

Corporate Governance Report

Includes the Chairman's introduction (pages 66 and 67) and the Board's key activities in 2019 and for 2020 (pages 70 and 71).



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Executive Committee and Company Secretary

Our Executive Committee is made up of senior employees who assist the Executive Directors in the day-to-day management of the Company.



72

2018 UK Corporate Governance Code Application and Compliance

The UK Corporate Governance Code is the framework by which we can benchmark our governance arrangements.



79

Board of Directors

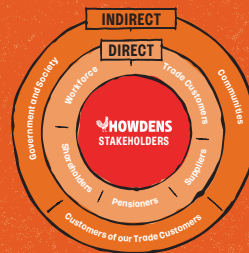
Each Director brings their own perspective, experience and skills, which collectively contribute to a Board which can effectively govern and contribute to the long-term sustainable success of the Company.



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Section 172(1) Statement and Stakeholder Engagement

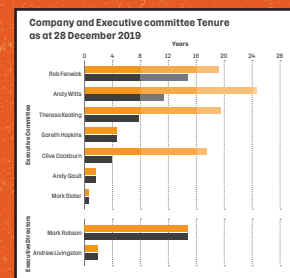
Our stakeholders are always considered in the decisions we make, but it's imperative that we engage and foster long-term relationships with them so that we truly understand their experience of the Company.



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Nominations Committee Report

The recruitment of talented individuals to the Board and senior management team ensures we can remain competitive.



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Remuneration Committee Report

Fair and balanced remuneration practices for our Executive Directors and senior managers plays a key role in ensuring sustainable growth of the business and the fulfilment of our strategic objectives.

Total Executive Director - Fixed vs Variable Pay



92

Audit Committee Report

The oversight of the financial reporting process and the Company's system of internal controls is a crucial pillar in our governance framework.



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Directors' Report

The Directors' Report is a requirement of the Companies Act 2006.



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Governance

Corporate Governance Report



INTRODUCTION FROM THE CHAIRMAN

The new principles-based approach adopted in the latest version of the UK Corporate Governance Code encourages companies to demonstrate throughout their reporting how the governance of the company contributes to its long-term sustainable success and achieves wider objectives. As such we have ensured that our Annual Report and Accounts as a whole address the Principles and Provisions of the Code.

Reporting

Our reporting of culture and purpose are considered in detail in the Strategic Report. Consideration of our wider objectives and broader societal contribution is detailed in our 'Sustainability Matters' report.

The detail we have set out in the corporate governance reports is intended to provide you with more granular detail, not about our model or our results, but information about the teams delivering and overseeing those results and their reporting hierarchies.

In our Corporate Governance report we identify who our key stakeholders are, how we engage and foster relationships with them and how consideration of their needs have influenced our decision-making. In the Nominations Committee Report we consider in more detail how we manage succession at Board and senior management levels. In our Remuneration Committee Report we consider how our Executive pay aligns with strategy. And in the Audit Committee Report we consider what the procedural safeguards are that we have in place to protect the interests of our stakeholders.

2020 ANNUAL GENERAL MEETING ('AGM')

Details of the 2020 AGM may be found in the 'Additional Information' section on page 176.

We have updated our corporate governance reports this year to draw out more clearly the disclosures which matter most to our stakeholders. Parts of these reports unavoidably must cover statutory and other regulatory disclosures but, where possible, we have moved some of the information previously contained in these reports online or put them elsewhere in the Annual Report to prioritise the information which matters most.

Agenda

Like many companies, the Board's agenda is driven by financial and non-financial matters and we have provided more detail this year to demonstrate how the matters we considered and the decisions we made are aligned with the different stakeholders. We have embedded good processes for employment engagement and equality, diversity and inclusion and we will improve these processes over time. We are also dedicating more time to our environmental agenda.

But the Board recognises that all of this is only possible if our purpose is clear, our commercial strategy is sound, our leadership teams are fit-for-purpose and our financial controls robust. These things must remain our primary focus and they will deliver the long-term, sustainable success for all of our stakeholders.

Principles first

It is true to say that Howdens is no stranger to a principles-based approach. The Company was founded on the single principle that it must be worthwhile for all concerned. That is as true today as it ever was and it continues to underpin all strategic, all commercial and all governance decision making.

SHARE CAPITAL AND SIGNIFICANT AGREEMENTS

Specific statutory and regulatory disclosures previously contained in this report have been moved to the 'Additional Information' section on pages 176 and 177.

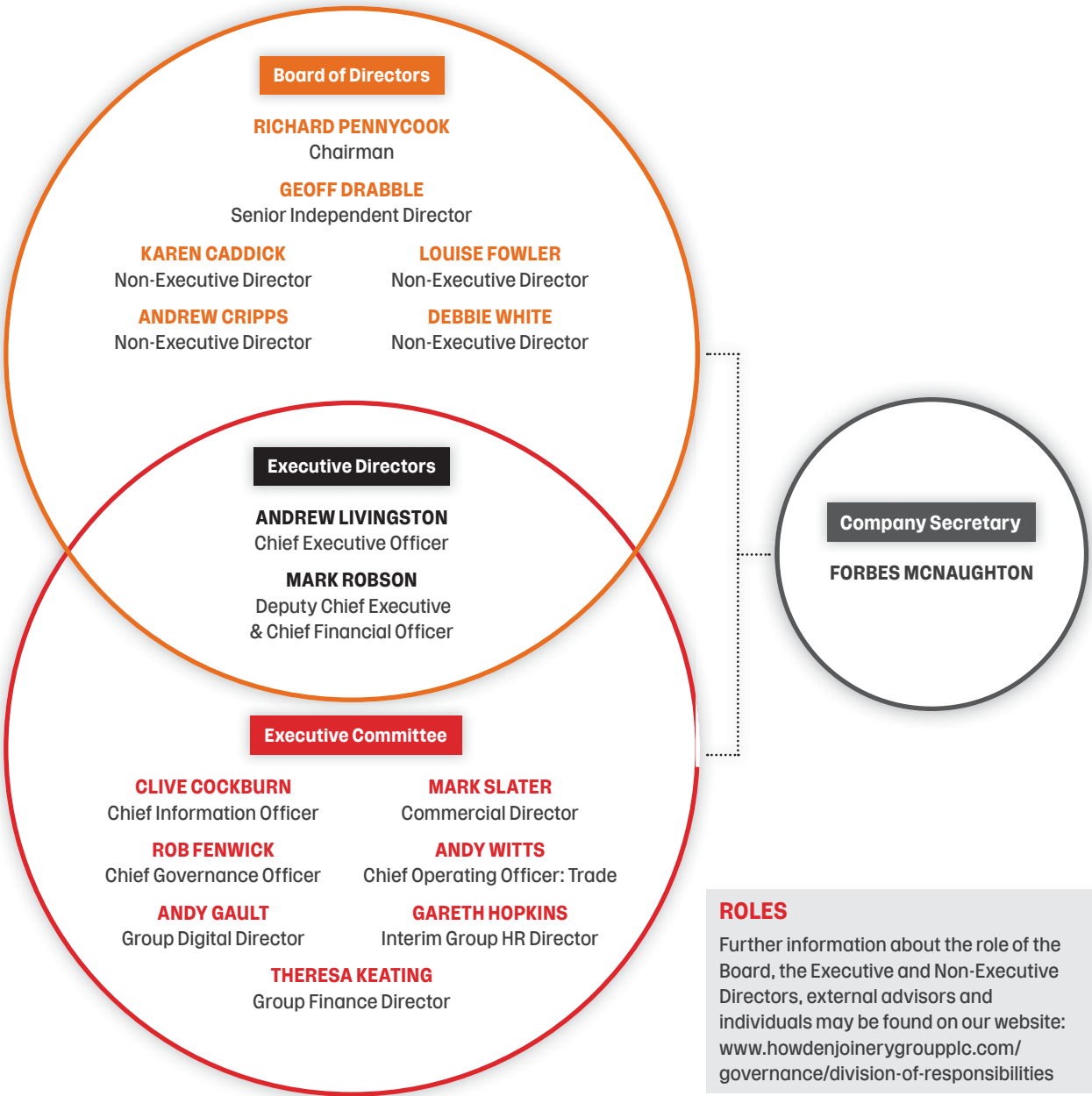
Board Meeting Attendance

Richard Pennycook (6/6)
Mark Allen (3/6)¹
Karen Caddick (6/6)
Andrew Cripps (6/6)

Geoff Drabble (6/6)
Louise Fowler (1/1)²
Tiffany Hall (5/5)³
Andrew Livingston (6/6)

Mark Robson (6/6)
Debbie White (6/6)

1. Mark was unable to attend the February and April meetings due to his commitments at Dairy Crest and the November meeting due to health reasons. Mark received all of the Board papers in advance of the meetings and was able to feedback his views to the Chairman.
2. Louise was appointed to the Board on 1 November 2019.
3. Tiffany retired from the Board on 17 September 2019.



Corporate Governance Report continued

Board of directors

Executive Directors



ANDREW LIVINGSTON
Chief Executive Officer

Andrew was appointed CEO Designate in January 2018 and was appointed to the Board as Chief Executive Officer on 2 April 2018.

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

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



MARK ROBSON
Deputy Chief Executive and Chief Financial Officer

Mark was appointed Deputy Chief Executive in May 2014, having joined the Board in April 2005 as Chief Financial Officer.

Contribution to the long-term sustainable success of the Company
Mark has served on the Board since April 2005 and in this time has accrued deep sector and market knowledge relevant to Howdens. Mark has an excellent reputation underpinned by his record of achievement across a number of different sectors. He also has relevant financial experience from his major finance roles at Delta plc and ICI and trained as an accountant at Price Waterhouse.

Non-Executive Directors



RICHARD PENNYCOOK
Independent Non-Executive Chairman

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

Other listed company appointments
Chairman of On the Beach Group plc¹

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



GEOFF DRABBLE
Senior Independent Director and Non-Executive responsible for workforce engagement

Geoff was appointed to the Board in July 2015 and became Senior Independent Director in September 2019.

Other listed company appointments
Chairman of Ferguson Plc¹

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

Key to Board committee membership

- ✱ Chair of Committee
- Nominations Committee
- Remuneration Committee
- Audit Committee

Independence
The Board considered that all of the Non-Executive Directors were independent for the full duration of the period being reported on and that Richard Pennycook was independent upon his appointment as Chairman.

Non-Executive Directors



KAREN CADDICK
Independent Non-Executive Director

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

Contribution to the long-term sustainable success of the Company
Karen's professional experience provides her with a strong diversity of perspective and cultural fit to help with the leadership of the Howdens business. Having served as the Group Human Resources Director of large listed organisations such as Saga plc and currently at RSA Insurance Group plc, Karen has particular strengths in organisational development, delivery of diversity programmes, and executive remuneration. These attributes have stood Karen in good stead when she succeeded Tiffany Hall as chair of the Remuneration Committee in September 2019 and has made her a valuable addition to the Nominations Committee.



ANDREW CRIPPS
Independent Non-Executive Director

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

Other listed company appointments
Deputy Chair of Swedish Match AB

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



LOUISE FOWLER
Independent Non-Executive Director

Louise was appointed to the Board in November 2019.

Other listed company appointments
Non-Executive Director of Assura plc

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



DEBBIE WHITE
Independent Non-Executive Director

Debbie was appointed to the Board in February 2017.

Contribution to the long-term sustainable success of the Company
Debbie has direct operational experience in the business-to-business sector from her time as CEO at Interserve plc. She also has in-depth knowledge of the UK and French markets, both of which Howdens operates within. Her previous experience as a chief financial officer and as chair of the audit committee of the charity Wellbeing of Women ensures Debbie has strong financial awareness and competence. Debbie has also supported management in the formation and delivery of its equality, diversity and inclusion ('EDI') programme.

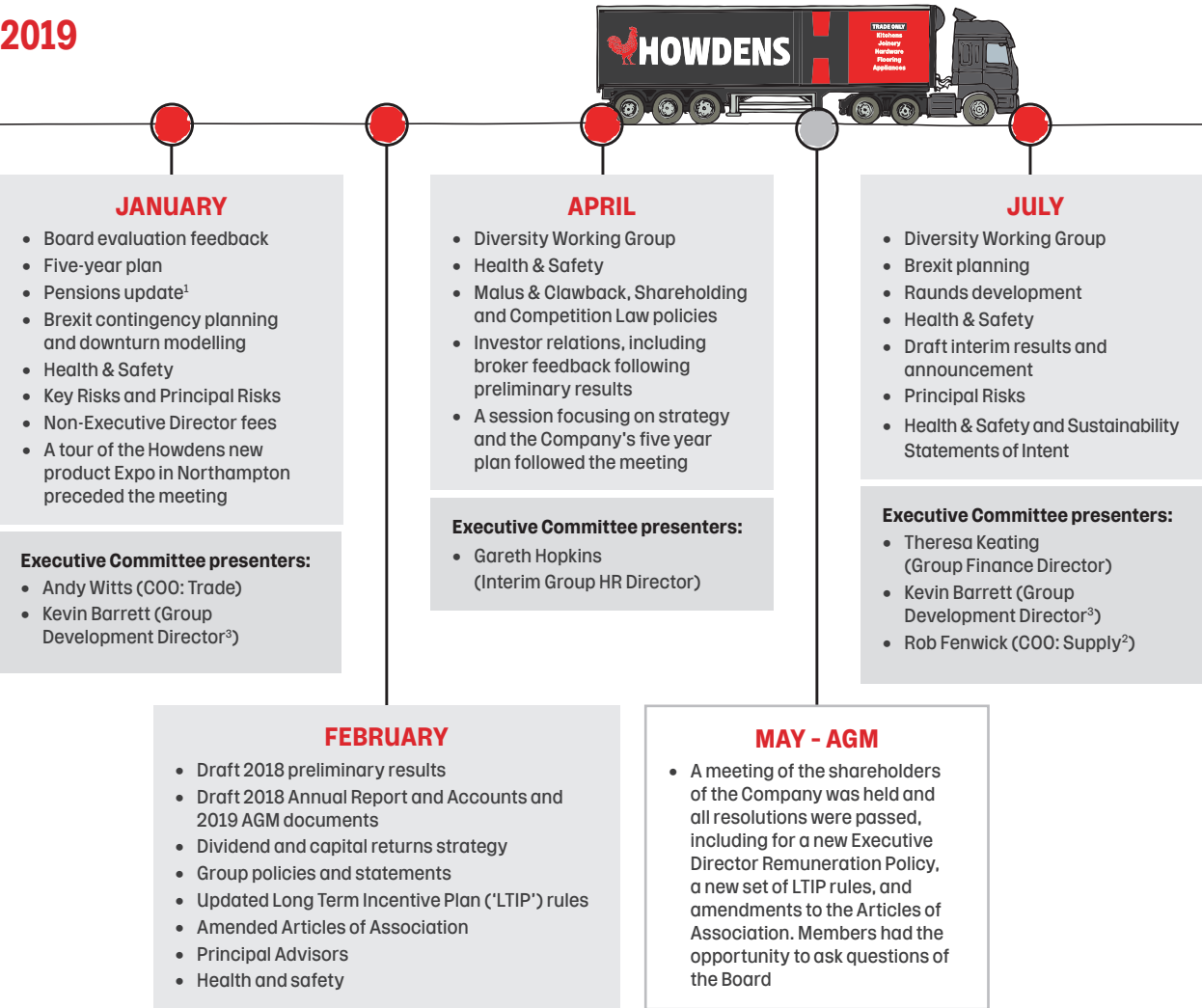
¹ The Board considered Richard's appointments as Chairman to On the Beach Group Plc and Boparan Holdings Ltd and Geoff's appointment as Chairman to Ferguson Plc prior to their appointment. The Board were satisfied that both had the requisite time available to commit to all of the their responsibilities in their respective roles. In both instances the Board recognised that they were retiring from other roles. Further information is available on page 81.

Corporate Governance Report continued

Key Board Activity



2019



Set out above and on the facing page are highlights of the matters the Board considered (or will consider - see 2020 Activities on the opposite page) as part of its annual meeting cycle. Not all of the matters the Board considered or will consider are listed, therefore this should not be considered an exhaustive list of activities.

In addition to the matters shown on the timeline above, at each meeting the Board received detailed strategic, operational and financial updates from the CEO and DCEO & CFO. The Board also considered aspects of Group culture and strategy at various points during the year in addition to the more focused strategy session at the April meeting.

Governance and Risk

The Board received governance, legal and regulatory updates at regular intervals from the Company Secretary and the Board's advisors. It also continued to receive regular updates from the Brexit Readiness Sub-Committee (a sub-committee of the Executive Committee).

Risk remains a matter reserved for the Board and a detailed review of our risk management processes and principal risks can be found on pages 40 to 47. We have reviewed our risk management processes and remain satisfied that they are robust and effective. Reporting from our whistleblowing helpline is also considered by the Board on a biannual basis.

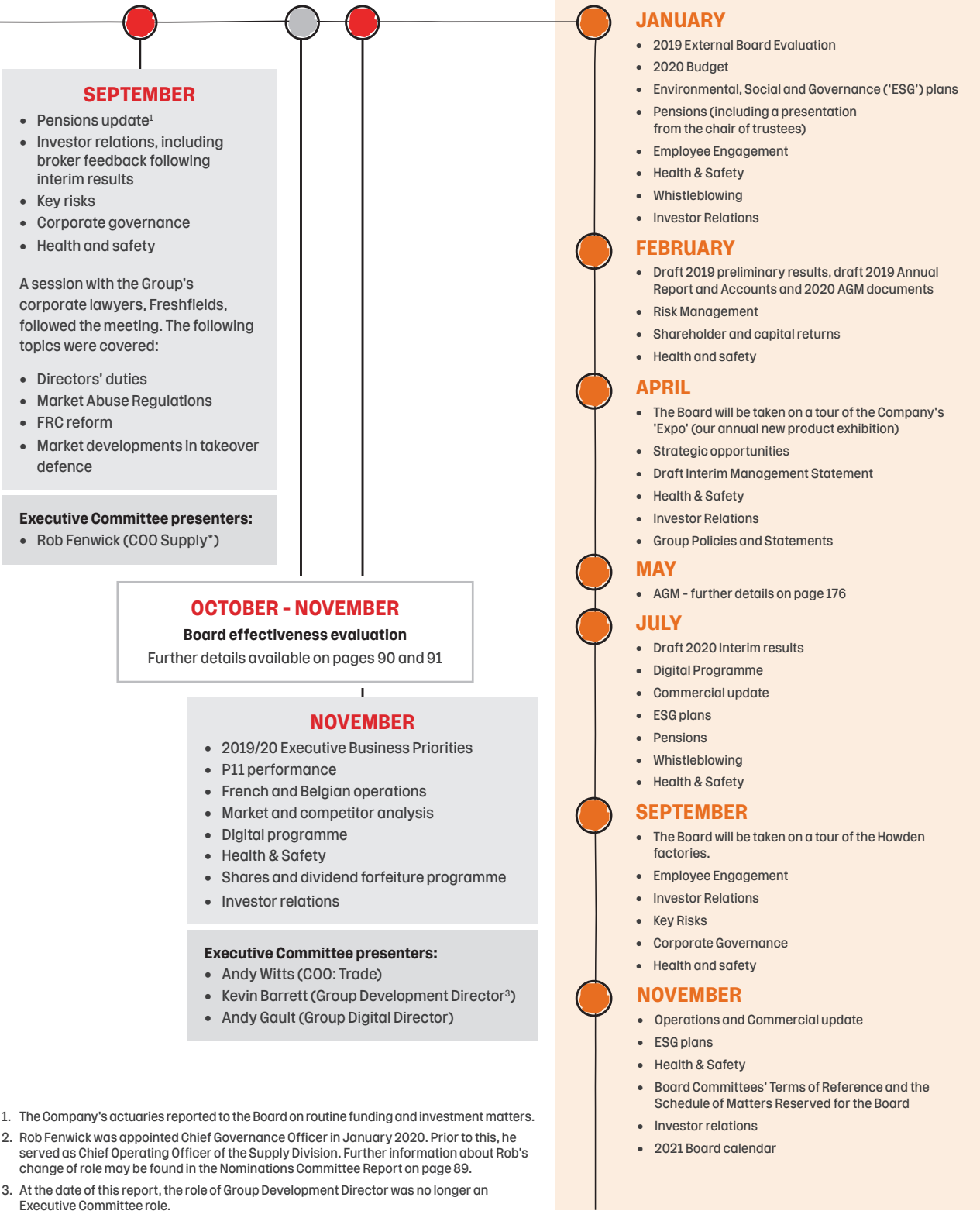
Attendees

Following the successful CEO transition process, the Board agreed that the standing invitations of the Divisional Operating Officers, Group Finance Director and Interim Group HR Director were no longer required for the smooth running of the meetings. Individual Executive Committee members and senior managers were invited to present to the Board and its Committees as required.

