

# 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

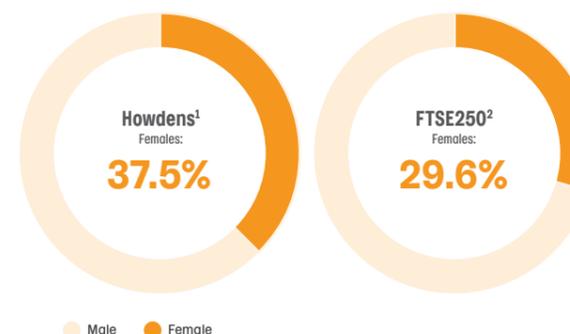


## Nominations Committee Meeting Attendance

Richard Pennycook (5/5)	Geoff Drabble (5/5)
Mark Allen (3/5) <sup>1</sup>	Tiffany Hall (4/4) <sup>3</sup>
Karen Caddick (4/4) <sup>2</sup>	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



### Key activities in the year ahead

- All current Directors will stand for election (if appointed since the last AGM) or re-election at the AGM on 7 May 2020.
- Regular Group HR Director succession updates to be provided to the Committee.
- The Committee to undertake its review of skills, composition and size of the Board.
- Executive Committee succession planning and talent management updates to be provided to the Committee.

# 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
<b>Industry/Sector</b>			
Business-to-business	H	6	0
Manufacturing	H	4	2
Logistics, distribution and supply chain management	H	4	2
Consumer goods	H	5	0
<b>Geographic exposure</b>			
UK	H	6	0
France	M	4	2
<b>Governance</b>			
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
<b>Technical</b>			
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
<b>Howden Specific Considerations</b>			
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.

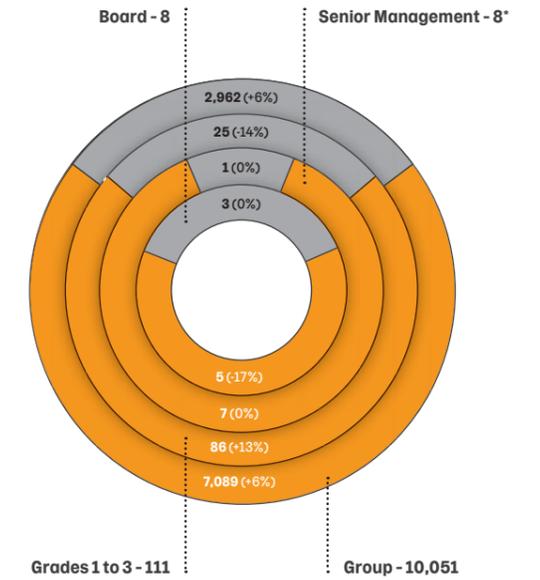
#### Group Gender Diversity Statistics

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.

#### Group Gender Diversity as at 28 December 2019

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

Male Female



\* Excluding Executive Directors and including the Company Secretary.

#### 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 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.

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# Nominations Committee Report continued

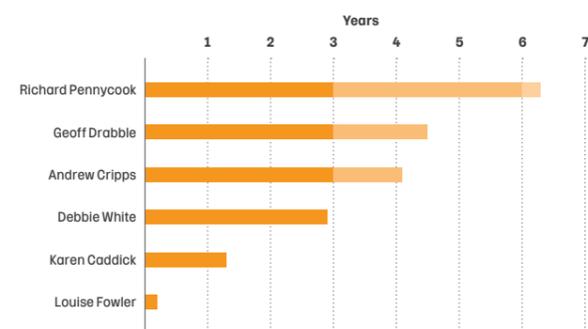
## Succession

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



Director	Tenure (Years)
Richard Pennycook	6
Geoff Drabble	4
Andrew Cripps	4
Debbie White	3
Karen Caddick	1
Louise Fowler	0

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.

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.

### 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 Associates<sup>1</sup> ('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.

