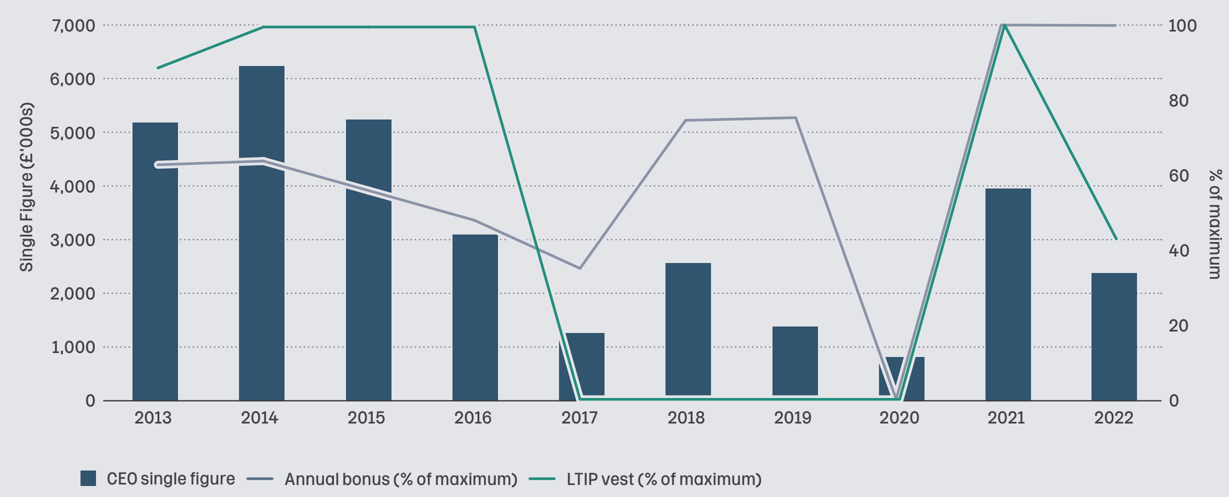
Historic single figure

The table and graph below show the historic CEO single figure and incentive payout levels. They show that, with the exception of 2020, the annual bonus has performed strongly and that long-term incentives have reflected the challenging market conditions.

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

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

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



Remuneration Committee report continued

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

CEO pay ratio table

Howdens has calculated the CEO pay ratio for 2022 in line with the updates to the Directors' Remuneration Reporting Regulations. The data used to calculate the CEO pay ratio was accurate as at 31 December 2022. In accordance with section 17 of The Companies (Miscellaneous Reporting) Regulations 2018, method A was used in the calculation of the pay ratios; ranking the pay and benefits of all our UK employees for the relevant financial year to identify the 25th, 50th, and 75th percentile-ranked employees and using the pay and benefits figures for these three UK employees to determine the pay ratios at each quartile. Method A has been used as it has been identified by the Department for Business, Energy and Industrial Strategy in its guidance as the most statistically accurate method for identifying the pay ratios.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2022	A	74:1	64:1	53:1
2021	A	135:1	113:1	93:1
2020	A	31:1	25:1	21:1
2019	A	71:1	58:1	48:1
2018	A	122:1	100:1	81:1

It should be noted that the CEO did not receive any remuneration relating to long-term incentive share awards in 2019 or 2020 as he was appointed to the Board in 2018. He also did not receive any annual bonus in 2020 during which time all other employees received variable performance bonus pay. The combination of these factors resulted in a lower than anticipated CEO pay ratio in 2019 and 2020. In 2021, the CEO pay ratio increased due to the vesting in full of the 2019 long-term incentive share award. In 2022, the ratio has reduced as the 2020 long-term incentive share award will vest at 43% of maximum and the share price upon which the award is valued is lower than in 2021.