Shareholder Engagement

Information about how we interact with shareholders can be found in our new section on Stakeholder Engagement on pages 76 to 78.

2020



1. The Company's actuaries reported to the Board on routine funding and investment matters.

2. Rob Fenwick was appointed Chief Governance Officer in January 2020. Prior to this, he served as Chief Operating Officer of the Supply Division. Further information about Rob's change of role may be found in the Nominations Committee Report on page 89.

3. At the date of this report, the role of Group Development Director was no longer an Executive Committee role.

Strategic report

Governance

Financial statements

Additional Information

Corporate Governance Report continued

Executive Committee and Company Secretary

Executive Directors

ANDREW LIVINGSTON
Chief Executive Officer

MARK ROBSON
Deputy Chief Executive and Chief Financial Officer

*Andrew and Mark's profiles
may be found on page 68*

Executive Committee Members



CLIVE COCKBURN
Chief Information Officer

Clive joined Howdens in October 2002 and has been a member of the Executive Committee since January 2016.

Clive was appointed Chief Information Officer having joined Howdens in 2002 as Head of IT Infrastructure and Service Delivery. Prior to joining, he held senior IT positions in Hays Logistics UK, United Transport Limited and Exel Logistics Plc.



ROB FENWICK
Chief Governance Officer

Rob joined Howdens in January 2001 and has been a member of the Executive Committee since April 2005.

Between October 2005 and December 2019, Rob was responsible for the Supply Division. As part of the succession planning for the Executive Committee, Rob was appointed Chief Governance Officer in January 2020, further information about which may be found on page 89. Prior to joining Howdens, Rob worked in the automotive and FMCG sectors.



ANDY GAULT
Group Digital Director

Andy joined Howdens in April 2018 as a member of the Executive Committee.

Andy has over 20 years' retail eCommerce experience having worked at leading retailers such as Screwfix, B&Q and Travis Perkins. His eCommerce experience encompasses the disciplines of supply chain and buying. He is also a member of the IMRG Advisory Board and has served on the Google Retail Advisory Council ('EMEA').



GARETH HOPKINS
Interim Group HR Director

Gareth joined Howdens in April 2015 as a member of the Executive Committee.

Gareth was appointed Interim Group HR Director having previously worked in the business as a HR consultant for 15 months. He has worked as an interim HR Director in FTSE 250 companies for 15 years and was previously Group HR Director at Dairy Crest and Whitworths.



Executive Committee Members



THERESA KEATING
Group Finance Director

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

Theresa was appointed Group Finance Director in May 2014, having been Group Financial Controller since 2007. She joined the Group Finance team in 2000 having previously held various commercial finance roles at Waterstones, HMV and Heals. Theresa is also a trustee of E-Act, a multi-academy trust.



MARK SLATER
Commercial Director

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

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



ANDY WITTS
Chief Operating Officer: Trade

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

Andy was one of the founding members of the Howdens depot management team, having joined from Magnet in 1995. He was promoted from the regional team to become Sales Director in January 2007 and was appointed Chief Operating Officer of Trade in January 2014.

Company Secretary



FORBES MCNAUGHTON
Company Secretary

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

Forbes joined the Company as Deputy Company Secretary in 2012 following a period of secondment from KPMG. He is a fellow of the Institute of Chartered Secretaries and Administrators ('ICSA') and is Secretary to the Executive Committee as well as to the Board of Directors.

Corporate Governance Report continued

Directors' Duties

SECTION 172(1) STATEMENT

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



ENVIRONMENT AND COMMUNITY

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



LONG-TERM THINKING

The likely consequences of any decision in the long term.



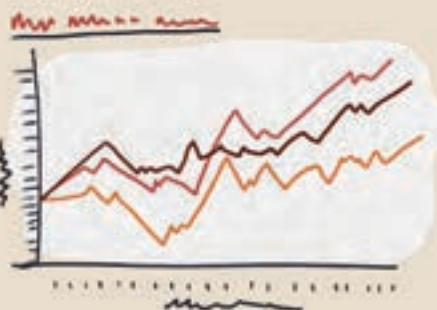
REPUTATION

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



INVESTORS

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



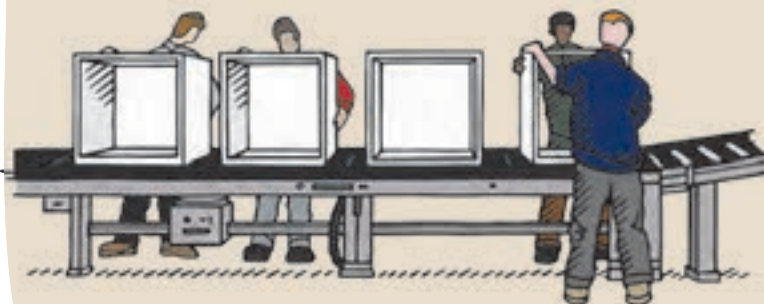
SUPPLIERS

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

...customers.

WORKFORCE

The interests of the Company's employees.



CUSTOMERS



Howdens is a company that strives to be worthwhile for all concerned. It's the principle that it was founded on. But balancing the needs and views of all of our stakeholders is challenging as there are often competing interests. This is why the Board first and foremost considers our purpose, our culture, our mission and our strategy to ensure all decisions have a clear and consistent rationale. For details on the matters which the Board discussed and debated during 2019 please see pages 70 and 71. Details about our key stakeholders, how we engage with them, and how we foster relationships with them may be found on pages 76 to 78.

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

We have set out some examples below of how the Directors have had regard to the matters in s.172(1)(a)-(f) when discharging their Section 172 duty and the effect of that on certain decisions taken by them in 2019.

LONG TERM INCENTIVE PLAN

In February 2019, the Board approved a new set of long-term incentive share plan ('LTIP') rules to be put to shareholders at the AGM in May 2019. The new LTIP rules had been updated to ensure they reflected best market practice and regulatory changes. In reaching its decision to put the new LTIP rules to shareholders, the Board had regard to a number of factors. The Directors considered the flexibility the rules afforded the Board to grant a variety of share award types over the lifetime of the LTIP, which would ensure the Board could award the most appropriate type of award to individuals or groups in order to drive desirable behaviours. This is particularly important from a long-term risk management point of view.

The Chair of the Remuneration Committee consulted extensively with shareholders and investor groups

whilst the policy relating to the LTIP was being formulated. Whilst no specific changes to the rules were requested, the Remuneration Committee introduced an additional financial measure to the LTIP following feedback from shareholders. More information on the additional measure can be found on page 105.

Enforceable malus and clawback provisions are essential in protecting the interests of a wide range of stakeholders and are important in the management of reputation of the Company (see page 15 for discussion of our culture and our commitment to being worthwhile to all concerned). The Board noted during the approval process that the rules governing malus and clawback had been extrapolated from the rules into a separate policy. Although not included within the new LTIP rules, the Board was satisfied that malus and clawback provisions were extensively covered and could be applied to any share awards made under the new LTIP (as well as to the annual bonus award).

INTERNATIONAL STRATEGY

The Board reviewed and approved management's proposals regarding international strategy at the beginning of 2019. They concluded that there was a viable, city-based business for Howdens in France and Belgium and approved five new depot openings. In conjunction, operations in Holland and Germany were closed.

After careful consideration of factors detailed in s172(1), the Board concluded that these decisions would promote the success of the Company for the benefit of its members. In particular, the Board considered the amount of human resource and capital that would be required to make the Howdens model profitable in the different international jurisdictions. The Board took into account the mature depot estate in France and Belgium and the ability to utilise the existing operational leverage available. Whilst full coverage of the UK market is not imminent, the Board were also mindful of having additional capacity outside of the UK available before that occurred. As such, the investment in the French depot network was intended to safeguard sustainable growth in the longer term.

In contrast, the Dutch and German businesses were not profitable and to make them profitable would have required significant additional investment. The Board were mindful of the detrimental impact closure of these businesses would have on local employees. Redeployment of employees was considered but not possible given the scale of local operations and as such appropriate compensation arrangements were made with the workforce who had been made redundant.

SHAREHOLDER RETURNS

Following the Company's year end, the Board made an assessment of the strength of the Company's balance sheet and future prospects relative to uncertainties in the external environment. Details of our long-term approach to dividends and our policy are set out on page 35 of the Financial Review.

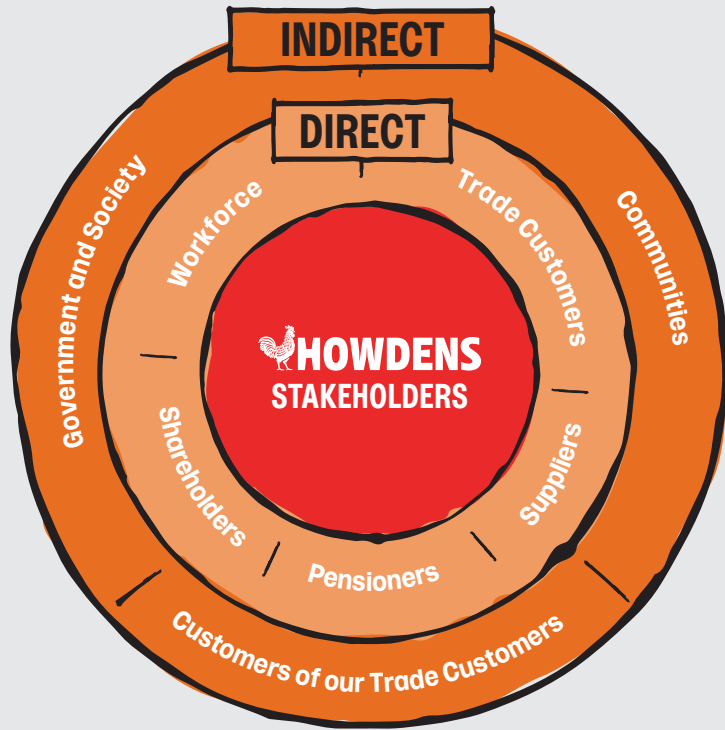
In February 2019, the Board recommended an increased final ordinary dividend of 7.9 pence per ordinary share, up from 7.5 pence in 2018 (an increase of just over 5%). In making their decision, the Board considered a range of factors including the long-term viability and business plan (including financing requirements) of the Company, the Company's Defined Benefit pension scheme deficit, as well as the availability of alternative strategic options which would benefit the Company in the long term.


The Board take regular feedback from shareholders on the most appropriate method of returning capital, including at the AGM where all shareholders, regardless of the size of their shareholding, are invited to attend and ask questions of the Board. Dividend policy, other shareholder returns and alternative uses of capital are regularly considered by the Board. Management also discuss this during investor roadshows following results announcements. In light of this regular feedback, it was noted that the Company had a reputation for a well-understood and prudent capital structure and dividend policy and therefore the Board should not deviate from or change these at this time. The increase of just over 5% was therefore approved.

Corporate Governance Report continued

Stakeholder Engagement

STAKEHOLDER MAP




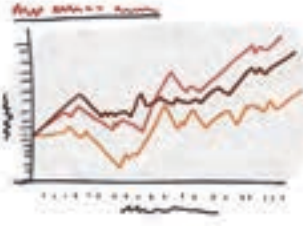
Stakeholder and Forms of Engagement	Engagement detail and how it has influenced Board discussions and decision-making
Workforce Engagement with our workforce includes the following: <ul style="list-style-type: none">Employee surveysSenior Leadership meetingsTown Hall-style meetingsRegional Board meetingsMeetings with the trade unionFrench Workers' Council meetings 	Non-Executive Director responsible for workforce engagement During 2019, the Board appointed Geoff Drabble as the Non-Executive Director responsible for workforce engagement. All-Employee Survey In the second half of 2019, all employees were given the chance to participate in the Sunday Times Best Companies to Work For survey. The survey assessed 8 key factors which inform how desirable a company is to work for. The Company was pleased that the overall score remained in the 'Outstanding' category; however, further analysis of the scores by business area and collation of the employee feedback is ongoing. This will provide the Board with more in-depth information around the key learnings and will inform the next steps they take in response to the survey. In particular, the Board will consider a number of opportunities for improving employee wellbeing with management during 2020. The survey result was considered as part of the decision-making process of the Remuneration Committee when it set Executive Director remuneration in February 2020. Senior Leadership Meetings ("SLMs") During 2019, a Senior Leadership Team ("SLT") was formalised and began meeting on a quarterly basis. The SLT is made up of around 25 leaders from across the business who work closely with the Executive Committee to develop and deliver our business plans. The SLMs are designed to encourage open and frank discussions across all business matters. Following the success of the first meetings in 2019, members of the SLT will be invited to present to the Board directly when relevant, which is both important for individuals' development, but also provides the Board with an ongoing view of the talent pipeline below Executive Committee level.



Stakeholder and Forms of Engagement	Engagement detail and how it has influenced Board discussions and decision-making
Workforce continued	Whistleblowing Helpline The Company uses an third-party operated, confidential whistleblowing helpline. The helpline is multilingual and available 24 hours a day. The Company Secretary provides the Board with a bi-annual report which details the number and nature of whistleblowing instances made during the period. Whilst no specific complaints were escalated for Board attention, the governance processes are in place should this be deemed necessary. The Board encouraged management to ensure that employee communication about the helpline were refreshed during the year and that there be a continuous communication programme put in place.
Trade Customers Engagement with our trade customers includes the following: <ul style="list-style-type: none">Local depotsBuilder Forums 	Local Depots The primary method of engaging with our trade customers since Howdens opened its doors in 1995 has been through the conversations at the local depot. The relationship between the depot manager and the trade customer has always been at the heart of what we do. Our depot managers feed back builder views to management at Regional Board meetings, which the COO of Trade is present at and which the CEO and other members of the Executive Committee often attend. Feedback from Regional Board meetings influences product and pricing decisions. However, it also reinforces our strategic decisions on new depot openings, ensuring that we are maintaining excellent customer service and investing in new product. The strategic digital improvements, as set out on page 23 of the Chief Executive's Statement, were extensively tested on a cohort of trade customers to ensure that our digital offering is as aligned to their needs as possible. Builder Forums To ensure we're hearing all the concerns and feedback of our trade customers, we have set up regular direct feedback sessions with them in the form of Builder Forums. These forums see a small group of customers coming together in an informal setting to talk about their experiences. We have nearly 40 forums planned for 2020. The agenda is driven by the customers themselves so we can be sure we're hearing everything that's on their mind. Our CEO has regularly reported specific feedback from these sessions to the Board. In response to feedback from the forums, we made improvements to our worktop specifications and the way we store the worktops in the depots to ensure their quality is not compromised. Ensuring all levels of our organisation understand the challenges of our trade customer is fundamental to ensuring our service proposition is worthwhile to them. A case study on our Builder Forums may be found in the Chief Executive's Statement on page 23 of the Strategic Report.
Suppliers Engagement with our suppliers includes the following: <ul style="list-style-type: none">Supplier ConferenceCategory Team relationships 	Supplier Conference Each year, our key suppliers are invited to join senior leadership at our annual Supplier Conference. This is a important date in our calendar as it's a time when the Company is able to communicate its priorities and any changes in the business to its suppliers, ensuring a consistent message is heard by all. The 2019 conference was particularly important given the changes which had been made during the year to introduce a commercial function into the business and also for continuing discussions around Brexit preparedness. It is also an opportunity for our suppliers to provide their feedback to a wider Company audience. Our Non-Executive Directors have standing invitations to the conference. Category Team Relationships In our Chief Executive's Statement on page 28 you will find detail about the establishment of a new commercial structure, which is organised into categories. This structure provides clearer accountabilities for ranging decisions and with greater internal accountability comes the fostering of stronger relationships with our suppliers. Suppliers are now engaging with focused teams within the organisation and this clarity brings the opportunity for even more valuable discussions.