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### Senior Management Succession

The Committee received regular updates regarding senior management<sup>2</sup> succession planning (see Nominations Committee Activity on pages 84 and 85). These updates included the following:

#### Commercial Director appointment

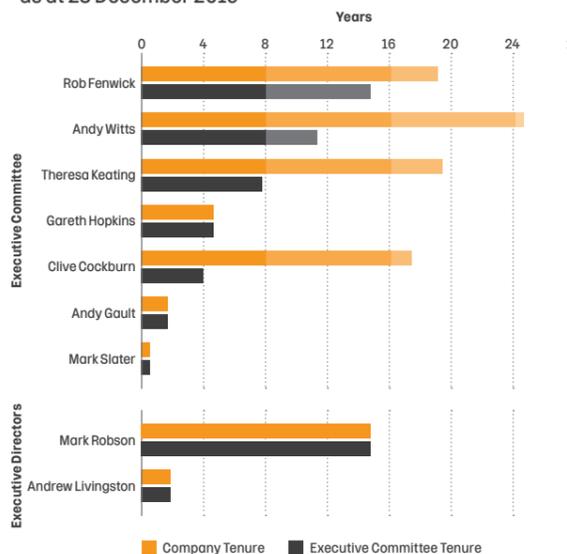
Mark Slater was appointed as Commercial Director in June 2019. The Board had been fully briefed on the plans to launch a commercial function in the business and, as part of these plans, understood and were supportive of the need for a Group Commercial Director.

#### 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



Director	Company Tenure (Years)	Executive Committee Tenure (Years)
Rob Fenwick	18	15
Andy Witts	24	12
Theresa Keating	18	8
Gareth Hopkins	4	4
Clive Cockburn	18	4
Andy Gault	2	2
Mark Slater	1	1
Mark Robson	18	15
Andrew Livingston	2	2

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.



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Strategic report

Governance

Financial statements

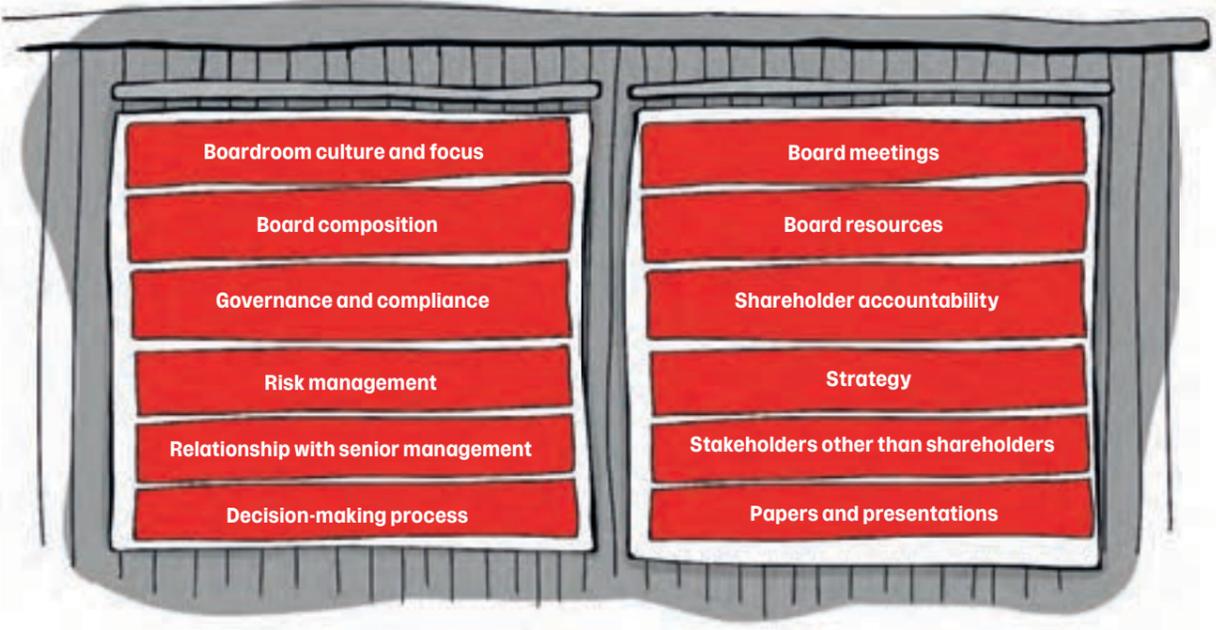
Additional information

# 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