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

	25th percentile	50th percentile	75th percentile
Total pay and benefits (FTE)	£32,066	£37,105	£45,006
Salary (including overtime) (FTE)	£22,450	£26,260	£32,026

The pay and benefits of employees was calculated in line with the Single Total Figure of Remuneration methodology. In our calculations we used actual pay from 1 January 2022 to 31 December 2022. Joiners, leavers and part time employees' earnings have been annualised on an FTE basis (excluding any payments of a one-off nature).

Where bonus payments are made on a weekly, monthly or quarterly basis, we included payments made in the 2022 compensation year; however, for annual bonus payments, we estimated the bonus due to employees for the 2022 compensation year (payment is due in March 2023). P11D values are based on the 2021/22 reportable values, however, they have been annualised accordingly.

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

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

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

Case study
Review of incentives below Executive Committee level

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

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

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

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

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

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

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

Remuneration Committee report continued

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

All-Director remuneration relative to average employees

Listed companies are required to disclose the annual change in each director's pay in comparison to the average change in employee pay. This comparison is made on salary, bonus and taxable benefits and as such does not include some of the elements disclosed under the single figure of remuneration table such as pension contribution or long-term incentives. While the SRD II requires a listed entity to provide employee pay information for that entity only (i.e. not on a group-wide basis), a 'Group' comparator has therefore also been included in the table below as this provides a more representative comparison.

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

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

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

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

2 Paul Hayes was appointed to the Board on 27 December 2020 and therefore did not receive a salary, benefits, or bonus as a Director in respect of the 2020 financial year. Comparative figures cannot therefore be calculated for the periods '2019 to 2020' and '2020 to 2021'.

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

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

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

6 Richard Pennycook, former Non-Executive Chairman, retired from the Board in September 2022 and therefore did not receive a full year of fees in respect of 2022. The percentage decrease between 2021 and 2022 was therefore substantial as the figures are not pro-rated for the purposes of the above calculations.

Wider workforce considerations

The Remuneration Committee received updates from the Group HR Director in respect of average salary of an employee in 2022 compared to previous years for depot, manufacturing, and logistics roles. When determining the base salary, benefits and variable pay awards for the Executive Directors and senior management, the Committee had regard to the information contained in a Provision 33 Dashboard, which includes information such as the CEO pay ratio, gender pay gap statistics, and the salary, bonus, pensions, benefits and share plan arrangements available to the wider workforce.

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

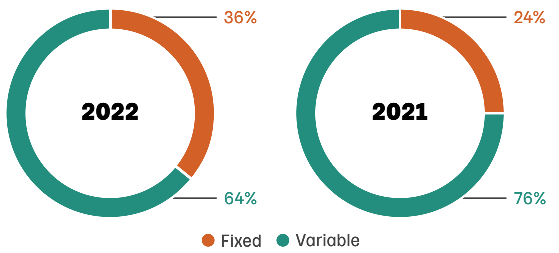
Fixed Variable

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

Single figure of remuneration (audited)

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

Total current Executive Director fixed vs variable pay



Notes to the single figure table

Executive Directors

Salary

Salaries will not be changed outside of the annual review, unless there are exceptional circumstances, such as a mid-year change in role. Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set within a range defined by market benchmark derived from companies in a similar sector. Salaries for 2023 can be found on page 130. The peer group used is reviewed whenever benchmarking is performed, and the Committee applies judgement in identifying appropriate peer group constituent companies. The individual's level of total remuneration against the market is considered at the same time.

Taxable benefits

Benefits are based upon market rates and include receipt of a car allowance, non-exclusive use of a driver, health insurance and death-in-service insurance payable by the Company.