Corporate Governance Report continued

Stakeholder Engagement

Stakeholder and Forms of Engagement	Engagement detail and how it has influenced Board discussions and decision-making
<p>Pensioners</p> <p>Engagement with our pensioners includes the following:</p> <ul style="list-style-type: none">Board engagement with the Trustee BoardAnnual NewsletterTriennial valuations 	<p>Board engagement with the Trustee Board</p> <p>The Trustee Board, chaired by an independent trustee, is responsible for investment strategy and for the day-to-day running of the Howden Joinery Defined Benefit Pension Plan (the 'Plan'). There are a number of matters reserved for the Company as sponsor under the Trust deed and the Board invites the Chair of the Trustees to present to the Board on an annual basis and provide an update on matters affecting the membership. In January 2020, following extended interaction between the Trustees and the Company, the Board approved the long-term strategy proposed by the Trustees. The Company will monitor Trustee performance against the strategy.</p> <p>Triennial valuations</p> <p>At 31 December 2019, the Plan had 10,681 members (more than the total number of current employees), of which 1,371 were active members, 5,488 were deferred members and 3,822 were pensioners. Whilst safeguarding the long-term viability of the Company is the primary imperative for these members, ensuring that there is an appropriate balance between shareholder distributions and Plan deficit funding is a priority for the Board. The Company has historically made contributions well in excess of peers but this will be reviewed during the 2020 valuation process and the Board will review the balance of distribution of capital between the different stakeholder groups.</p>
<p>Shareholders</p> <p>Engagement with our shareholders includes the following:</p> <ul style="list-style-type: none">Annual General MeetingShareholder consultationsInvestor site visitsPrelims and Interims Roadshows 	<p>Annual General Meeting ('AGM')</p> <p>At the Company's AGM, shareholders are given the opportunity to ask questions to the Board members directly. At the 2019 AGM, shareholders asked the Board about Brexit readiness, debtors per depot, and capital returns. Following the meeting, the Board agreed that more detailed commentary would be provided in Company reporting when the timing of peak trading had made financial metrics anomalous.</p> <p>Shareholder Consultations</p> <p>The Chairman of the Board and of the Nominations Committee, Richard Pennycook, wrote to our major shareholders after the 2019 AGM with the offer of a meeting to discuss governance and strategy matters (or any other matters of interest) without the Company's management present. Richard met with the shareholders who requested a meeting in June and July and discussed topics including executive remuneration, strategy, ESG, Brexit and the transition to a new CEO. The discussion regarding ESG in part informed the Nominations Committee's support of Rob Fenwick's appointment as Chief Governance Officer on the Executive Committee, focusing on the Group's ESG agenda (see page 89 of the Nominations Committee Report for further details of Rob's new role).</p> <p>In January 2019, Tiffany Hall, who chaired the Remuneration Committee at the time, wrote to major shareholders (and the Investment Association and other proxy advisors) to set out the proposed changes to the Executive Remuneration Policy and welcoming any views on these proposals. Following these meetings, the Remuneration Committee reduced the pension provision further for executive director joiners to ensure it was in line with the pension provision available to the majority of employees in the organisation and increased the stated minimum percentage of bonus measures attributable to financial performance.</p> <p>Investor Site Visits</p> <p>During 2019, investors were invited to attend the Company's annual exposition ('Expo'). Those that attended received presentations from members of the senior leadership team, which covered depot format, digital development and kitchen ranges. They were then given a tour of the Expo, which covered kitchens, flooring, doors, appliances and depot formats. Investors were also invited to join a tour of the Company's site in Howden, East Yorkshire.</p> <p>Results Roadshows</p> <p>Following the preliminary results announcement, the Executive Directors met with more than 40 investors. At these meetings investors showed particular interest in the initiatives that the business was pursuing and conversely the level of investment needed, and the returns and margin expected. Following the interim results, the Executive Directors met with around 30 investors.</p>

2018 UK Corporate Governance Code: Application and Compliance

The Financial Reporting Council ('FRC') published its most recent iteration of the UK Corporate Governance Code (the 'Code') in 2018, which applies to accounting periods beginning on or after 1 January 2019. The period we are reporting on is 30 December 2018 to 28 December 2019. Although this period began prior to the Code's date of application, the Board updated its processes to meet the 2018 Code for the 52 weeks ended 28 December 2019 and has reported accordingly. In meeting the 2018 Code, the Board considers that it also applied the Principles and complied with all the Provisions of the 2016 Code throughout the period.

We are pleased to report that the Company applied all the Principles of the Code throughout the period and we have reported in summary below how we have done so. We are also pleased to report that, in the first year in which we applied the new Code, the Company was compliant with all Provisions except for Provision 38. Provision 38 provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the workforce. Our Remuneration Policy ('Policy'), which was approved by shareholders in 2019, stipulates that Executive Director new joiners' pension contribution rates must match that available to the wider workforce. Our incumbent Executive Directors' pension contribution rates, while in line with Policy for existing Directors, do not yet match the wider workforce. This is because the reduction of fixed, contractual remuneration must be done so carefully and proportionally over time. Both of our Executive Directors are fully supportive of their respective rates tapering as set out on page 93 of the Remuneration Committee Report and the Board confirms that existing Executive Director pension contribution rates will be in line with the wider workforce by the AGM in 2022.

SECTION 1: BOARD LEADERSHIP AND COMPANY PURPOSE

A

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

Howdens' founding principle of being worthwhile for all concerned supports the premise that its role is to ensure long-term, sustainable growth and value for all its stakeholders. During 2019, the Company (led by the Board) increased shareholder returns, paid more tax, employed more people and contributed to the communities in which we operate. More information on our sustainable business model and strategy can be found on pages 18 to 21 and our contribution to wider society can be found in our Sustainability Matters report beginning on page 48.

Governing in an effective way ensures the framework and controls needed to align our operations with our strategy are in place. It's only by doing this that we can ensure long-term strategic success of the Company for our stakeholders. We discuss throughout the Governance section how our actions support the strategy. For example, we have set out on page 96 of the Remuneration Committee Report the way our remuneration structure supports our strategic aims.

The effectiveness of the Board was reviewed by an independent third party in line with Code requirements (see pages 90 and 91).

B

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

An explanation of our purpose, values and strategy are set out in the Strategic Report which starts on page 10. The Board regularly discusses the importance of Howdens' unique culture and are mindful that it remains aligned with its purpose, values and strategy. This remains an area of regular scrutiny following the transition from the Founder CEO. Workforce engagement is an important part of the Board's agenda and an independent survey of employee views was undertaken during 2019, the results of which were presented to the Board. More information on workforce engagement can be found on pages 76 and 77.

Integrity and sympathy to the Howdens culture are paramount when the Board recruits new members to the Board. More information about our recruitment and inductions process can be found on page 88.

C

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

The Board are satisfied that the necessary resources are in place to ensure that the Company meets its objectives and measures performance against them. Our KPIs and how we have performed against them can be found on pages 32 to 34.

More information on our risk processes, including our principal and emerging risks, can be found in the Principal Risks and Uncertainties section starting on page 40. Our Audit Committee report provides a summary of our internal control framework on page 118.

Corporate Governance Report continued

2018 UK Corporate Governance Code: Application of Principles



SECTION 1: BOARD LEADERSHIP AND COMPANY PURPOSE CONTINUED

D

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

Howdens has a broad group of clearly defined stakeholders and the Board actively engage with each of these groups on a regular basis. A detailed explanation of our engagement with our shareholders and wider stakeholder base and how this engagement has informed the Board's decision making processes can be found on pages 76 to 78. How the Board members discharged their s.172 statutory directors duties is described on pages 74 and 75.

E

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

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

One example of this is how our Remuneration Committee consider the pay policies and practices of the wider workforce when determining Executive reward. More information in this regard can be found on page 102.

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

SECTION 2 - DIVISION OF RESPONSIBILITIES

F

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

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

The Chairman is mindful of his role in facilitating constructive board relations and promoting a culture of openness and debate amongst the Board. This in turn encourages the effective contribution of all the Non-Executive Directors. The 2019 externally-facilitated Board evaluation concluded that the Board's culture was one of transparency, support, constructive challenge and balance. Further information about the outcomes and process of the 2019 Board evaluation may be found on pages 90 and 91 of the Nominations Committee Report.

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

G

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

At least half of the Board was made up of Independent Non-Executive Directors (not including the Chairman) throughout the reporting period. The Non-Executive Directors which the Board considered to be independent are shown as such on pages 68 and 69. The Board confirms that all the Non-Executive Directors (excluding the Chairman) were independent during the reporting period and that the Chairman was independent on appointment.

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

SECTION 2 - DIVISION OF RESPONSIBILITIES CONTINUED

H

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

The number of Board meetings which were held during the reporting period and the attendance at each of these meetings may be found on page 67. Similarly, the number of each Board Committee's meetings and attendance may be found on the following pages:

- Nominations Committee: page 85
- Remuneration Committee: page 93
- Audit Committee: page 113

When reviewing the Nominations Committee's recommendation to appoint a new Director, the Board will always assess whether the candidate is able to allocate enough time to the role. Similarly, when assessing the acceptability of an existing Director's wish to take on external appointments, the Board will assess the additional demand on that Director's time before authorising the appointment.

During the reporting period, the following additional significant appointments were authorised by the Board:

- **Geoff Drabble's appointment as Chairman of Ferguson plc**
Prior to Geoff's appointment as Chairman of Ferguson Plc, the Board considered whether Geoff could allocate enough time to his role as Non-Executive Director of the Company in addition to a chair role of a FTSE 100 company. The Board was satisfied that, following his retirement as Chief Executive of Ashtead Group Plc, Geoff had the requisite time to fulfil the new role as well as both his current role with the Company and his role as Senior Independent Director of the Company once Tiffany Hall had retired.
- **Richard Pennycook's appointment as Chairman of On the Beach Group plc**
Prior to Richard's appointment as Chairman of On the Beach Group plc ('OTB'), a FTSE small cap company, the Board carefully considered the additional time

requirement. The Board was satisfied that, following his retirement from the board of The Hut Group the previous year, which required a similar time commitment as the role with OTB, Richard would still be able to fulfil his time commitment with the Company and therefore authorised his appointment as Chairman of OTB's board.

- **Richard Pennycook's appointment as Chairman of Boparan Holdings Ltd**
Prior to Richard's appointment as Chairman of Boparan Holdings Ltd ('Boparan'), the Board again carefully considered the additional time requirement. The Board was satisfied that, as his term as Chairman of the British Retail Consortium would be concluding in early 2020 (with the last meeting being in February 2020) and he would be retiring from his role as Chairman of Fenwick Ltd in Q1 of 2020, Richard would be able to dedicate enough time to the Company and to a new role as Chairman of Boparan. The appointment was therefore authorised.

The feedback received during the 2019 externally-facilitated Board evaluation (which was received from both management and the Board) was that the relationship between the Board and senior management was very strong and there was mutual respect. Further information about the Board evaluation may be found on pages 90 and 91.

Members of the senior management team regularly presented to the Board on their respective areas of the business (please see pages 70 and 71 for a timeline of Board meetings and information regarding any Executive Committee attendees), which provided an opportunity for the Board to constructively challenge and to provide advice to our senior management team. The April strategy sessions also offered a chance for the Board to provide the senior management team with direct guidance on strategy and the business's five-year plan.

Information about the management of conflicts between the duties Directors owe the Company and either their personal interests or other duties they owe to a third party may be found on page 119.

I

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

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

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

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

Corporate Governance Report continued

2018 UK Corporate Governance Code: Application of Principles



SECTION 3 - COMPOSITION, SUCCESSION AND EVALUATION

J

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

The Nominations Committee engages external search consultancies when searching for Board position candidates. An external search consultancy, Russell Reynolds Associates, was engaged to find candidates for the Nominations Committee prior to the Board's decision to appoint Louise Fowler. Further information about the appointments process is available on page 88 of the Nominations Committee Report and the Board's Diversity Policy is available on page 87.

The Nominations Committee regularly reviews the tenure of each Board member and the skills matrix (please see page 86 for further details). This ensures the Board's succession plan remains aligned with the natural rotation of Directors off the Board and the strategic objectives of the business.

The succession plans for the senior management team are regularly reviewed by the Nominations Committee (please see the Nominations Committee timeline on pages 84 and 85).

K

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

As mentioned above, the Board uses a skills matrix to ensure it has the necessary combination of skills, experience and knowledge to meet its strategic objectives, business priorities and to ensure the unique Howdens culture is maintained. The skills matrix may be found on page 86.

The tenure of each Director may be found on page 88 of the Nominations Committee Report. The Board has a good balance of new and longer-serving Directors (as at the year end date, tenures of the Non-Executive Directors (including the Chairman) range from just under two months to just over six years, and the average tenure is just over three years).

L

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

Details of the 2019 externally-facilitated Board evaluation process and outcomes may be found on pages 90 and 91 of the Nominations Committee Report.

The specific reasons why the Board considers that each Director's contribution is, and continues to be, important to the Company's long-term sustainable success may be found on pages 68 and 69 of this report. Reference to the specific reasons and where to find them in the Annual Report and Accounts will accompany the resolutions to re-elect the Directors in the 2020 AGM Notice. The Board recommends that shareholders vote in favour of the re-election or election of all the Directors.



SECTION 4 - AUDIT, RISK AND INTERNAL CONTROL

M

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

The Board has established formal and transparent policies and procedures, which ensure the external auditor and internal audit function are independent and effective and are accountable to the Audit Committee. The Board also monitored the integrity of the financial statements of the Company and any other formal announcement relating to its financial performance via the Audit Committee. Further information about the work of the Audit Committee, including the subjects above, may be found on pages 112 to 119.

N

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

A statement regarding the Directors' responsibility for preparing the Annual Report and Accounts and the Directors' assessment of the Annual Report and Accounts, taken as a whole, as being fair, balanced and understandable and providing the necessary information for shareholders to assess the Company's position, performance, business model and strategy may be found on page 63.

O

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

The Board is responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. The Board is assisted with these responsibilities by the Audit Committee. Such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives. The Board has conducted reviews of the effectiveness of the system of internal controls through the processes described within the Principal Risks and Uncertainties section of the Strategic Report (pages 40 to 47) and are satisfied that it accords with the Code and with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. The Board has not identified, or been advised of, any failings or weaknesses which it has determined to be significant.

The assessment of the principal and emerging risks, the uncertainties facing the Group, and the ongoing process for identifying, evaluating and managing the significant risks faced by the Group is set out on pages 40 to 47. The Board confirms that it has conducted a robust assessment of the principal and emerging risks as set out on pages 40 to 47.

SECTION 5 - REMUNERATION

P

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

The way the Remuneration Committee has ensured our remuneration policies and practices are aligned with our culture, our strategy and risk management is discussed in the Remuneration Committee Report, which starts on page 92.

Q

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

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

The Remuneration Committee reviews workforce remuneration and related policies when setting Executive Director remuneration. Ensuring these factors are always considered means our remuneration policies are largely predictable and clear. Further information may be found in the Remuneration Committee Report on page 102.

R

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

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

Details of how the Remuneration Committee exercised its discretion during the year may be found on page 95 of the Remuneration Committee Report.

By order of the Board

Richard Pennycook
Chairman

26 February 2020

Nominations Committee Report



INTRODUCTION FROM THE COMMITTEE CHAIRMAN

The 2018 UK Corporate Governance Code (the 'Code') made clear that the remit of nomination committees should not be limited to boards of directors. Ensuring that there is a diverse talent pipeline at senior management level is just as important to the long-term success of the business as it is at Board level. In recognition of the changes in the Code, you will see that we have changed the structure of the Nominations Committee Report from previous years by breaking it down into the three core areas discussed in Section 3 of the Code: **Succession**, **Composition** and **Evaluation**. Below, I have drawn out some of the highlights from the year within each of these areas.

Succession

We were pleased to welcome Louise Fowler as a Non-Executive Director in November. Louise has over 25 years' of branding, customer and digital experience which are valuable additions to the Board's combined skillset, further enhancing the diversity of background, skills and perspective on the Board. You can read more about how we view Louise's contribution to the long-term sustainable success of the Company on page 69 and further detail about her appointment and induction on page 88.

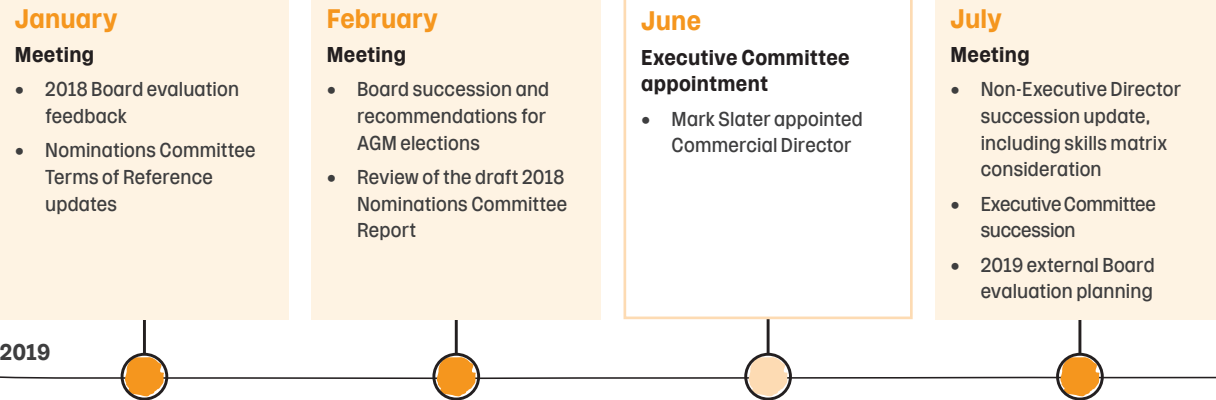
Tiffany Hall retired from the Board in September having served since May 2010 and Mark Allen retired from the Board in December having served since May 2011. On behalf of the Board, I would like to thank both Tiffany and Mark for their significant and valuable contributions to the operation of our Board and service to the Company.

Throughout 2019, the Committee has not only discussed Board succession, but senior management succession as well. The Board received regular updates from the Interim Group HR Director regarding succession and talent management of the Executive Committee, including the succession of the Group Interim HR Director himself. Further discussion of this may be found on page 89.

Composition

I'm pleased to report that, at the time of writing, half of our Non-Executive Directors are female, bringing our female representation on the Board to 37.5%. While we are all too aware that improving gender representation is not the only means by which a Board achieves diversity, I hope you'll agree this is a positive step. As stated in our Boardroom Diversity Policy on page 87, the Committee will not only seek diversity of gender when making any new appointments, we will also seek diversity of mindset, race, and background.

2019 NOMINATIONS COMMITTEE ACTIVITY

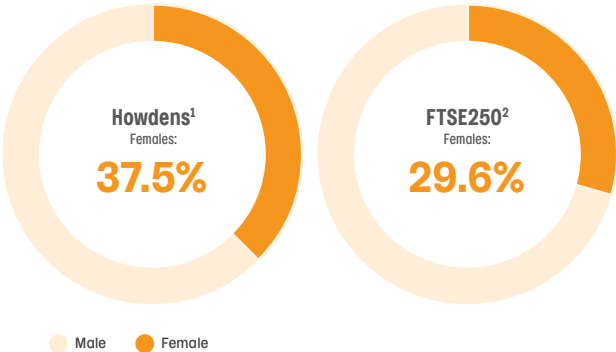


Nominations Committee Meeting Attendance

Richard Pennycook (5/5)	Geoff Drabble (5/5)
Mark Allen (3/5) ¹	Tiffany Hall (4/4) ³
Karen Caddick (4/4) ²	Debbie White (5/5)
Andrew Cripps (5/5)	

1. Mark was unable to attend the February meeting due to his commitments at Dairy Crest and he was unable to attend the November meeting due to health reasons. Mark received all of the meeting papers in advance of the meetings and was able to feedback his views to the Committee Chairman.
2. Karen was appointed to the Nominations Committee after the January meeting following the completion of her induction programme.
3. Tiffany retired from the Board on 17 September 2019.

Board gender split



1. Figures correct as at 28 December 2019.
2. Figures derived from 2019 Hampton-Alexander Review report and correct as at 14 October 2019.

On page 86, we have provided a view of the skillset and experience of our Non-Executive Directors using a skills matrix. This is a particularly useful tool for the Nominations Committee to aid identification of skills and experience opportunities, which in turn informs our non-executive succession plans.

Evaluation

In 2019, we invited Independent Board Evaluation ('IBE') to undertake our tri-ennial externally-facilitated Board evaluation. IBE previously undertook our 2016 evaluation and more information about the 2019 Board evaluation process and outcomes may be found on pages 90 and 91.

