

# Corporate governance report



**Richard Pennycook** Chairman



## Introduction from the Chairman

### COVID-19

COVID-19 has impacted all of our lives in ways we could not have imagined a year ago. In 2020 even the best-laid plans had to be put on hold whilst the Board focused its energy on ensuring that operations could continue in a COVID-secure way and that the long-term future of the business was protected.

The strength of our employee, supplier and customer relationships was essential and enabled us to keep depots open and stocked. Similarly, the partnerships we have built with other stakeholders were never more important than when the Board moved to temporarily protect our cash position by suspending shareholder returns and deferring pension deficit repayments. It was through responsive management and the strength of our stakeholder relationships (underpinned by good governance practices and the principle that Howdens is worthwhile for all concerned) which has enabled Howdens to finish 2020 strongly and to go into 2021 with cautious optimism for the future.

As a result of the support Howdens received from its stakeholders, the Board were able to announce in November 2020 that the Company would repay all Government support received in the first half of the year under the Coronavirus Job Retention Scheme and other deferred payments (such as pension deficit repayments) before the end of the year. It also enabled the Board to pay business rates from which the Company was entitled to relief. The Board are acutely aware of Howdens' societal responsibilities and we felt it appropriate to take a leading role in adoption this position. It was pleasing to see other businesses take the same position shortly after. At the Preliminary Results in February 2021, the Board will announce that it will recommence shareholder returns by way of dividend. This includes a 'catch-up' special dividend in respect of shareholder payments suspended during 2020.

I would like to take this opportunity to thank all our stakeholders, both direct and indirect, for their support during 2020. We have set out in more detail on pages 80 to 81 how the Board responded to the COVID-19 crisis throughout the year.

## Board and Committees

It is sometimes easy to forget that there were other matters which required the Board's attention that were not related to COVID-19 during 2020. Many of these are set out in this report and in the supporting Committee reports. Our reporting of culture and purpose are considered in detail in the Strategic report and consideration of our broader ESG responsibilities are set out in the Sustainability report, which begins on page 48.

Consideration of Board effectiveness, succession and diversity matters are set out in the Nominations Committee report starting on page 94. This includes analysis of how the Board has managed Executive succession during 2020 and the onboarding of our new Chief Financial Officer, Paul Hayes. There is also an update on our equality, diversity and inclusion (EDI) initiatives.

Consideration of how our Executive pay aligns with strategy and Group performance is set out in the Remuneration Committee report starting on page 104. The Audit Committee report, which begins on page 126, details the procedural safeguards that have been put in place to protect shareholder interests.

## Governance

In last year's Corporate Governance Report, I wrote that the Board's primary focus was on having a clear purpose, a sound commercial strategy, fit-for-purpose leadership teams, and robust financial controls. These disciplines have served Howdens well during the challenges of 2020 and will continue to do so as we develop the business in a sustainable way for the benefit of all our stakeholders.

### 2021 Annual General Meeting (AGM)

Details of the 2021 AGM may be found in the 'Additional information' section on page 194.