Pension

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

Remuneration Committee report continued

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

Notes to the single figure table continued

Annual bonus (audited)

Targets

Our annual bonus for 2022 was based on PBT and cash flow measures subject to an aggregate maximum of 150% of salary. The PBT and cash flow measures were weighted as follows:

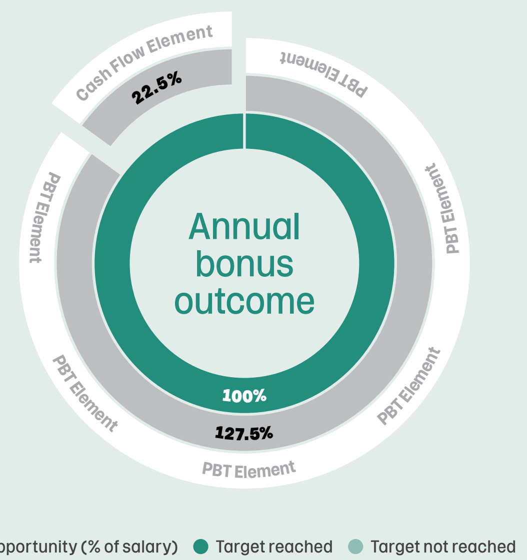
	PBT component	Cash flow component
Threshold	£340m (17% of salary)	£420m (3% of salary)
Target	£370m (63.67% of salary)	£445m (11.25% of salary)
Outperformance	£400m (127.5% of salary)	£469m (22.5% of salary)

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

Outcomes for the year

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

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



Performance Share Plan (PSP) (audited)

Targets

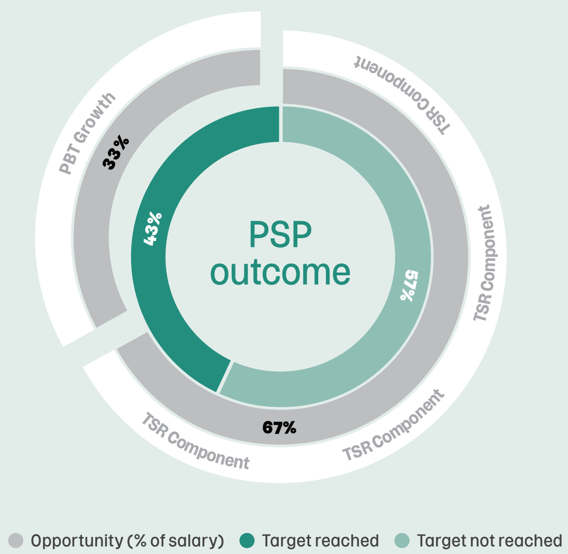
The PSP awards granted from 2020 onwards have been measured against PBT growth and relative total shareholder returns (TSR) over a three-year period. The PBT growth and TSR for the 2020 award was measured between FY 2019 to FY 2022. Any shares that vest under the PSP award are subject to a two-year post-vest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

Outcomes for the year

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

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

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



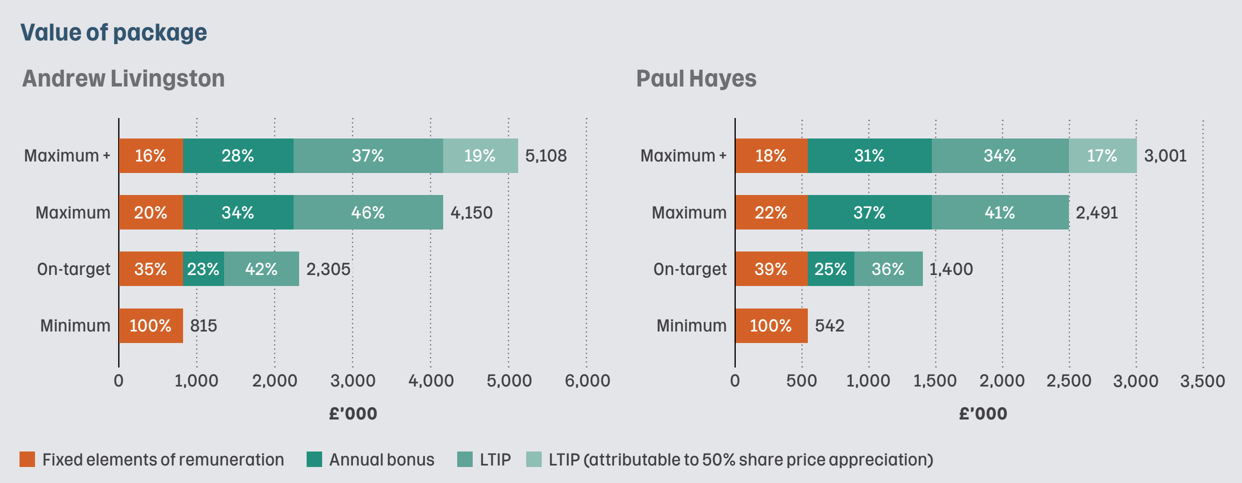
Directors' remuneration report
Part 3: Implementation of policy in 2023