Richard Pennycook
Nominations Committee Chairman



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
France	M	4	2
Governance			
UK listed companies	H	6	0
Company chair experience	M	4	1
Remuneration committee chair experience	M	3	0
Audit committee chair experience	M	3	0
Policy development	M	4	1
Senior independent director experience	M	2	0
Technical			
Accounting and Finance	H	4	2
Audit	H	4	1
Executive management	H	6	0
Risk management	H	5	1
HR/Remuneration	M	2	4
Ecommerce	M	2	4
Marketing	M	2	4
IT/Cyber security	M	1	3
Legal	M	2	2
Howden Specific Considerations			
Vertical integration	H	4	2
Multisite depot operation	H	4	2

Importance
M Medium H High



DIVERSITY

Equality, Diversity and Inclusion (‘EDI’) Group

The Howdens EDI Group was established during 2019 as a sub-committee of the Executive Committee. The EDI Group is chaired by the Chief Governance Officer, Rob Fenwick, and its members include employees from a range of roles, seniority, backgrounds, abilities, race and geographic location. To ensure the workforce and the EDI Group is reassured that there is Board-level commitment of the EDI Group’s objectives, Non-Executive Director Debbie White also acts as the Board’s sponsor to the Group.

The EDI Group has begun its work by articulating what EDI currently looks like in Howdens and what it should look like. During 2020, the EDI Group will identify opportunities for line management to improve equality, diversity and inclusion within their areas and it will begin to raise the profile and awareness of EDI within Howdens in support of the business’s culture and values. Rob Fenwick will provide regular updates to the Board on the EDI Group’s progress and recommendations.

Group Gender Diversity Statistics

The Nominations Committee reviews the gender statistics shown in the chart to the right. Where other data is available, this is presented to the Committee in order to determine whether there are any implicit diversity issues.

Boardroom Diversity Policy

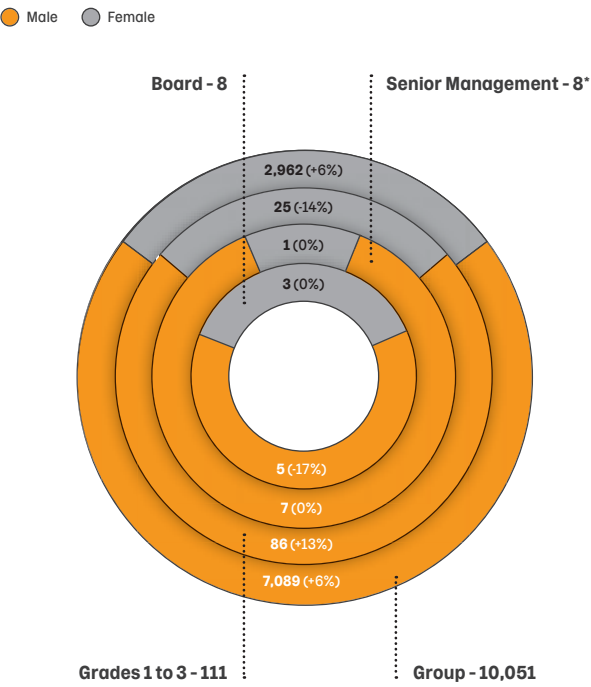
The Board recognises the importance of ensuring that there is diversity of perspective, background and approach in its management team and on its Board. Since the business was established in 1995, it has sought to enable individuals to progress within the organisation regardless of age, gender, background or formal qualifications.

We believe that it is in the interests of the business and of its shareholders for us to build a stable, cohesive and representative Board. Whilst the setting of targets on particular aspects of diversity may be relevant in many cases, we feel that this could be given inappropriate focus within the context of a smaller board, resulting in the possible overlooking of certain well-qualified candidates.

The Nominations Committee will continue to seek diversity of mindset as well as of gender, race, and background when considering new appointments in the period to 2021, 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 28 December 2019, 37.5% of Board members were women. Both of the Executive Directors were male.

Group Gender Diversity as at 28 December 2019

The percentages shown in brackets below indicate the change since 2018.



* Excluding Executive Directors and including the Company Secretary.

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.

Nominations Committee Report continued

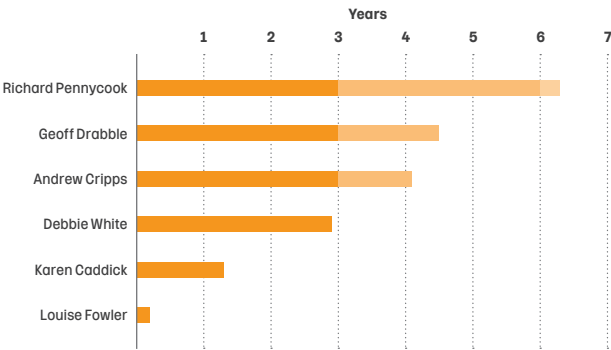
Succession

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

Non-Executive Tenure
as at 28 December 2019



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 doesn't compromise the stability of the Board.

Retirements

Tiffany Hall and Mark Allen both retired from the Board during 2019. Upon retirement, Tiffany was succeeded in her role as Remuneration Committee Chair by Karen Caddick and in her role as Senior Independent Director by Geoff Drabble.

Appointment

In October 2019, following consideration of a number of candidates, the Nominations Committee recommended to the Board that it appoint Louise Fowler as a Non-Executive Director. Prior to this recommendation, Louise met with each member of the Board. Louise's significant digital, consumer, brand and marketing experience was identified as being particularly valuable to the collective skillset of the Board. Louise's affinity to the Howdens entrepreneurial culture was also considered in the Committee's recommendation to appoint her.

The Committee engaged the external search consultancy, Russell Reynolds Associates¹ ('Russell Reynolds'), to undertake the process of recruiting a new Non-Executive Director. Russell Reynolds is aware of our Boardroom Diversity Policy and the Nominations Committee specifically tasked them with producing a diverse shortlist of candidates for the position.

The skills matrix (the current version of which may be found on page 86), together with the collective knowledge, experience and diversity of the Board and the length of service of the Directors, was used by the Committee to highlight where there were opportunities for a new Non-Executive Director to contribute to the skillset of the Board. This informed the search that Russell Reynolds undertook.

Induction

Following Louise's appointment, a tailored induction programme was created for her. The first part of the induction included a visit to our site in Howden, East Yorkshire, where Louise met with senior managers involved in the supply chain, manufacturing and logistics and was given a tour of some of the factory lines at the site.

Louise has also met with senior managers in our support services, such as the Head of Health & Safety, the Company Secretary, and the Head of Investor Relations, and she has met with our Remuneration Committee advisors, PwC, and the audit partner at our external audit firm, Deloitte.

We were pleased that Louise was also able to attend the Company's annual awards ceremony, the Golden Rooster Awards, at the beginning of January, which gave her the chance to meet employees from all levels and areas of the business, and to be immersed in our unique culture as we celebrated our colleagues' achievements together.

Louise will meet all members of the Executive Committee, senior members of the Commercial team and will visit a number of depots as part of her induction. She will also be invited to attend employee engagement sessions, such as Regional Board meetings, and will meet with trade customers at Builder Forums.

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



Senior Management Succession

The Committee received regular updates regarding senior management² succession planning (see Nominations Committee Activity on pages 84 and 85). These updates included the following:

Commercial Director appointment

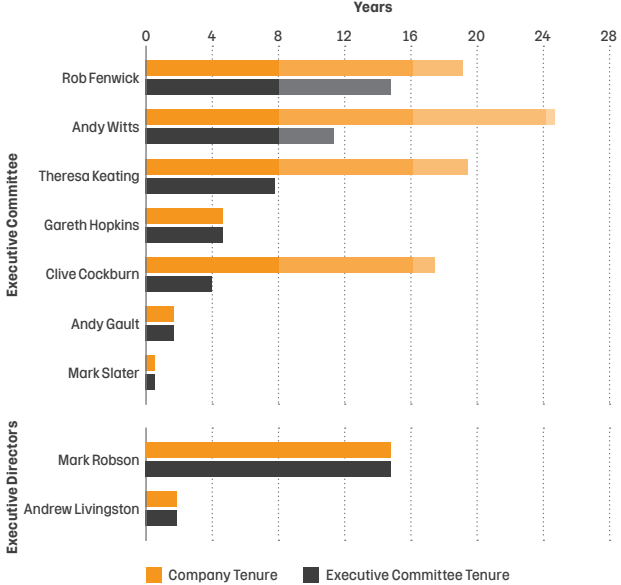
Mark Slater was appointed as Commercial Director in June 2019. The Board had been fully briefed on the plans to launch a commercial function in the business and, as part of these plans, understood and were supportive of the need for a Group Commercial Director.

Group Human Resources ('HR') Director retirement

In 2019, Gareth Hopkins, our Interim Group HR Director, announced his plan to retire once a suitable replacement for his role had been found. The Company engaged an external recruitment consultant, who spent time in the business and met with senior managers and Karen Caddick prior to launching the search. The Nominations Committee was, and will continue to be, regularly briefed on the recruitment process and will have the opportunity to provide their views to the senior management team.

COO of Supply retirement (see Case Study to the right)

Company and Executive committee Tenure
as at 28 December 2019



2. 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:

Chief Operating Officer (COO), Supply

Howdens is fortunate to have a settled and long-serving senior management team, particularly from an operations perspective. Careful management of the succession process for their roles is fundamental to the future long-term success of the Company. It is also a cultural necessity that long-serving Executives are treated with the respect they have earned.

In January 2020, it was announced to the business that Rob Fenwick, the Chief Operating Officer of Supply, would move to the new position of Chief Governance Officer until his retirement in early 2021. The new role will see Rob helping the business to develop its broader purpose, in particular by developing the Group's Wellbeing programme, EDI Sub-Committee, and Sustainability agenda.

As part of this succession plan, two existing senior managers, Julian Lee and Richard Sutcliffe, were promoted to the positions of Director of Supply Operations and Director of Business Planning respectively. Both Julian and Richard have standing invitations to Executive Committee meetings and report directly to the CEO; however, to ensure continuity, Rob remains on hand to provide any support that is needed.

The Nominations Committee was provided with updates on the succession process and members were able to express their views and provide advice on the plans throughout 2019. The Committee will continue monitor the success of the transition throughout 2020.

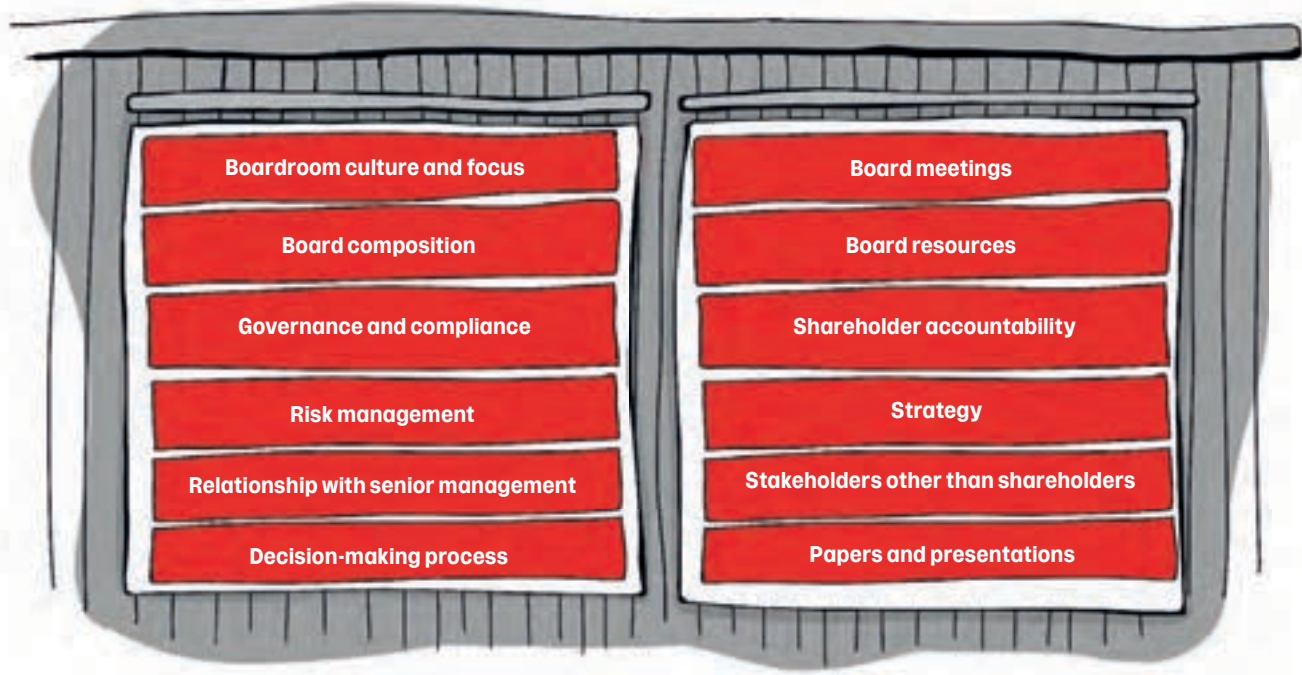


Nominations Committee Report continued

Evaluation

In line with the requirements of the 2018 UK Corporate Governance Code to undertake an externally-facilitated Board evaluation every three years, and as has been the policy of the Board for some time, the Board invited Lisa Thomas of Independent Board Evaluation ('IBE') to undertake our 2019 Board evaluation. IBE previously facilitated our 2016 evaluation but does not have any other business relationship with the Company or with any member of the Board. The process and outcomes of the evaluation are set out below.

EVALUATION AREAS OF FOCUS



NATURE AND EXTENT OF THE EXTERNAL FACILITATOR'S CONTACT

- Observations of Board and Board Committee meetings
- Interviews with all members of the Board
- Interviews with members of senior management
- Meetings with the external auditor, Remuneration Committee advisor, and pensions advisor

CONCLUSIONS AND RECOMMENDATIONS

The overarching message from the feedback gathered during the evaluation was that the Board was performing well and had increased its effectiveness over the last year. The continuity provided by longer-standing Board members and the fresh thinking from newer members has been particularly helpful.

Highlighted strengths

- Boardroom culture is transparent, supportive, constructive, balanced and challenging
- There was a 'good rhythm' to Board meetings, especially helped by the introduction of additional Audit Committee meetings during 2019
- Relationships with senior management were strong and there was mutual respect
- High engagement and contributions on senior management succession decisions were valued

Recommended areas for development

- More time to be dedicated on the long-term strategy of the business and to the discussion of culture, talent planning and diversity and the methods by which these could be looked at more systematically
- A reduction in the amount of time spent on operational updates in meetings so that further debate and discussion could be engendered



Actions going forward

The feedback identified some areas where the Board would like to spend a bit more time, or to address some topics in a different way. The Board will continuously review its objectives to determine what its priorities are for 2020 and 2021. This will allow the Board to identify where it wishes to make the most impact and give its support.

During 2020, two of the scheduled six Board meetings will be held outside of the London head office at other company sites and the Non-Executive Directors will undertake more visits within the business themselves to ensure they are more exposed to the culture and challenges faced by the Company 'on the ground'.

Influence on Board composition

The evaluation made it clear that the mix of long-standing and new Directors contributed to the effectiveness of the Board and that the Board did not suffer from 'group think'. The Nominations Committee will continue to seek diversity in all areas as it appoints new Non-Executive Directors in future to ensure this remains the case.

NOMINATIONS COMMITTEE EVALUATION

Specific feedback on the Nominations Committee was given as part of the evaluation and focused on the following areas:

- Meetings
- Board composition
- Diversity and succession planning

The feedback gathered indicated that the Nominations Committee had engaged well over the year and had actively participated in discussions regarding senior management succession. It was also noted that the composition of the Board was well settled, but the Committee was alive to thinking about how to ensure there is diverse input into its discussions.

A recommended area of focus for the coming year was to ensure that the diversity initiatives already in progress were used to support the culture of the organisation. Developing diverse pipelines of talent further would be integral to this.

Richard Pennycook
Nomination Committee Chairman

26 February 2020

Remuneration Committee Report



ANNUAL REMUNERATION COMMITTEE CHAIR STATEMENT

I am pleased to present the Howden Joinery Group Remuneration Committee Report for 2019. The report has been prepared in compliance with the requirements of the Large and Medium-sized Companies and Groups Regulations 2013.

It has been another busy year for the Howdens Remuneration Committee. Our new Remuneration Policy was approved at the AGM in May with more than 97% support from shareholders and the Chair of the Committee retired from the Board in September. I'd like to take this opportunity to thank Tiffany for her efforts in this role and for her support in ensuring a seamless handover over the course of the last year.

I will be presenting a summary of the work of the Committee in 2019 at the Annual General Meeting on 7 May 2020.

POLICY

Our new Remuneration Policy was approved by shareholders at the 2019 AGM with a high level of support from shareholders. This policy is due to expire at the 2022 AGM and a short-form version can be found on page 96. The policy in full can be accessed at www.howdenjoinerygroupplc.com/governance/remuneration-policy

Having consulted widely with our principal shareholders and investor groups on the draft policy (and the application of the policy) prior to the Annual General Meeting, we were able to incorporate much of the feedback we received. The Committee remains committed to ensuring there are appropriate channels for stakeholder feedback on our Executive Director remuneration policy and practices. More information on how we engage with our stakeholders can be found in the Corporate Governance Report on pages 76 to 78.

The Committee were particularly mindful that the new policy continued to reflect the entrepreneurial culture of the business and was able to be cascaded consistently throughout the workforce. Howdens' staff are paid on the profitability 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. This entrepreneurial culture has served our shareholders well.

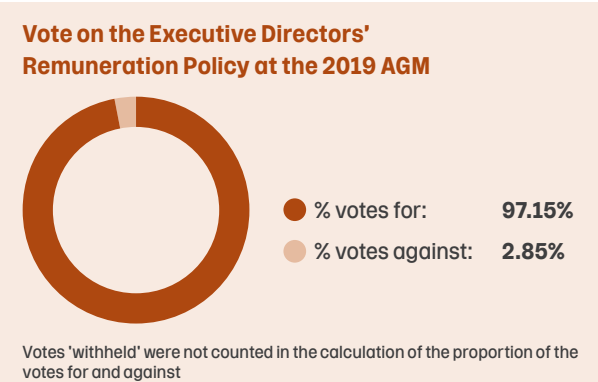
As such, the updates to the policy were made to ensure continued compliance with the new UK Corporate Governance Code, best practice requirements and to continue to support our long-term strategy. We introduced post-vesting and post-termination holding periods to ensure greater alignment with our shareholders and reduced pension provision for new Executive Director joiners to be in line with the wider workforce.

A breakdown of voting for both the Remuneration Policy and Remuneration Reports for the previous three AGMs can be found in the Appendix on page 111.

UK CORPORATE GOVERNANCE CODE

The Committee has also taken time to consider its broader remit under the 2018 UK Corporate Governance Code ('the Code') and we have updated this year's Remuneration Committee Report to reflect this.

The Remuneration Committee is mindful of the increased public and investor focus on Executive pensions, variable pay and the links between remuneration, strategy and long-term success. We have specifically highlighted where the Committee exercised discretion, and the reasons why, in this report.



Remuneration Committee Meeting Attendance

Karen Caddick (5/5)	Geoff Drabble (5/5)
Tiffany Hall (4/4) ¹	Louise Fowler (1/1) ³
Mark Allen (2/5) ²	Debbie White (5/5)
Andrew Cripps (5/5)	

1. Tiffany retired from the Board on 17 September 2019.
2. Mark was unable to attend the February and April meetings due to commitments at Dairy Crest and he was unable to attend the November meeting due to health reasons. Mark received all of the meeting papers in advance of the meetings and was able to feedback his views to the Committee Chair.
3. Louise was appointed to the Board on 1 November 2019.