### Share capital and significant agreements

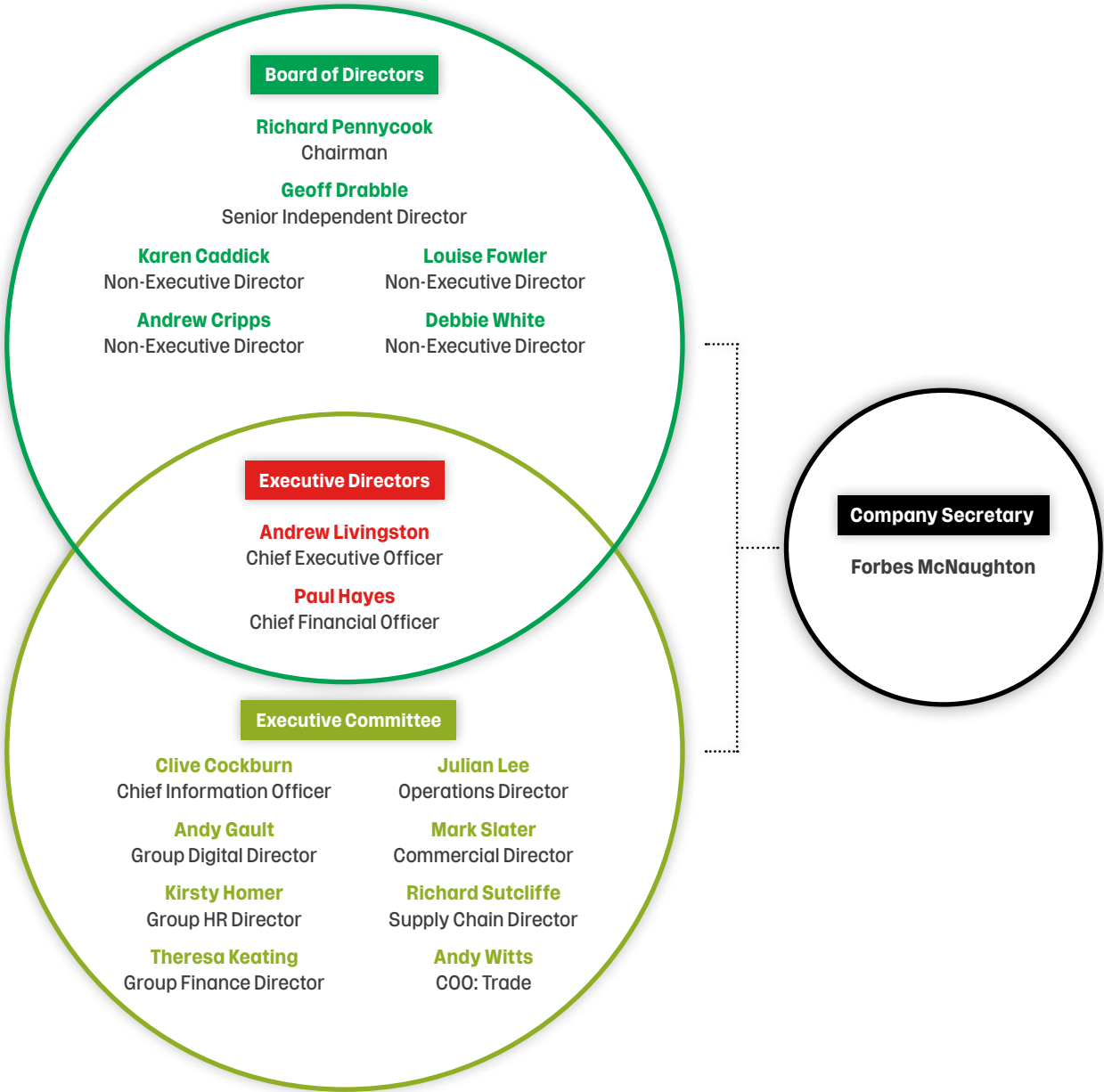
Specific statutory and regulatory disclosures previously contained in this report have been moved to the 'Additional information' section on pages 194 and 195.

## Board meeting attendance

Richard Pennycook (10/10)	Geoff Drabble (10/10)	Mark Robson (9/10) <sup>3</sup>
Karen Caddick (9/10) <sup>1</sup>	Louise Fowler (8/10) <sup>2</sup>	Debbie White (10/10)
Andrew Cripps (10/10)	Andrew Livingston (10/10)	

- 1 Karen was unable to attend the March Board meeting due to technical difficulties. Karen received all the Board papers in advance of the meeting and was able to feedback her views to the Chairman.
- 2 Louise was unable to attend the September Board meeting due to a pre-existing commitment entered into prior to joining the Company and a subsequent unscheduled meeting due to a family bereavement. Louise received all of the Board papers in advance of the meetings and was able to feedback her views to the Chairman.
- 3 Mark did not attend one of the October meetings as the meeting was called to discuss his succession.

## Board and Executive Committee structure



## Roles

Further information about the role of the Board, the Executive and Non-Executive Directors, external advisors and individuals may be found on our website: [www.howdenjoinerygroupplc.com/governance/division-of-responsibilities](http://www.howdenjoinerygroupplc.com/governance/division-of-responsibilities)

Corporate governance report continued

Board of Directors

Executive Directors



Andrew Livingston  
Chief Executive Officer

Andrew 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 an entrepreneurial mindset. This mindset fits the Howdens culture which has served the Company well and is fundamental to its success. He was previously the CEO of Screwfix.



Paul Hayes  
Chief Financial Officer

Paul was appointed to the Board as Chief Financial Officer on 27 December 2020.

Contribution to the long-term sustainable success of the Company

Paul is an experienced finance executive and has a proven track record in consumer and manufacturing businesses. From 2017 until its acquisition by Recipharm AB in February 2020, Paul was CFO of Consort Medical Plc, a leading drug and device manufacturing business. Before this, he was the Group Finance Director of Vitec Group plc from 2011 to 2017. Paul has extensive experience in senior finance roles at a number of UK and US listed companies including Signet Jewelers, RHM Plc and Smiths Group Plc. He is a chartered accountant having qualified with Ernst & Young and has a first class Masters degree in Mechanical Engineering, Manufacture & Management.