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

2023 remuneration scenarios

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

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



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

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

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

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

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

Non-Executive Director fees

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

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

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

Executive Director base salaries

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

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

Annual bonus measures

The table below sets out annual bonus measures for 2023. Targets for these measures are considered commercially sensitive by the Board and so are not disclosed here. Performance targets, together with achievement against them, will be set out in full in the 2023 Remuneration Committee report.

Bonus measure	Definition	Performance level	Pay out level
PBT	Pre-exceptional profit before tax from continuing operations	Threshold Target Maximum	17% of salary 85% of salary 170% of salary
Cash Flow	Net cash flow from operating activities, taking into account the efficiency with which working capital is used, and adjusted for exceptional items	Threshold Target Maximum	3% of salary 15% of salary 30% of salary

Performance Share Plan (PSP) measures

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

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

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

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Fixed Variable

PBT growth - 60% weighting

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

Relative TSR - 20% weighting

Comparator group and averaging period for TSR performance

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

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

Return on Capital Employed (ROCE) - 10% weighting

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

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

Environmental measure - 10% weighting

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

	Performance condition	Payout level
Improving our carbon intensity ratio Year-on-year cumulative average Scopes 1 and 2 carbon emissions reduction, based on tCO$_2$e per £m	4.2% p.a. reduction	33.3% of maximum
	Straight-line vesting between these points	
	4.0% p.a. reduction	7.5% of maximum
	Below 4.0% p.a. reduction	0% of maximum
Fleet emissions reduction UK primary fleet only, based on CO$_2$KG/km	15% reduction	33.3% of maximum
	Straight-line vesting between these points	
	12% reduction	7.5% o f maximum
	Below 12% reduction	0% of maximum
Achieving carbon neutral status across manufacturing sites Maintain certified carbon neutrality or, in newly acquired sites, achieve certified carbon neutrality	Four manufacturing sites	33.3% of maximum
	Straight-line vesting between these points	
	Two manufacturing sites	0% of maximum

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

Remuneration Committee report continued

Directors' remuneration report
Part 4: Additional disclosures

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

Service contracts and letters of appointment

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

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

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

Non-Executive Director appointments are for an initial period of three years. They are subject to re-appointment annually at the Annual General Meeting in accordance with the UK Corporate Governance Code. Non-Executive Directors are not entitled to any form of compensation in the event of early termination for whatever reason. Copies of the Directors' service contracts and letters of appointment are available at the Company's registered office during usual business hours.

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

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

External appointments

It is recognised that Executive Directors may be invited to become non-executive directors of other companies and that exposure to such duties can broaden their experience and skills, which will benefit the Company. Howdens allows Executive Directors and other appropriate senior employees to accept a maximum of one external non-executive appointment outside the Company, subject to permission from the Committee, provided this is not with a competing company nor likely to lead to conflicts of interest. Andrew Livingston is currently Non-Executive Director of LondonMetric Property Plc, a FTSE 250 REIT. Andrew received £56,714.16 in fees in respect of his role as Non-Executive Director. Andrew held this position upon appointment. Paul Hayes does not have any external appointments. Executive Directors may retain the fees paid to them in respect of their non-executive duties.