Remuneration Committee Report contents

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We have also mapped how our policy and practices address the six key themes identified in Provision 40: Clarity, simplicity, risk, predictability, proportionality and alignment to culture. You can find this on page 98.

SENIOR MANAGEMENT AND THE WIDER WORKFORCE

The Howdens Remuneration Committee pre-empted the Code's requirement for remuneration committees to set remuneration for senior management. During the year, the Committee updated its Executive Committee Remuneration Policy which details the remuneration parameters for this group.

The Committee also received updates on the ongoing employee benefits review and all-employee remuneration related policies in order to provide the context for, and to ensure alignment with, the policy on Executive Director remuneration. In accordance with the Code, the Committee have adopted a 'Provision 33 dashboard' which shows some of the key internal and external measures that the Committee members should be aware of when determining Executive Director and senior management remuneration. Our template for this dashboard can be found on page 102 of this report.

INTRODUCTION OF A NEW MEASURE FOR THE PERFORMANCE SHARE PLAN ('PSP')

As reported in the 2018 Remuneration Committee report, the Committee was committed to reviewing and introducing a shareholder returns measure from 2020 in respect of the long term incentive plan. I am pleased to confirm that, from 2020, relative Total Shareholder Return ('TSR') will be used as an additional metric to profit before tax. More detail on the analysis of the Committee in determining the appropriate measure, including peer group identification, the weighting of TSR for the 2020 award and calibration of the measure can be found in our case study on page 105.

1. The Howdens Remuneration Committee classifies 'senior management' as members of the Executive Committee, excluding Executive Directors, and the Company Secretary.

2. That being the level of pension provision available with the highest level of employee participation.

PENSIONS

During 2019, the Committee considered the updated guidance from the Investment Association which provides that Remuneration Committees should ensure that there is a credible plan to ensure that Executive Director pensions are aligned with the wider workforce by the Company's next policy cycle. Provision 38 of the Code also provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the workforce.

I am therefore pleased to confirm that our incumbent Executive Directors have agreed to reduce their pension benefits to be in line with the wider workforce by the next Executive Director Remuneration Policy approval (at the AGM in May 2022). Andrew Livingston's pension supplement received in lieu of Company pension contributions will reduce in January 2020 by 2% from 20% of basic salary to 18% of basic salary. In January 2021 it will reduce by a further 4% to 14% of basic salary and in May 2022, Andrew's pension supplement will be aligned to the Company pension contributions of the wider workforce, which is currently 4% of basic salary. Similarly, Mark Robson's pension supplement received in lieu of salary will reduce from 30% of basic salary to 24% with effect from January 2020 and will reduce further to 18% of basic salary from January 2021. His pension supplement will then be aligned with the CEO and wider workforce in May 2022.

I would like to thank both Andrew and Mark for their engagement on this matter. These reductions have been entered into voluntarily and demonstrate their commitment to ensuring fairness in Howdens' remuneration practices.

Remuneration Committee Report continued



See page 32

2019 REWARD OUTCOMES

For the 2019 annual bonus, performance was based on the delivery of both profit and cash flow targets. Despite considerable uncertainty in the market due to the lack of clarity of the UK's future relationship with the European Union, Howdens has performed well over the year delivering 4.8% growth in sales on 2018 whilst continuing to deliver a strong gross profit margin of 62.3%. This has resulted in a Profit Before Tax ('PBT') of £260.7m and cash flow of £295.4m. This has allowed us to continue to invest in key strategic opportunities such as depots, digital initiatives, and supply chain resilience which will position us competitively to meet future demand.

Our strong financial performance has resulted in an annual bonus outcome between on-target and maximum of 114% of salary for our Executive Directors, 76% of the maximum opportunity.

The 2017 Performance Share Plan ('PSP') with performance measured to FY 2019 is based on three year PBT growth per annum. Over the three-year period of the 2017 Performance Share Plan cycle, our PBT has grown by 3.2% per annum in line with performance targets (requiring 3% per annum PBT growth to achieve threshold vesting) the award will vest at 16% of maximum opportunity.

2020 REWARD AND INCENTIVES

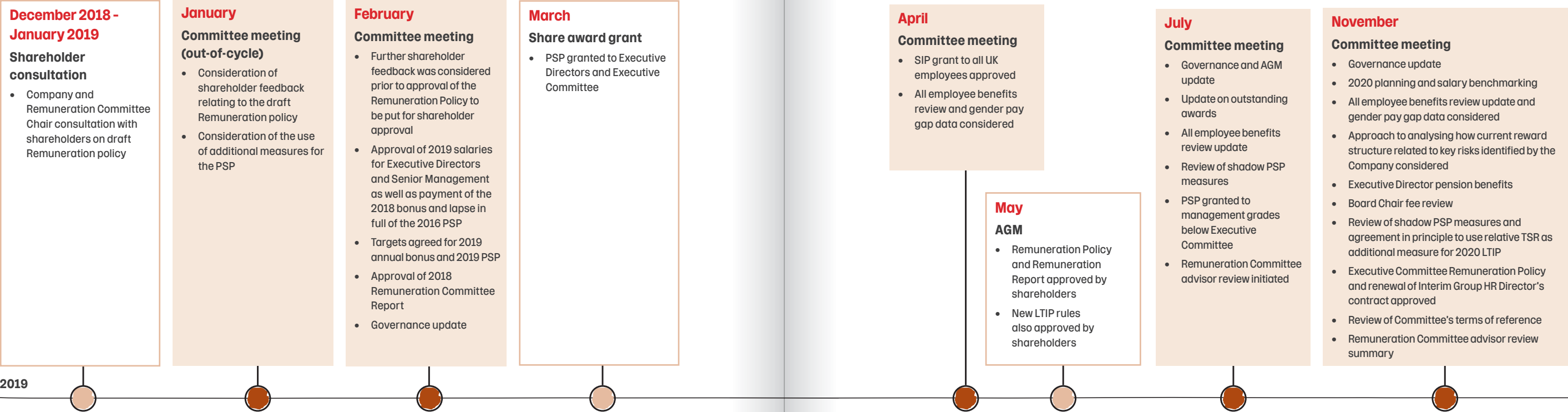
The CEO's salary increase in January 2018 was in line with the wider workforce. The Deputy Chief Executive Officer & Chief Financial Officer ('DCEO' & 'CFO') did not receive a salary increase in 2019. The Committee implemented a 3% base salary increase in 2020 for the CEO and DCEO & CFO, which was in line with the wider workforce.

For the 2020 annual bonus, we replicated the methodology and measures used in the 2019 annual bonus PBT and cash flow measures, subject to an aggregate maximum of 150% of basic salary. This maintains the focus on profit in incentives and alignment with the depots, whilst maintaining a healthy stretch between target and maximum bonus levels to ensure strong shareholder alignment.

For the 2020 PSP, it is our intention to maintain both the target range and opportunity under the 2019 PSP of 220% of salary for a target range of 5% to 15% PBT growth per annum.

Following comments from shareholders that a greater diversity of measures within our long term incentive plans would be desirable, we have introduced relative TSR as a measure for the 2020 PSP. Alignment with the strategy of the business has and will continue to be the central driver for the selection of performance measures and we believe

2019 REMUNERATION COMMITTEE ACTIVITY



that the relative TSR measure will complement the PBT growth measure whilst retaining the focus on profit across the business as a whole. Given market practice, and the current use of profit within incentives, the Committee has agreed a weighting of 33% for the relative TSR measure and 67% for PBT growth.

I hope the information presented within this report provides a clear explanation as to how we have operated our remuneration policy over 2019 and as to how we intend to implement our Policy for 2020. We continue to be committed to an open and transparent dialogue with our stakeholders, and the Committee would welcome any feedback or comments you have on this report, our Policy or how we implement it for 2020.

Karen Caddick
Remuneration Committee Chair

HOW THE COMMITTEE EXERCISED DISCRETION FOR THE INCENTIVE PERIOD ENDING 28 DECEMBER 2019

The Committee considered the financial performance for the incentive period ending 28 December 2019. Profit before tax for the year was £260.7m and cash flow was £295.4m. The three-year profit before tax growth was 3.2%.

The Committee considered whether the incentive outturns projected for the 2019 annual bonus and 2017 PSP were proportionate to the financial performance, whether the combined quantum of the awards were excessive, and whether there were any other external factors of which the Committee were aware which would make increasing or decreasing the payments under these awards appropriate. In reaching their conclusion, the Committee considered the Remuneration structures and policies for the workforce as a whole, the relative ratios of Executive and employee reward, continued alignment to shareholder value, as well as the predictability, proportionality of the incentives and their ongoing alignment to culture.

Taking all of these matters into consideration, the Committee approved the payment of these awards without adjustment.

Remuneration Committee Report continued

 Fixed  Variable  KPI link

DIRECTORS' REMUNERATION POLICY SUMMARY

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

EXECUTIVE DIRECTORS

Fixed Pay

Base Salary	Benefits	Pension
Salaries are reviewed annually and set within a range defined by a market benchmark. This is derived from companies of a comparable size or operating in a similar sector. Our policy is to pay at median.	The Company pays the cost of providing benefits on a monthly basis or as required for one-off events.	Executive Directors appointed after May 2019 are invited to join the auto-enrolment defined contribution pension scheme or receive a salary supplement in lieu of pension in line with the maximum level of benefit they would have received if they had enrolled in the scheme. Company contributions for Executive Directors are aligned with those for the wider workforce. ¹ The pension benefits of the incumbent Executive Directors are governed by earlier Remuneration Policies and their contracts of employment. However, the incumbent Executive Directors have voluntarily agreed to reduce their current benefits to be in line with the wider workforce by May 2022, that being the next scheduled renewal by shareholders of this Policy. More detail on the tapering of their benefits is set out on page 93.
Link to strategy: Salaries reflect the market value of the Executive's role in addition to their skill, responsibilities, performance and experience.	Link to strategy: Our policy provides a competitive level of benefits.	Link to strategy: The Committee remains committed to providing competitive long-term savings opportunities provided they are aligned with the opportunities afforded to the wider workforce.

Variable Pay

Annual Bonus	Deferred Bonus	Performance Share Plan
The annual bonus has a maximum opportunity of 150% of base salary. Performance is assessed annually against stretching PBT and cash flow targets.	30% of any bonus earned is deferred into shares. Shares are paid out on the second anniversary of the deferral date. Malus and/or clawback provisions operate on the bonus for a period of up to two years after the performance period.	The vesting of awards is based on performance over a three-year performance period. The maximum opportunity allowed under the award is 270% of salary. Malus provisions apply for the duration of the vesting period. Vested awards are subject to a two-year holding period following vesting, during which no performance measures apply.
Link to strategy: PBT and cash flow targets reflect our key internal performance indicators and the role of sustainable profit growth in our entrepreneurial culture. The annual bonus incentivises performance over the financial year.	Link to strategy: Deferral links bonus pay out to share price performance over the medium term.	Link to strategy: Focuses management on longer-term financial growth than addressed by the annual bonus. Long-term financial growth is fundamental to the generation of shareholder value. As with the annual bonus, deferral links bonus pay out to share price performance but the post-vesting holding period does this over a longer period.
Performance Period		
1 Year		3 Years
Additional Deferral Period		
		2 Years
Time from grant to receipt		
1 Year	3 Years	5 Years

1. At 28 December 2019, Company contributions to the wider workforce were 4% of basic salary.



Executive Director Shareholdings

Significant shareholdings on the part of our Executive Directors are key to ensuring effective alignment with shareholders. Under the Remuneration Policy, the Executive Directors are expected to have a personal shareholding equal to twice their annual base salary. Shares deferred under the deferred bonus plan and unvested conditional share awards are not counted towards this requirement. Executive Directors are also eligible to receive shares awarded under the Share Incentive Plan, the Company's all-employee share scheme. Shares awarded under the Share Incentive Plan are not counted towards the shareholding requirement.

In 2019 a post-cessation shareholding requirement was introduced in the Remuneration Policy. This requires Executive Directors to hold 100% of their shareholding requirement (or full actual holding if lower) for a period of two years post cessation. See the Appendix on page 110 for a table of total shares in the Company held by the Directors, together with unvested performance shares and those held subject to deferral conditions.

NON-EXECUTIVE DIRECTORS

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

Fees are reviewed every year and are set within a range defined by a market benchmark of comparable size companies and with reference to any pay increase awarded to the wider workforce. All fees for 2020 and increases from the prior year are set out below. Non-Executive Directors are also entitled to receive expenses in respect of reasonable travel and accommodation costs.

		Basic NED Fee ¹	Chair Fee	SID Fee	Committee Chair Fee
2020	Fee	£56,650	£257,500	£15,000	£12,500
	% change from 2019	3%	3%	50% ²	25%
2019	Fee	£55,000	£250,000	£10,000	£10,000
	% change from 2018	0%	0%	0%	0%

1. The Chair of the Board of Directors does not receive the basic Non-Executive Director fee or an additional fee for chairing the Nominations Committee.
2. In recognition of the additional time requirement necessary to undertake the role of Non-Executive Director responsible for workforce engagement, the SID Fee was increased by £5,000.



See page 32

Remuneration Committee Report continued

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

Clarity	Simplicity	Risk
<i>Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.</i>	<i>Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.</i>	<i>Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risk that can arise from target-based incentive plans, are identified and mitigated.</i>
<p>The Company invited its principal shareholders and shareholder representative groups to consult on the updated Remuneration Policy and received good feedback. The level of pension benefit for new Executive Directors was reduced and the minimum percentage of variable pay linked to financial measures was increased following input from these meetings.</p> <p>All UK employees are awarded shares in the Company through the Share Incentive Plan. As such they are entitled to attend and vote on the Remuneration Policy and Remuneration Report at the Annual General Meeting.</p>	<p>The Remuneration Policy has received positive feedback from stakeholders in relation to its simplicity.</p> <p>When the Remuneration Policy was updated in 2019 the profit share element of the annual bonus was replaced due to the complexity of the calculation and lack of understanding of its operation.</p> <p>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.</p>	<p>The Remuneration Committee have a track record of setting maximum levels of award for the PSP below the maximum allowed under the policy. This ensures that such awards do not become excessive due to share price volatility.</p> <p>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.</p>

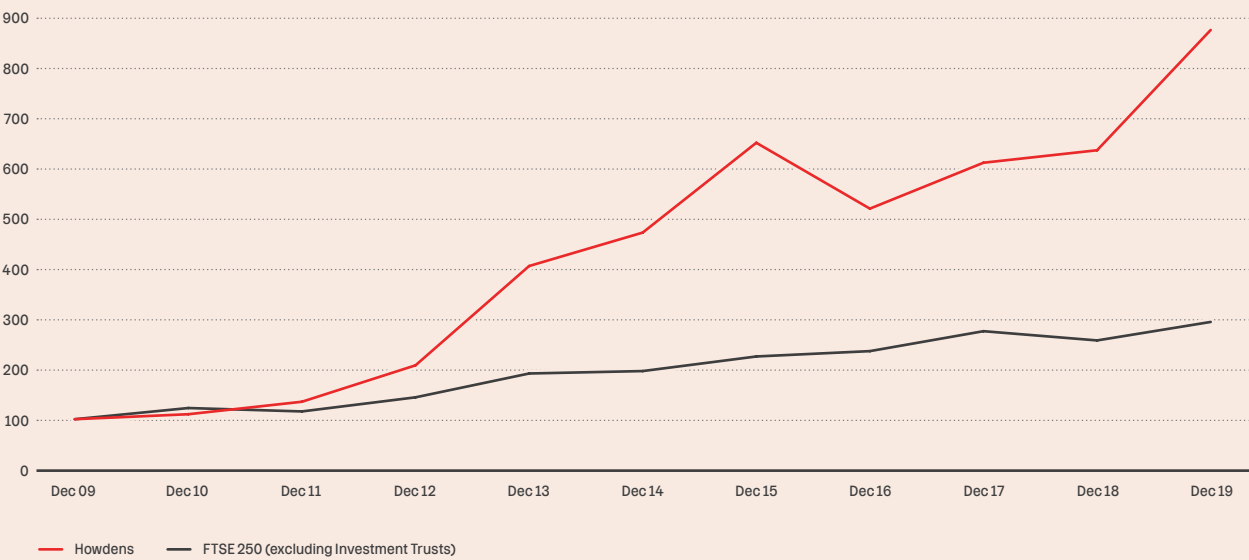
Predictability	Proportionality	Alignment to culture
<i>The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.</i>	<i>The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.</i>	<i>Incentive schemes should drive behaviours consistent with company purpose, values and strategy.</i>
<p>The range of possible rewards for the Executive Directors is considered on page 103 and were communicated when the Remuneration Policy was approved by shareholders. The range in relation to the PSP reflects the reduced maximum award for 2020 rather than maximum allowed under the policy.</p> <p>The Committee has a wide range of discretion in relation to variable pay awards, new joiner and leavers which were identified and explained when the Remuneration Policy was approved.</p>	<p>In this Remuneration Report we have linked where measures for individual awards are linked to KPIs.</p> <p>The Committee remains confident that the awards used to ensure continued delivery of strategy and long-term performance are working as intended. In both 2018 and 2019, the annual bonus paid out at about three quarters of maximum opportunity following delivery of good PBT results in challenging market conditions and which were slightly ahead of market expectations. However, as longer-term profit growth remained subdued in the three years leading up to these financial year ends, the PSP lapsed in full in the first year and vested at a low level in the second following a return to growth.</p>	<p>The Committee remain confident that the incentive schemes operated under the Remuneration Policy are aligned with purpose, values and strategy.</p> <p>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.</p>



OUR CORPORATE PERFORMANCE

Total Shareholder Return ('TSR')

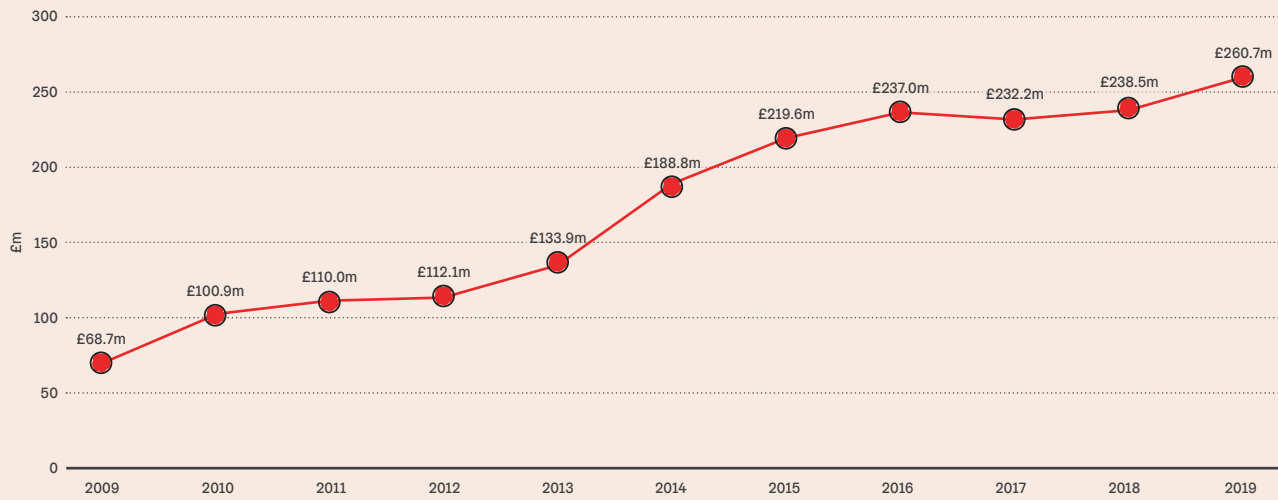
The graph below illustrates the Company's TSR performance relative to the constituents of the FTSE 250 (excluding investment trusts) of which the Company is a constituent. It shows that over the past 10 years Howdens has generated significantly higher returns than the FTSE 250 (excluding Investment Trusts).



Profit Before Tax ('PBT')

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

Howdens historic PBT



Remuneration Committee Report continued

Fixed Variable

DIRECTORS' REMUNERATION REPORT

SINGLE FIGURE OF REMUNERATION: EXECUTIVE DIRECTORS (AUDITED)

£000s	Salary		Benefits		Pension		Bonus		LTIP		Recruitment award		Total Remuneration	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Executive Directors:														
Andrew Livingston*	564	413	72	81	113	83	643	462	-	-	-	1,530	1,391	2,569
Mark Robson	441	441	62	51	134	182	502	494	210	0	-	-	1,349	1,168
Former Executive Directors														
Matthew Ingle	-	145	-	78	-	44	-	163	-	0	-	-	-	430
Total	1,005	999	134	210	247	309	1,145	1,119	210	0	-	1,530	2,740	4,167

* Andrew was appointed to the Board on 2 April 2018 and therefore only received his salary, benefits, pension and annual bonus as CEO for a proportion of 2018.

£000s	Total (Fixed)		Total (Variable)	
	2019	2018	2019	2018
Executive Directors:				
Andrew Livingston	748	577	643	1,992
Mark Robson	637	674	712	494
Former Executive Directors				
Matthew Ingle	-	267	-	163
Total	1,385	1,518	1,355	2,649

NOTES TO THE SINGLE FIGURE TABLE

Salary, benefits, pension

Salaries will not be changed outside of the annual review, unless there are exceptional circumstances, such as a mid-year change in role. Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set within a range defined by market benchmark derived from companies in a similar sector (policy is to pay median). Salaries for 2020 can be found on page 103. 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.

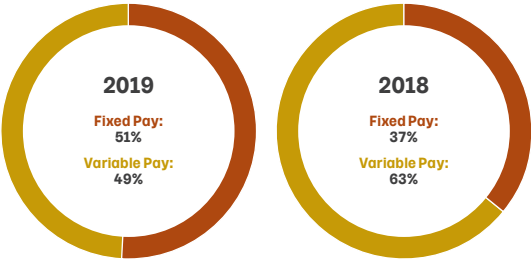
Benefits are based upon market rates and include receipt of a car allowance, non-exclusive use of a driver, health insurance and death-in-service insurance payable by the Company. Following Andrew Livingston's appointment as CEO, the Remuneration Committee agreed that the Company would pay reasonable hotel costs in order to provide flexibility whilst he undertook the logistical demands of the role. During 2019 the Committee agreed that the Company would continue to pay reasonable hotel costs until he had successfully relocated.

Mark Robson opted-out of the Defined Benefit Pension Scheme on 31 December 2018. Under the terms of his employment contract and the Remuneration Policy agreed by shareholders in 2016 he received pension benefit in lieu of 30% of basic salary for the remainder of the financial year. More information about future Executive Director pension benefits can be found on page 93.

Recruitment award

Andrew Livingston's recruitment award figure is higher than reported in the 2018 Remuneration Committee Report due to the growth in the Company's share price since the award was made. The calculation of the value of the award was therefore updated to take account of this growth. More information on the recruitment awards can be found on page 109.

Total Executive Director Fixed vs Variable Pay



Annual Bonus (Audited)

Targets for 2019

Our annual bonus for 2019 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:

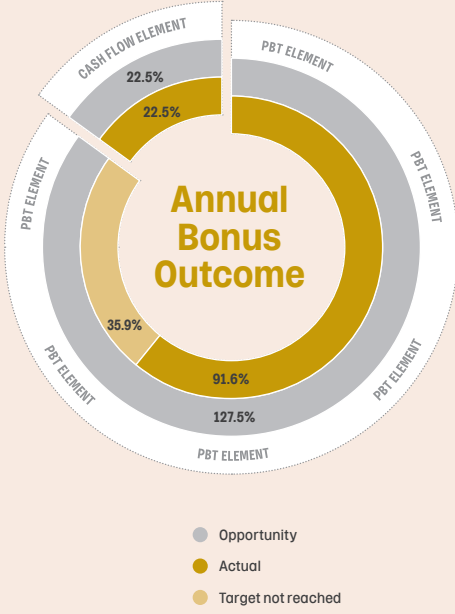
	PBT component	Cash flow component
Threshold	£242.3m (17% of salary)	£243.0m (3% of salary)
Target	£255.1m (63.75% of salary)	£259.0m (11.25% of salary)
Outperformance	£267.9m (127.5% of salary)	£269.0m (22.5% of salary)

70% of the annual bonus was paid in cash and 30% of the annual bonus was 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 £260.7m (between target and outperformance). The cash flow figure for the year in relation to the bonus was £295.4m (above outperformance). In aggregate, the Executive Directors will receive an annual bonus of 114% of salary for 2019.

	Andrew Livingston	Mark Robson
PBT (% of salary)	91.6%	91.6%
Cash Flow (% of salary)	22.5%	22.5%
Total Bonus (% of salary)	114%	114%
Total Bonus (£'000)	643	502



Performance Share Plan ('PSP') (Audited)

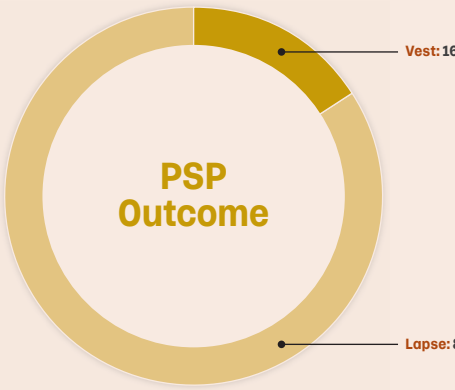
Targets for 2019

2020 is the first year in which the PSP award will vest. The PSP awards granted from 2016 to 2019 have been measured against PBT growth over a three year period. The PBT growth for the 2017 award was measured between FY 2017 to FY 2019. Any PSP award that vests is subject to a two-year holding period for serving Executive Directors.

Outcomes for the year

The 2017 PSP had a threshold requirement of 3% p.a. and a maximum requirement of 15% p.a. 2019 PBT was £260.7m, and therefore growth on FY 2016 was 3.2% p.a. The award will therefore vest at 16% of maximum opportunity at the end of March.

£59,830 of Mark Robson's 2019 long-term incentive award was attributable to share price increases. The share price at the date of grant was 430.9p and the three month average to 28 December 2019, the price on which the value of the award is calculated, was 602.2p.



Remuneration Committee Report continued

Single figure of Remuneration: Non-executive directors (Audited)

The table below sets out the remuneration received by Non-Executive Directors in 2018 and 2019.

Non-Executive Director	Notes	Remuneration (£'000)	
		2019	2018
Richard Pennycook		260	250
Mark Allen	Retired from the Board in December 2019	50	55
Karen Caddick	Appointed Remuneration Committee Chair in September 2019	61	17
Andrew Cripps		65	65
Geoff Drabble	Appointed Senior Independent Director in September 2019	58	55
Louise Fowler	Appointed to the Board in November 2019	9	-
Tiffany Hall	Retired from the Board in September 2019	53	75
Debbie White		55	55
Total		611	572

WIDER WORKFORCE CONSIDERATIONS

The Remuneration Committee received regular updates from the Interim Group HR Director in respect of the ongoing all-employee benefits review. This review incorporates all aspects of employee reward at Howdens. The Committee also adopted the template dashboard shown below in 2019. This dashboard, known as our Provision 33 Dashboard, shows some of the key internal and external measures and information that the Committee must be mindful of when they determine Executive Director and senior management remuneration. These measures are considered in addition to wider workforce-related policies and the alignment of incentives with the culture of the organisation. The Provision 33 Dashboard is populated with up-to-date information prior to each meeting where it is to be considered.

Provision 33 Dashboard template

Workforce Reward

- Salary
- Pensions
- Benefits
- Bonus
- Shares

External Ratios

CEO Ratio as at YE2019
25th percentile (vs prior year), 50th percentile (vs prior year), 75th percentile (vs prior year)

Gender Pay Gap

Group	Prior Year	Current
Mean pay gap		
Median pay gap		
Bonus mean gap		
Bonus median gap		

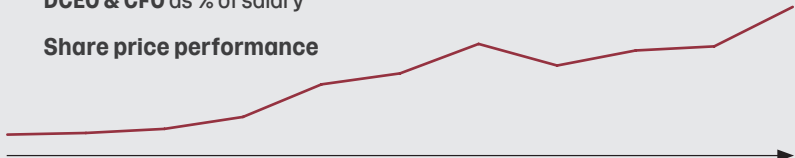
Provision 40

- Clarity
- Simplicity
- Risk
- Predictability
- Proportionality
- Alignment to culture

Shareholder Alignment

Executive Director shareholdings
CEO as % of salary
DCEO & CFO as % of salary

Share price performance



The Committee also considers the appropriateness of introducing an absolute quantum for Executive reward during the year.



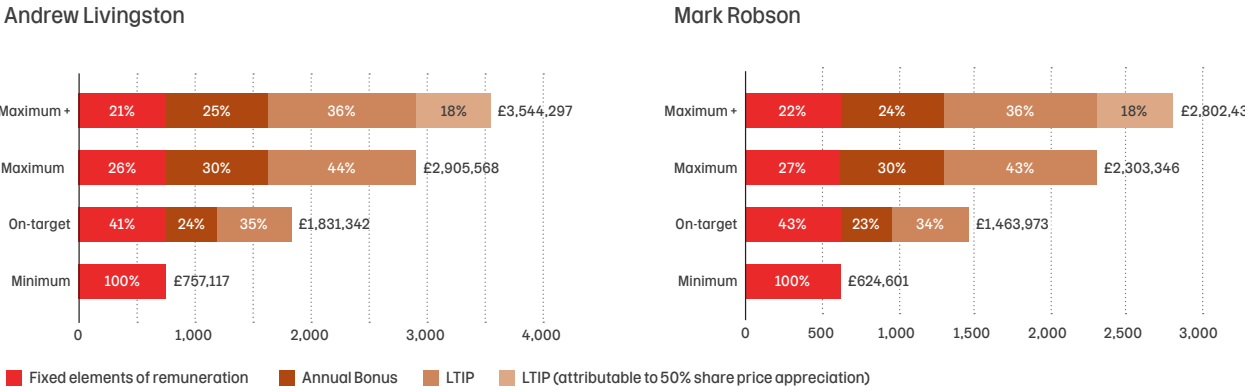
Fixed Variable

IMPLEMENTATION OF REMUNERATION POLICY FOR 2020

2020 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 and reviews this on an annual basis.

Value of package (£'000)



Fixed elements of remuneration consist of the annual salary that the Executive Director will receive for 2020, alongside their 2020 pension entitlement, and actual benefits received in 2018/19 (as a proxy for 2020).

Annual bonus is based on a maximum opportunity of 150% of salary and an on-target opportunity of 75% of salary.

LTIP is based on a maximum opportunity of 220% of salary in line with the 2020 grant (noting that the overall policy maximum is 270% of salary). Target opportunity is calculated as 50% of maximum (110% of salary).

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 performance share plan.

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

Base salaries

Base salary increases from 2020 are set out in the table below. The salary increase awarded to Andrew Livingston and Mark Robson were in line with the average increase that will be made to our workforce in 2020.

Executive Directors	2020		2019	
	Salary (£'000)	% increase	Salary (£'000)	% increase
Andrew Livingston	581	3.0%	564	2.5%
Mark Robson	454	3.0%	441	-

Remuneration Committee Report continued

Fixed Variable

Annual Bonus measures

The table below sets out Annual Bonus measures for 2020. 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 2020 Remuneration Committee Report.

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

Performance Share Plan measures

As reported earlier in this report and in the case study on page 105 the Remuneration Committee have introduced a relative Total Shareholder Returns (‘TSR’) measure in 2020 in addition to the existing PBT measure. Set out below are the performance measures and relative weightings for each of the measures. For 2020 the maximum opportunity under the PSP remains 220% in line with the approach taken in 2019. The performance period is three years, measured over the relevant financial years, starting with the financial year of grant. For scheme interests awarded in 2019 see the Appendix on page 108.

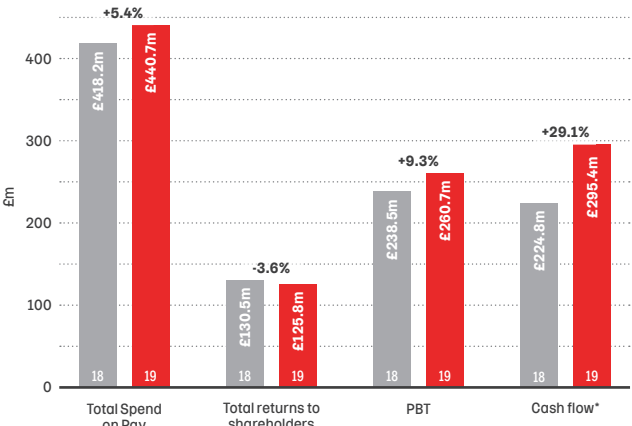
PSP measure	PBT growth	
Measure weighting	67%	
	PBT growth performance condition	Payout level
PBT component vesting schedule	15% p.a.	100% of maximum
	Straight-line vesting between these points	
	5% p.a.	15% of maximum
	Less than 5% p.a.	0
PSP measure	Relative TSR	
Measure weighting	33%	
Comparator group and averaging period for TSR performance	<ul style="list-style-type: none">• 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

Under the terms of the Remuneration Policy approved by shareholders at the 2019 Annual General Meeting, the 2020 PSP awards will be subject to a two-year post-vesting holding period.



Relative importance of spend on pay

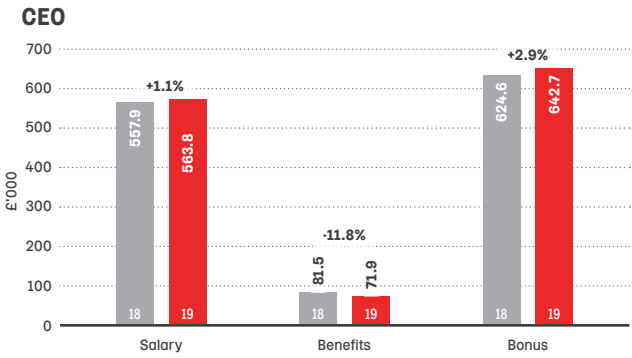
The graph below sets out the change in the Group’s total remuneration spend from 2018 to 2019 compared to the total returns to shareholders of the Group and the two incentive performance measures PBT and cash flow.



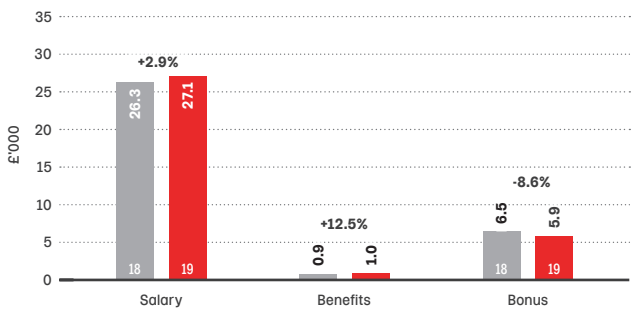
* Net cash flow from operating activities, being the definition used for the annual bonus scheme (see page 104)

Percentage change in remuneration of Director undertaking the role of Chief Executive Officer

The graphs below set out the change in short-term pay from 2018 to 2019 of the CEO compared to all employees (on a per capita basis).



All full time employees (per capita)



Case Study
Additional measure for the Long Term Incentive Plan

In the 2018 Remuneration Committee Report we committed to introducing a greater diversity of measures for our long-term incentives following shareholder feedback. The Committee stated that, from 2020 onwards, a returns measure would be introduced into our long-term incentive program alongside the PBT measure and throughout 2019 we would monitor them against internal targets to ensure we could appropriately calibrate these metrics. This ensured that they were well understood within the senior management population before they were formally introduced.

In January 2019, the Committee discussed with management a number of potential measures and it was agreed that Relative Total Shareholder Returns (‘TSR’) and Return On Invested Capital (‘ROIC’) would provide greatest alignment with shareholder interests and best complement the existing PBT measure.

Performance against these two measures were considered at the Committee meeting in July as well as more detailed analysis on the most appropriate definitions of ROIC and the TSR peer group. Wider market analysis and benchmarking was undertaken and considered by the Committee.

In November, the Committee approved the use of TSR as the returns measure for the 2020 PSP. Due to its widespread adoption, both the Committee and management agreed that a TSR measure was a more relevant comparator externally which would safeguard against complexity and provide the best alignment with shareholder interests.

The Committee also agreed the weighting of the measure (33%), performance period, comparator group, average period for TSR performance and the performance assessment. More detailed information about the operation of the TSR measure can be found on page 104.

Alignment with the strategy of the business and the avoidance of rewarding failure has and will always be the central drivers for the selection of performance measures and the Committee is confident that the introduction of the TSR measure continues to provide this alignment without introducing unnecessary complexity.