Total pension entitlements (audited)

Executive Directors are invited to participate in the Howdens Retirement Savings Plan (the 'Plan') or receive an amount in lieu of membership of the Plan. More information on pension entitlements for Executive Directors can be found on pages 115 and 119 and in the Directors' remuneration policy at www.howdenjoinerygroupplc.com/governance/remuneration-policy

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

	Executive Directors	
	Andrew Livingston	Paul Hayes
Accrued pension at 24 December 2022 (£'000)	-	-
Normal retirement date	-	-
Pension value in the year from defined benefit component (£'000)	-	-
Pension value in the year from defined contribution component (£'000)	-	-
Pension value in the year from cash allowance (£'000)	84	48
Total	84	48

Fixed Variable

Director shareholdings (audited)

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

The table below sets out the total shares held together with unvested Performance Share Plan awards and those held subject to deferral conditions. Neither of the Executive Directors held share options in the Company that were subject to performance conditions or held share options that were vested but unexercised.

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

1 Based on a share price of £5.5235, being the three-month average price to 24 December 2022, and basic salary as at 24 December 2022. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons at 24 December 2022 and the Executive Director's salary at that date.
2 Includes Share Incentive Plan (SIP) partnership and dividend shares.
3 Includes only SIP free and matching shares.
4 Performance Share Plan awards under the Long-Term Incentive Plan.
5 Between 24 December 2022 (the end of the period) and 6 March 2023, Andrew Livingston has acquired 42 SIP Partnership Shares. No other changes to the Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 6 March 2023.

Non-Executive Director shareholdings (audited)

There is no shareholding requirement for Non-Executive Directors.

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

1 Including shares held by connected persons.
2 No changes to the Non-Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 6 March 2023.

Remuneration Committee report continued

Directors' remuneration report
Part 4: Additional disclosures continued

Scheme interests awarded during the financial year (audited)

During 2022, the Executive Directors were invited to participate in the Performance Share Plan (PSP) and Share Incentive Plan (SIP), as set out in the table below. Further information on conditional shares and SIP free and matching shares may be found in note 23 on page 199:

Nature of award:	Award of Conditional Shares under the PSP	
	CEO	CFO
Number of shares under award	234,516	124,941
Face value of award[1]	£1,808,000	£963,000
Performance condition	Proportion of PSP award subject to the performance condition	
TSR performance condition:	33%	
PBT performance condition:	67%	
TSR component vesting schedule	Position at which Howdens ranks compared to comparators	Proportion of TSR portion of Award that may vest
	At or above upper quartile	100%
	Straight line vesting between these two points	
	At median	15%
	Below median	0%
PBT component vesting schedule	Annualised PBT growth over Performance Period	Proportion of PBT portion of Award that may vest
	15% p.a.	100%
	Straight line vesting between these two points	
	5% p.a.	15%
	Less than 5% p.a.	0%
Performance period	Performance measured from FY2021 to FY2024	
Grant date	6 Apr 2022	
Vesting date	6 Apr 2025	
Additional holding period	2 years	

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

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

1 Free and Matching Share awards under the SIP do not have performance conditions; however, there is a service condition of three years from the Award date during which time the participant must remain employed by a UK Howdens Group company to avoid forfeiting the award.
2 The face value of the award is calculated using the share price at grant (the 'Award price').

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Consideration by the Directors of matters relating to Directors' remuneration

The Committee met six times during 2022 and discussed a number of items for which it is responsible. Under its terms of reference, which are reviewed on an annual basis, the Committee is responsible for determining the broad policy and specific remuneration packages for Executive Directors and senior management (that being the members of the Executive Committee, the Company Secretary and the Head of Internal Audit and Risk), including pension rights and, where applicable, any compensation payments. The Committee is also regularly updated on pay and conditions applying to other employees in the Company.

Advisors to the Committee

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

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

The Committee is satisfied that its advisors provided robust and professional advice during the year. Work undertaken during the year for the Committee included updating the Committee on trends in compensation and governance matters and advising the Committee in connection with benchmarking of the total reward packages for the Executive Directors and other senior members of staff.

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

Voting at the 2022 AGM

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

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

By order of the Board

Karen Caddick
Remuneration Committee Chair

6 March 2023