Remuneration Committee Report continued

OUR CORPORATE PERFORMANCE AND REMUNERATION

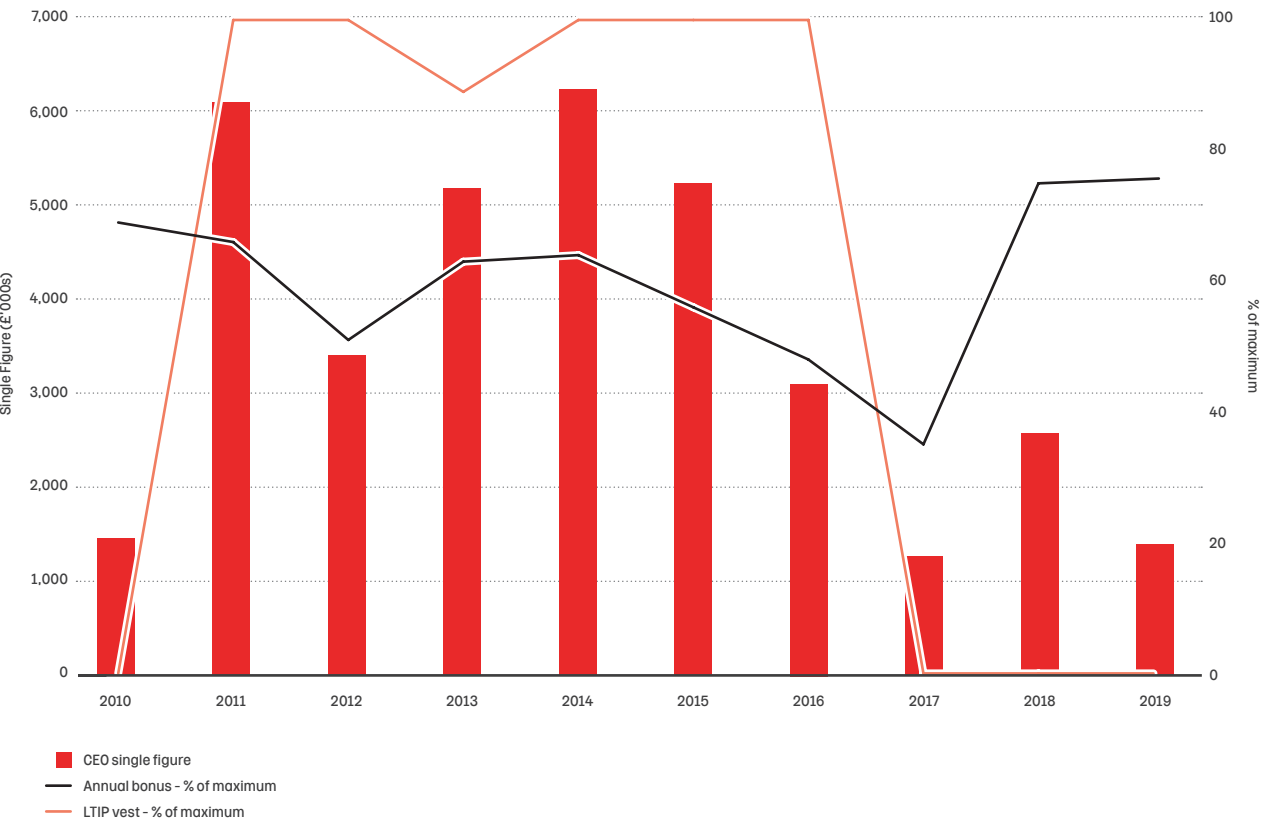
Historic single figure

The table and graph below show the historic CEO single figure and incentive pay-out levels. They show that the annual bonus has performed strongly and that long-term incentives have reflected the challenges that faced the Company after 2008 and the challenging market conditions following the 2016 referendum on membership of the European Union.

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
CEO single figure (£'000)	1,458	6,083	3,401	5,168	6,221	5,225	3,098	1,268	2,569	1,391
Annual bonus (% of maximum)	69%	66%	51%	63%	64%	56%	48%	35%	75%	76%
LTIP vest (% of maximum)	0%	100%	100%	89%	100%	100%	100%	0%	0%	0%*

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



CEO PAY RATIO TABLE

Financial Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2019	A	71:1	58:1	48:1
2018	A	122:1	100:1	81:1

During 2019, Howdens has identified the CEO pay ratio in line with the updates to the Directors' Remuneration Reporting Regulations. The data used to calculate the CEO pay ratio was accurate as at 31 December 2019.

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 ('BEIS') in its guidance as the most statistically accurate method for identifying the pay ratios.

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

	25th percentile	50th percentile	75th percentile
Total pay and benefits ('FTE')	£24,743	£30,185	£36,783
Salary (including overtime) ('FTE')	£19,353	£23,782	£28,792

The pay and benefits of our colleagues was calculated in line with the Single Total Figure of Remuneration methodology. In our calculations we used actual pay from 1 January 2019 to 31 December 2019. 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 2019 compensation year; however, for annual bonus payments, we estimated the bonus due to employees for the 2019 compensation year (payment is due in March 2020). P11D values have been based on the 2018/19 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. Pay structures vary between roles in order to deliver an appropriate balance between fixed and variable pay but our emphasis on profit in our reward structures, from the depots to the Executive Directors, helps to provide some alignment of reward across the business.

The significant decrease in the CEO pay ratio from 2018 to 2019 was primarily the result of the inclusion of the CEO's one-off recruitment award in the single pay figure for 2018 which was not repeated in 2019. The 2018 figures excluding this award were broadly in line with those reported for 2019 (2018: 25th Percentile 62:1, 50th percentile 50:1 and 75th percentile 41:1). It is a feature of our pay structure that senior management receive a larger proportion of their total pay via incentives and the outcome of incentives is likely to be the main cause of variability in the ratio in future years. Andrew Livingston did not join the Board until April 2018 and will not be in receipt of a long-term incentive award until 2021 at the earliest. Should his long-term incentive awards vest, they will increase the ratio.

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

Remuneration Committee Report continued

Fixed Variable

DIRECTORS' REMUNERATION REPORT APPENDIX

In this Appendix a number of key disclosures are set out that provide further clarity to investors and other readers of this report on the implementation of our remuneration policy in the year under review.

TOTAL PENSION ENTITLEMENTS (AUDITED)

Executive Directors who joined the business before 2012 were eligible to participate in the Howden Joinery Group Pension Plan (the 'Plan'). The Plan closed to new joiners in 2012 and new Executive Directors are invited to participate in the Howden Joinery Auto-Enrolment Pension Scheme or receive an amount in lieu of membership of the Scheme. More information on pension entitlements for Executive Directors can be found in the Remuneration Policy at www.howdenjoinerygroupplc.com/governance/remuneration-policy

The table below sets out the accrued pension for the Executive Directors who served during the year, with pension values calculated using the HMRC method. No additional benefits become receivable if Executive Directors retire early. Mark Robson has chosen to opt-out of the memberships of the plan and therefore received a salary supplement of 30% of base salary in lieu of pension in 2019.

	Current Executive Directors	
	Andrew Livingston	Mark Robson
Accrued pension at 28 Dec 2019 (£'000)	-	46
Normal retirement date	-	16/01/2019
Pension value in the year from defined benefit component (£'000)	-	2
Pension value in the year from defined contribution component (£'000)	-	-
Pension value in the year from cash allowance (£'000)	113	132
Total	113	134

SCHEME INTERESTS AWARDED DURING THE FINANCIAL YEAR (AUDITED)

During 2019 the Executive Directors were invited to participate in the Performance Share Plan, as follows:

Nature of award	Restricted shares awarded under the PSP		
Level of award	Executive	Number of awarded shares	Face value of award ¹
	CEO	246,766	£1,283,183
	Deputy CEO & CFO	193,036	£1,003,787
PBT component vesting schedule	PBT growth performance condition		Vesting
	15% p.a.	220% of salary (100% of maximum)	
	Straight-line vesting between these points		Straight-line vesting
	5% p.a.	33% of salary (15% of maximum)	
	Less than 5% p.a.	0	
Performance period	Performance measured from FY2019 to FY2021		
Vesting date	3 May 2022		

1. Based on a share price of £5.20, being the closing price on 2 May 2019.

Free shares awarded under the Share Incentive Plan				
Executive	Number of awarded shares	Face value of award ¹	Date of grant	Performance criteria
Andrew Livingston	100	£517	8 April 2019	n/a
Mark Robson	100	£517	8 April 2019	n/a

1. Based on a share price of £5.17, being the closing price on 5 April 2019.



RECRUITMENT AWARDS (AUDITED)

Andrew Livingston forfeited a number of awards from his previous employment on leaving that role, including performance based awards and awards of restricted shares not subject to performance conditions. As per our approved 2016 recruitment policy, these awards were replaced by awards of similar structure, fair value, and timing as far as practical.

Awards not previously subject to performance conditions were replaced with awards of restricted shares, with equivalent remaining periods to release of awards foregone.

Performance based awards were replaced with restricted share awards of an equivalent expected value and release date. Due to the short period (of less than one year) between Andrew's date of appointment and the original vesting date of the foregone performance awards, it was not considered appropriate to apply performance conditions to the replacements for these awards, but rather to mirror the expected value of the number of shares granted.

In total, 249,330 shares were awarded to replace those forfeited from previous employment with a total value of £1,233,233. The table below sets out details for each tranche of the replacement awards made to Andrew:

(Audited)	Number of shares	Vesting date	Value of shares (£) ¹
	131,639	31 March 2018	605,025
	69,397	1 March 2019	337,408
	48,294	1 March 2020	290,800

1. As the recruitment awards were granted in 2018, the value of the awards were based on actual date of vest, or three month average share price to 28 December 2019 of £6.02 if unvested.

Andrew will retain these shares as part of his shareholding requirement as CEO (200% of salary), subject to disposals to cover tax liabilities arising.

As reported in the 2018 Remuneration Committee Report, Andrew forfeited his 2017 annual bonus on leaving his previous role. In line with our approved policy, this was replaced with a like-for-like cash award of £296,413. This amount was determined to be an appropriate estimate of the value of the bonus foregone, pro-rated for time in role.

SERVICE CONTRACTS/NOTICE PERIOD

All Executive Directors' employment contracts 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 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 of the Company.

Non-Executive Director appointments are for an initial period of three years. They are subject to re-appointment annually in accordance with the UK Corporate Governance Code. Non-Executive Directors are not entitled to any form of compensation in the event of early termination for whatever reason.

PAYMENTS TO PAST DIRECTORS (AUDITED)

Matthew Ingle retired from the Board on 2 April 2018 and from the Group on 31 July 2018. For his services provided to the Group to 31 July 2018, Matthew received a pro-rated long-term incentive award under the PSP. In light of the 2017 PSP outcome, as set out on page 101, Matthew received 21,087 shares with a total value of £126,973 based on the three month average share price at 28 December 2019 of £6.02. £36,110 of Matthew Ingle's long-term incentive award was attributable to share price increases. The share price at the date of grant was £4.31. No post-vest holding period will be applied to this award.

Remuneration Committee Report continued

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 FTSE250 REIT. Andrew received £54,083 in fees in respect of his role as Non-Executive Director. Andrew held this position upon appointment. Mark Robson does not have any external appointments. Executive Directors may retain the fees paid to them in respect of their Non-Executive duties.

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 shares and those held subject to deferral conditions.

	Current Executive Directors	
	Andrew Livingston	Mark Robson
Shareholding requirement %	200%	200%
Shareholding requirement (number of shares)	187,247	146,310
Owned outright (including connected persons)	109,388	153,020
Share awards subject only to continued employment	48,494 ²	300 ³
Share awards subject to performance conditions and continued employment ⁴	511,536	623,700
Options subject to performance conditions	-	-
Vested but unexercised options	-	-
Current shareholding (% of salary) ¹	117%	209%
Guideline met	N	Y

1. Based on a share price of £6.02, being the three-month average price to 28 December 2019. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons.
2. Recruitment Plan and Share Incentive Plan.
3. Share Incentive Plan.
4. Performance Share Awards under the Long Term Incentive Plan.

NON-EXECUTIVE DIRECTOR SHAREHOLDINGS (AUDITED)

There is no shareholding requirement for Non-Executive Directors.

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

No changes to the Executive and Non-Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 26 February 2020.

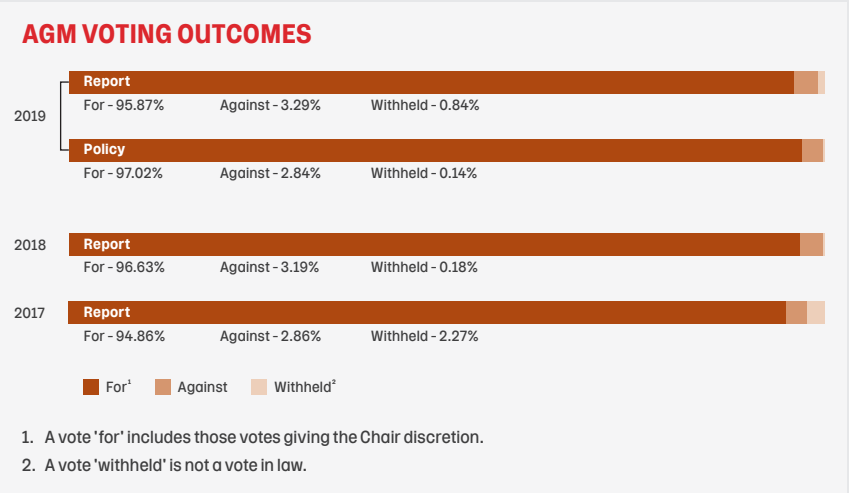
CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The Committee met five times during 2019 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 Company Secretary and members of the Executive Committee), 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.



VOTING AT THE 2019 ANNUAL GENERAL MEETING ('AGM')

The results of the advisory vote in respect of the Directors' Remuneration Report and the binding vote on the Directors' Remuneration Policy at the 2019 AGM may be found in the chart below.



ADVISORS TO THE COMMITTEE

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

The Committee also has access to detailed external information and research on market data and trends from independent consultants. PricewaterhouseCoopers LLP ('PwC') is the Committee's retained independent advisor and provided advice to the Committee during the year. PwC has been independent advisor to the Committee since 2007 and was appointed by the Committee as the result of a tender process. During the year, the Committee reviewed the ongoing independence of PwC as adviser to the Committee and agreed to retain them following a short external search. It was satisfied that PwC was providing robust and professional advice.

Work undertaken by PwC for the Committee included updating the Committee on trends in compensation and governance matters and advising the Committee in connection with benchmarking of the total reward packages for the Executive Directors and other senior members of staff. A representative from PwC attends each meeting of the Remuneration Committee. Fees paid to PwC in relation to remuneration services provided to the Committee in 2019 totalled £130,550 with fee levels based on the quantity and complexity of work undertaken. PwC also provided consultancy advice and support to the internal audit function to the Company during 2019.

PwC is a member of the Remuneration Consultants' Group which operates a code of conduct in relation to executive remuneration consulting.

By order of the Board

Karen Caddick
Remuneration Committee Chair

26 February 2020

Audit Committee Report



INTRODUCTION FROM THE COMMITTEE CHAIR

As stakeholders seek ever greater assurance over the robustness of controls and the integrity of financial reporting, so the importance of the Audit Committee has evolved such that it is a central pillar of the corporate governance framework of the organisation. It provides independent challenge and scrutiny of the Company's internal financial controls and risk management systems.

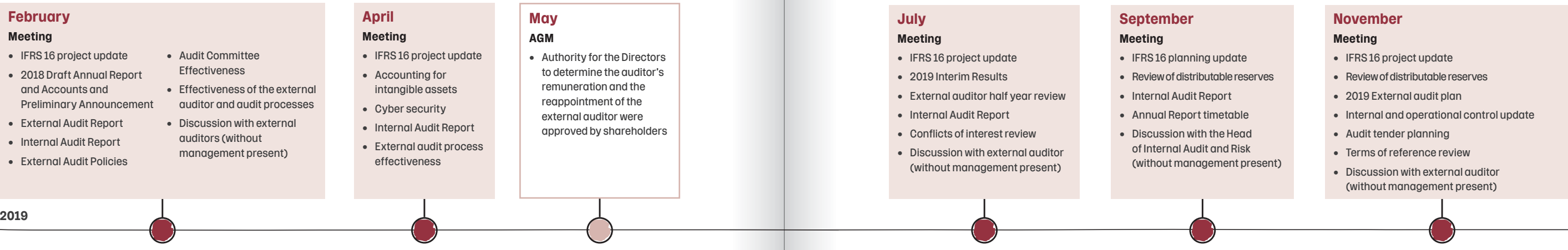
The Audit Committee is supported in providing assurance over the integrity of financial reports by our independent external auditor, Deloitte LLP ('Deloitte'). Deloitte provide an impartial evaluation of our financial statements and their report to members of the Company may be found on pages 161 to 168. We have committed to retendering the external audit and engaging a new external auditor no later than 2022 and will continue to monitor Deloitte's independence throughout the remainder of their appointment.

The Howdens internal audit function is also a key partner for the Audit Committee in ensuring that the internal controls of the Company are robust. The Internal Audit Plan is regularly reviewed by the Committee to ensure it's fully aligned to the strategy and the latest view of emerging and significant risks to the business. The Head of Internal Audit and Risk also has a standing invitation to Audit Committee meetings.

In 2019, the Audit Committee increased its scheduled meetings from three to five, which allowed more time for the Committee to focus on the Company's internal controls.

At the end of 2019, the Board undertook its triennial externally-facilitated effectiveness evaluation. Information about the evaluation outcomes for the Audit Committee may be found on page 115.

2019 AUDIT COMMITTEE ACTIVITY



Audit Committee Meeting Attendance

Andrew Cripps (5/5)	Louise Fowler (1/1) ²
Mark Allen (2/5) ¹	Tiffany Hall (4/4) ³
Karen Caddick (5/5)	Debbie White (5/5)
Geoff Drabble (5/5)	

1. Mark was unable to attend the February and April meetings due to his commitments at Dairy Crest and the November meeting due to health reasons. Mark received all of the meeting papers ahead of each meeting and was able to feedback his views to the Committee Chair.
2. Louise was appointed to the Board on 1 November 2019.
3. Tiffany retired from the Board on 17 September 2019.

During 2020, the Committee will continue to monitor the integrity of financial statements and formal announcements relating to financial performance, review internal controls, review and monitor the effectiveness of the Internal Audit function, and the effectiveness and objectivity of the external auditor. It will also continue its plan for the re-tender of the external audit work in preparation for the change of auditor in 2022 (see 'Key activities in the year ahead' to the right).

Andrew Cripps Audit Committee Chair

- ### Key activities in the year ahead
- Review of the Annual Report and Accounts and preliminary results announcement.
 - Deloitte's reappointment as auditor to be recommended to shareholders at the AGM.
 - Update to be given by the Audit Committee Chair to shareholders at the AGM.
 - Planning for the retender of external audit services.
 - Review of the 2020 interim results.
 - Consideration of Internal Audit's findings.
 - Review of key controls in the Supply and Trade business areas.
 - Approval of the 2021 Audit Committee calendar.
 - Review of the Committee's terms of reference.

Audit Committee Report continued

FINANCIAL REPORTING

Results Review

The Audit Committee reviewed the Group's 2019 Annual Report and Accounts and the half-yearly financial report published in July 2019.

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

The Committee considered whether the Annual Report and Accounts were fair, balanced and understandable and contained the information necessary for shareholders to assess the Company's position, performance, business model, and strategy.

Financial Controls

The Committee received a report from the Head of Internal Audit and Risk on the results of key control questionnaires prepared by Group and Divisional management. The effectiveness of the Group's internal financial controls (with specific reference to controls in place on a divisional basis) and the disclosures made in the Annual Report and Accounts on this matter were reviewed by the Audit Committee.

Areas of Significant Financial Judgement

The Committee exercises its judgement in deciding the areas of accounting that are significant to the Group's accounts. The external auditor reports detailed results of their procedures in relation to these significant areas to the Committee.

Areas of significant financial judgement

Inventory obsolescence provisioning
Validity of the actuarial assumptions
Management override of controls (presumed risk)

- Area of significant financial judgement in 2019 and 2018
- Presumed risk for the audit under ISA 240

The matters shown below have been discussed with the Deputy Chief Executive & Chief Financial Officer, Group Finance Director and the external auditor, and the Committee is satisfied that each of the matters have been fully and adequately addressed by the Executive Committee, appropriately tested and reviewed by the external auditor, and the disclosures made in the Annual Report and Accounts are appropriate.

Inventory obsolescence provisioning

The Group's in-stock model (further information about which may be found on page 6) and the scale of our product range necessitates tight management of inventory to ensure local availability of stock while at the same time minimising obsolescence and wastage.

The Committee reviewed the results of stock counts and the processes used to value each category of inventory, including the assumptions behind obsolescence provisions, with management.

The external auditor provided reports to the Committee which considered the appropriateness of provisions held against the carrying value of inventory, while also having regard to the age of discontinued lines and volumes of continuing lines relative to the expected usage and the levels of historical write-offs.

Validity of the actuarial assumptions

During 2019, the Group moved to a policy of updating CMI tables, a key element of the mortality assumptions, annually. The previous approach had been to update these every three years following completion of the triennial valuation. Given the more modest life expectancy improvement rate forecast in the 2018 CMI table and a deterioration of the discount rate, the pension deficit increased from £36m at the end of 2018 to £56.6m at this balance sheet date. The Committee remains aware that the valuation of assets and liabilities remain sensitive to changes in the actuarial assumptions, particularly the discount, inflation and mortality rates applied.

The Committee carefully considered:

- whether the actuarial assumptions, and in particular the discount, inflation and mortality assumptions, applied were appropriate; and
- the views of the external auditors.

The Committee also met with the Group's external actuaries during the year and considered their recommendations.

Distributable Reserves

The Committee requested that management analyse the revenue and other reserves of the parent company to ascertain the full extent to which these may be distributable. This information is now included on page 170.



GOVERNANCE

Governance Updates

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

Committee Effectiveness

An effectiveness review was carried out on the Committee as part of the Board's triennial externally-facilitated evaluation process (further details about the process may be found on pages 90 and 91 of the Nominations Committee Report).

The evaluation of the Audit Committee focused on the following areas:

- Chairship
- Meetings and meeting agendas
- Evolution of responsibilities
- External audit
- Internal audit
- The internal Finance team

Feedback from the review was that the Audit Committee has evolved in a positive way in response to increased responsibilities and regulations and also to the increased size of the business. The feedback also showed that the Committee is 'thorough and tenacious in its approach' and that the addition in 2019 of two further scheduled meetings a year allowed for more challenge and consideration of subjects in more detail.

Policies and Conflicts

The Committee reviewed its policies in relation to allocation of non-audit work (further detail on this policy may be found on page 118) and employment of ex-audit firm personnel. It also reviewed the Directors' conflicts of interest register. Further information about conflicts of interest may be found on page 119.

CMA Order Compliance

The Audit Committee confirms that the Company has complied with the provisions of the Competition and Markets Authority Order 2014 throughout its financial year ended 28 December 2019 and up to the date of this report.

Case Study

IFRS 16

As we have been reporting in our Annual Report and Accounts since 2015, Howdens will report under IFRS 16 for first time in our financial year to December 2020.

IFRS 16 will bring all leases onto the Group balance sheet as right to use assets and associated financial liabilities, increasing both by a material amount. At the end of December 2018, Howdens had leases with committed repayments of c.£0.5bn. In recognition of the fact that IFRS 16 would bring this amount onto the balance sheet, albeit discounted to reflect the time value of money, the Committee agreed an implementation plan, progress against which was reported at each meeting during 2019.

A project team formed in 2017, made up of representatives from the Group divisional accounting teams and Information Services, has been working towards the implementation plan. The project team confirmed early in the process that an IT solution was required and a tender process was carried out. System penetration and interface testing was carried out on the selected solution. The uploading of templates to the system then commenced.

In April 2019, the Committee considered the basis of adoption and in July approved the modified retrospective basis, having also considered alternative permitted bases. The Committee concluded that the adopted method combined the simplicity of not needing to derive a large number of discount rates with most of the P&L benefits of a fully retrospective adoption.

In September 2019, the Committee discussed and approved the incremental borrowing rate methodology, one of the main judgemental inputs into the IFRS 16 calculation. The incremental borrowing rate being the discount rate used to give the present value of leases on the balance sheet. The key features of the methodology were considered prior to adoption.

In November, the Committee considered the draft disclosure for 2019, the final version of which can be found in Note 2 on pages 128 and 129.

The external auditor was engaged with the process throughout the implementation plan and provided input on the basis of adoption and the incremental borrowing rate methodology.

Audit Committee Report continued

Committee Membership

The Committee is composed entirely of independent Non-Executive Directors. Independence is critical for fair assessment of the management team and the external and internal audit functions.

Committee Chair

Andrew Cripps was appointed Audit Committee Chair in May 2016. He is responsible for determining the Committee’s agenda and for maintaining the key relationships between the Group’s senior management, Head of Internal Audit and Risk, the Company Secretary and senior representatives of the external auditor.

Andrew is also responsible for ensuring that key audit issues are reported to the Board in an effective and timely manner and that they are reported to shareholders in the Annual Report.

From 2020, he will also present a summary of the work of the Audit Committee to shareholders at the Annual General Meeting.

Recent and relevant financial experience

Andrew Cripps qualified as a Chartered Accountant with KPMG and has held executive director roles in the UK and Europe with Rothmans International, where he was Corporate Finance Director. More recently, Andrew has been Audit Committee Chair of a number of public companies.

Competence relevant to the sector

The unique business model of Howdens means it does not naturally fit into one sector and therefore when the Committee undertook an assessment of its skills and experience it assessed them against a number of sectors relevant to the Company. These included building and construction, multi-site wholesale, manufacturing and logistics, and service to customers.

The Committee concluded that competence relevant to these sectors was well represented within the current membership and that the thorough inductions provided to the Committee members and the opportunities for them to meet with senior management and Executives further enhanced their working knowledge of the way the Company operates and the sectors it spans.

EXTERNAL AUDITOR

External auditor	Deloitte LLP ('Deloitte')
External auditor tenure	18 years
Lead audit partner	Claire Faulkner
Lead audit partner tenure	3 years (of a 5 year cycle)
Latest that a new external auditor will be engaged*	2022
Total fees paid to auditor in the year	£0.7m (Non-audit fees accounted for £0.1m of the total fee)

* The information above is correct as at 28 December 2019.

External Audit Tender

As previously reported, the Audit Committee will engage a new external auditor no later than 2022 (following the conclusion of the current five-year lead audit partner cycle). The Committee will keep the need to re-tender the external audit under review until this time.

In coming to this decision, the Audit Committee considered the transitional arrangements published by the Department of Business, Energy & Industrial Strategy in 2015, which provide that the Company cannot renew Deloitte’s appointment as external auditor beyond June 2023, given it has been the external auditor for over eleven years but less than twenty years.

The Committee also considered the UK Corporate Governance Code and the FRC’s Guidance on Audit Committees, which provides that the external audit should be re-tendered at least every ten years and that this process should fit in with the lead audit partner five-year rotation.

Deloitte has expressed their willingness to continue in office as auditor and the Committee has unanimously recommended to the Board that a proposal to reappoint them as the auditor and to authorise the Directors to fix their remuneration is put to the shareholders at the Annual General Meeting on 7 May 2020 (details of the AGM may be found on page 176).

External Auditor Independence

Auditor independence is an essential part of the audit framework and the assurance it provides. The Committee therefore undertook a comprehensive review of auditor independence during 2019, which included:

- A review of the independence of the external auditor and the arrangements which they have in place to identify, report and manage conflicts of interest.

- A review of the changes in key external audit staff for the current year and the arrangements for the day-to-day management of the audit relationship.
- Consideration of the overall extent of non-audit services provided by the external auditor, in addition to case-by-case approval of the provision of non-audit services as appropriate.
- Deliberation of the likelihood of a withdrawal of the auditor from the market and note taken of the fact that there are no contractual obligations to restrict the choice of external auditor.

At the year-end, the external auditor formally confirmed that they had complied with the requirements of the FRC Ethical Standard as well as internal requirements and their independence and objectivity had been maintained. The Audit Committee also has a policy in relation to the employment of former members of the external audit team.

External Auditor Effectiveness

To assess the effectiveness of the external auditor, the Committee reviewed:

- The proposed plan of work presented by the external auditor, including audit risks, materiality, terms of engagement and fees prior to commencement of the 2019 audit.
- The external auditor’s fulfilment of the agreed audit plan and any variations from the plan.
- Perceptions and professional scepticism of the external auditor and audit process from key management personnel in the finance function.
- Robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements.
- Internal control and risk content of the external auditor’s report.
- Independence of thought and potential for conflict.

The only non-audit services provided by Deloitte in the year was their review of the half-yearly financial report. No advisory work was requested from the auditor this year or last.

External Auditor Fees

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

Details of the total fees, including non-audit fees, paid during the year to Deloitte may be found on the opposite page and in Note 6 to the consolidated financial statements (page 136).

Performance Expectations for the External Auditor

Specific auditor responsibilities

- Discuss audit approach and areas of focus in advance.
- Report issues at all levels within the Company in a timely fashion.
- Ensure clarity of roles and responsibilities between local Deloitte and Howdens’ Finance teams.
- Respond to any issues raised by management on a timely basis.
- Meet agreed deadlines.
- Provide continuity and succession planning of key staff members of Deloitte.
- Provide sufficient time for management to consider draft auditor’s reports and respond to requests and queries.
- Ensure consistent communication between local and central audit teams.

Wider responsibilities

- Provide timely up-to-date knowledge of technical and governance issues.
- Serve as an industry resource, communicating best practice trends in reporting.
- Adhere to all independence policies.
- Deliver a focused and consistent audit approach for the Group that reflects local risks and materiality.
- Liaise with the Howdens Internal Audit and Risk team to avoid duplication of work.
- Provide consistency in advice at all levels.
- Ultimately, provide a high quality service to the Board, be scrupulous in their scrutiny of the Group and act with utmost integrity.

Independence

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

The Committee noted that the only non-audit services provided by Deloitte in the year was their review of the half-yearly financial report. No advisory work was requested from the auditor this year or last.



Audit Committee Report continued

Policy for Non-Audit Services Provided by the External Auditor

- The main aims of this policy are to:
- Ensure the independence of the auditor in performing the statutory audit; and
 - Avoid any conflict of interest by clearly detailing the types of work that the auditor can and cannot undertake.

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

The policy, in line with regulation, substantially limits the non-audit services which can be provided by the external auditor. The policy provides:

- A 70% cap of the value of the audit fee for all non-audit services calculated on a rolling three-year basis.
- Categories of service that are prohibited from being carried out by the auditor.

The policy specifies a de minimus limit as well as the type of non-audit work that the auditor may be engaged in without the matter first being referred to the Audit Committee, which considers each referral on a case-by-case basis.

The policy ensures that the auditor does not audit its own work or make management decisions for the Company or any of its subsidiaries. The policy also clarifies responsibilities for the agreement of fees payable for non-audit work.

CONTROLS AND INTERNAL AUDIT

Internal Control Framework

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

- The Board reviews Group strategy, and the Executive Committee are accountable for performance within the agreed strategy.
- The Group and its subsidiaries operate control procedures designed to ensure complete and accurate accounting of financial transactions and to limit exposure to loss of assets or fraud.
- The Audit Committee meets regularly and its responsibilities are set out in the Audit Committee Terms of Reference (which may be found on the Company's website at www.howdenjoinerygroupplc.com/governance/corporate-governance-report/terms-of-reference-of-the-audit-committee). It receives reports from the Internal Audit function on the results of work carried out under an annually agreed audit programme. Operational and compliance controls are considered when the Committee reviews the annual Internal Audit programme. The Audit Committee has full and unfettered access to the internal and external auditors.
- Operating entities provide certified statements of compliance with specified key financial controls. These controls are then cyclically tested by Internal Audit to ensure they remain effective, and are being consistently applied.
- The Audit Committee annually assesses the effectiveness of the assurance provided by the internal and external auditors. Every five years an external assessment is also undertaken with regard to the assurance provided by the Internal Audit department. An external assessment was undertaken by Grant Thornton in 2017.

Internal Audit

During the year, the Committee reviewed:

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

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



Fraud Risk

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

Divisional Controls

Senior management from the business were invited to discuss the controls in their business areas. The Director of Commercial Finance and Head of Compliance of the Trade division gave presentations on the control environments in their area. An update on the IT control environment was also presented by the Chief Information Officer. Updates on cyber and information security were also provided by the Head of Information Systems Security.

Independent Assurance

The Committee assessed the coverage of independent assurance by reviewing the annual internal audit plan against the Group assurance map. In addition, the Committee reviewed reports on preparedness to manage crises, business continuity and product recall. It also received reports on the scope of preparations for the UK's exit from the EU.

Whistleblowing

Complaints on accounting, risk issues, internal controls, auditing issues and related matters are reported to the Audit Committee as appropriate. Oversight of the Company's whistleblowing policy is a matter considered by the Board. The Board receives biannual updates on whistleblowing statistics and trends (see pages 77 and 80).

Conflicts of Interest

The Companies Act 2006 places a duty upon Directors to ensure that they do not, without the Company's prior consent, place themselves in a position where there is a conflict, or possible conflict, between the duties they owe the Company and either their personal interests or other duties they owe to a third party.

If any Director becomes aware that they, or any party connected to them, have an interest in an existing or proposed transaction with the Company, they must notify the Board as soon as practicable. The Board has the authority to authorise a conflict if it is determined that to do so would be in the best interests of the Company. The Audit Committee reviews the output of this process annually to ensure it is appropriately monitored.

By order of the Board

Andrew Cripps
Audit Committee Chair

26 February 2020

Case Study

Intangible Assets

Intangible assets considered for capitalisation in the Group balance sheet principally comprise the directly attributable costs of developing computer software and ongoing costs of software licences. In view of the significant increase in expenditure on the Group's digital framework, the Committee reviewed:

- how software costs are accounted for
- the controls applied
- the disclosures made

The Committee noted that judgement is carefully applied as to whether expenditure produces demonstrable future economic benefit which justifies recognition as an asset in the Group's balance sheet, subject to annual amortisation. All other software costs are expensed as incurred. As a result of this review, the Committee were satisfied with the accounting policies for intangible assets and their application, including disclosure in the Annual Accounts. Further details of intangible assets are set out in Notes 2 and 12 to the consolidated financial statements.

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 28 December 2019. Comparative figures relate to the 52 weeks ended 29 December 2018.

In order to make our Annual Report and Accounts more accessible a number of the sections traditionally found in this report can now be found in other sections of this Annual Report and Accounts where it was deemed that the information would be presented in a more connected and accessible way. The Directors' Report comprises the sections detailed below, including the statement on political donations and research and development ('R&D'). Any sections that have been moved have been cross-referenced below for ease of reference:

LOCATED IN THE SUSTAINABILITY REPORT:

Greenhouse Gas Emissions: Details of the Group's greenhouse gas emissions, as required by Sch. 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, are set out on page 59.

LOCATED IN THE GOVERNANCE SECTION:

Corporate governance code: Information on how the Company applied the Principles and complied with the Provisions of the 2018 UK Corporate Governance Code may be found on pages 79 to 83. A copy of the 2018 UK Corporate Governance Code can be accessed via www.frc.org.uk.

Internal control and risk management arrangements: Internal control arrangements information may be found in the Audit Committee Report on page 118. Risk management arrangements information may be found on pages 70 and 83 and in the Principal risks and uncertainties section beginning on page 40.

Diversity policies: The Board and Group Diversity Policies are available on page 87 of the Nominations Committee Report.

Stakeholder engagement: Details regarding the engagement with suppliers, customers, and others in business relationships with the Company, as required by Sch. 7 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), may be found on pages 76 to 78.

Employees: Information about the total number of employees and gender diversity statistics are located on page 87. The average number of employees and their remuneration are shown in Note 7 on page 136. The methods of engaging with the workforce may be found on pages 76 and 77. All eligible UK employees have been invited to participate in a free share award under the Company's Share Incentive Plan ('SIP') each year since 2015. Further details of the SIP may be found in Note 24.

LOCATED IN THE STRATEGIC REPORT:

Principal Group activities, business review and results: The principal activities of Howden Joinery Group Plc and its subsidiaries can be found on pages 2 to 63.

Dividend: Information about the final dividend can be found in the Chairman's Statement on page 11 and the Financial Review on page 35.

Directors' statement of disclosure of information to the auditor: This statement may be found on page 63.

LOCATED IN THE ADDITIONAL INFORMATION SECTION:

Annual General Meeting ('AGM'): Information about the AGM can be found on page 176. The recommendation to reappoint the Group's auditor, can be found on page 113.

Share capital, substantial shareholdings and acquisition of the Company's own shares: Information in this regard can be found on page 176.

Indemnity and Insurance: Details of Directors' Indemnity and Insurance is located on page 177.

Significant agreements: Details of any agreements that take effect, alter or terminate upon a change of control may be found page 177.

POLITICAL DONATIONS AND R&D

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

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

By order of the Board

Forbes McNaughton
Company Secretary

26 February 2020

NON-FINANCIAL REPORTING:

Non-financial measures are an important part of our business and we have recognised the importance of non-financial information in our Annual Reports for many years. The Board are committed to acting responsibly and working with our stakeholders to manage the social and ethical impact of our activities. We aim to treat all our stakeholders fairly and with integrity, as we explain in the introduction to our Sustainability Report on page 51.

We have a number of Group policies to provide guidance to our employees. The policies are designed to be easily understood and they generally include examples of acceptable and unacceptable behaviours.

In order to consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006 in respect of Non-Financial Reporting, the table below shows where in this Annual Report to find each of the disclosure requirements.

Focus area	Policies and statements	More information and outcomes
Environmental matters	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	<ul style="list-style-type: none">Greenhouse gas and emissions reporting (page 59).KPI on production, reuse, recovery and recycling of warehouse waste and our target of 100% packaging used in manufacturing being made from recycled or certified sources (page 58).KPI on use of certified timber in our manufacturing processes (page 56).Discussions of our efforts to reduce waste and our responsible, energy-efficient operations (page 58).
Social matters	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	<ul style="list-style-type: none">Our impact on our stakeholders (starting on page 52) and engagement with stakeholders (starting on page 76).Our work with local and national charities (pages 60 and 61).
Respect for human rights	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	<ul style="list-style-type: none">Discussion of Supplier Code of Conduct (page 56).Discussion of sustainable sourcing, active monitoring of suppliers and training of our procurement staff (page 56 and 57).Modern Slavery Statement (see Group website).Internationally recognised labour standards form part of our contracts of employment.
Anti-bribery and corruption	Anti-Bribery and Corruption, Conflicts of interest, Corporate gifts and hospitality, Anti-money laundering, Anti-tax evasion and Competition law policies.	<ul style="list-style-type: none">During 2019, the Board considered and approved updated versions of the following Group policies: anti-bribery and corruption, anti-money laundering, anti-tax evasion, competition law policy, market abuse compliance and the modern slavery statement and whistleblowing. We have a rolling programme of refresher training on Modern Slavery and Anti-Bribery for our compliance team and buyers.
Employees	Health & Safety Statement of Intent (see Group website), Market abuse compliance, Data Protection and Privacy, Whistleblowing.	<ul style="list-style-type: none">KPI on Health & Safety (page 54).Discussion of Health & Safety performance and initiatives (page 54).Discussion of employee rewards and benefits, development opportunities (page 55).Apprentice schemes (page 55).Diversity policies and statistics (page 87).Director's remuneration policy (see Group website for the full policy or page 96 for a summary of the policy).

We outline our business model on pages 18 and 19. All of our non-financial KPIs are presented together on pages 33 and 34. A discussion of our principal and emerging risks, including those related to our business relationships, products and services, as well as a description of our risk management process, starts at page 40.