Non-Executive Directors



Richard Pennycook  
Independent  
Non-Executive Chairman

N

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 plc

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

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Geoff was appointed to the Board in July 2015 and became Senior Independent Director in September 2019 and Non-Executive Responsible for Workforce Engagement in 2019.

Other listed company appointments

Chairman of Ferguson Plc  
Chairman of DS Smith Plc<sup>1</sup>

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. Geoff is also Chairman of DS Smith Plc, the global provider of sustainable packaging solutions, paper products and recycling services.

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

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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 for her role as Chair of the Remuneration Committee and has made her a valuable addition to the Nominations Committee.



Andrew Cripps  
Independent  
Non-Executive Director

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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

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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 publicly listed and private businesses, the mutual sector and not-for-profit organisations. Louise's strong background in consumer experience and reputation is valuable to the Company as it strives to provide a strong aftersales service to further support the builder customer. Her digital experience will also provide valuable insight given the investment the Company continues to make in its digital programme.



Debbie White  
Independent  
Non-Executive Director

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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 Geoff's appointment as Non-Executive Director and Chairman Designate to DS Smith Plc prior to his appointment. The Board was satisfied that Geoff had the requisite time available to commit to his responsibilities in his roles as Senior Independent Director and Non-Executive responsible for workforce engagement. Further information is available on page 90.

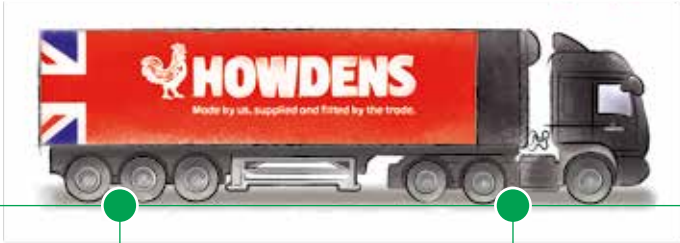


# Corporate governance report continued

## Key Board activity

### 2020

#### H1



**January**

- ESG review
- Health & Safety
- Pensions update<sup>1</sup>
- 2020 priorities and budget
- Workforce engagement
- Investor relations update
- External Board Evaluation feedback

**Executive Committee presenters:**

- Rob Fenwick (Chief Governance Officer)
- Theresa Keating (Group Finance Director)
- Gareth Hopkins (Interim Group HR Director)<sup>3</sup>

**February**

- COVID-19 contingency planning
- Draft 2019 preliminary results
- Draft 2019 Annual Report and Accounts and 2020 AGM documents
- Dividend and capital returns strategy
- Risk update
- NED fees
- Amended Articles of Association
- Principal Advisors

**Executive Committee presenters:**

- Gareth Hopkins (Interim Group HR Director)<sup>3</sup>

**March**

**(Out of cycle meeting held in response to the COVID-19 crisis)**

- Health & Safety
- Government guidance
- Cash flow scenario analysis
- Final dividend
- Crisis risk structure and analysis
- Safety stocks

#### H2

**July**

- ESG review (including EDI Committee and wellbeing update)
- Health & Safety
- Pensions update
- Broker update
- Draft interim results and announcement
- Principal Risks

**Executive Committee presenters:**

- Rob Fenwick (Chief Governance Officer)
- Theresa Keating (Group Finance Director)

**September**

- Update on strategic initiatives (including Digital, XDC, and manufacturing and logistics)
- Health & Safety
- Investor relations, including broker feedback following interim results
- Corporate governance update

**Executive Committee presenters:**

- Andy Gault (Group Digital Director)
- Julian Lee (Operations Director)
- Richard Sutcliffe (Supply Chain Director)
- Theresa Keating (Group Finance Director)

**October**

- CFO Succession

**Executive Committee presenters:**

- Theresa Keating (Group Finance Director)

Set out above and on the facing page are highlights of the matters the Board considered (or will consider - see 2021 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 strategic, operational and financial updates from the CEO and CFO. The Board also considered aspects of Group culture and strategy at various points during the year.

**Governance and risk**

The Board received governance, legal and regulatory updates at regular intervals from the Company Secretary and the Board's advisors.

Risk remains a matter reserved for the Board and a detailed review of our risk management processes and principal risks can be found on pages 38 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. In 2020 the Board reviewed and approved a Group Risk Charter. More information on the Group Risk Charter is set out on page 39.

**Shareholder engagement**

Information about how we interact with shareholders can be found in our section on Stakeholder Engagement on page 87.

### 2021

**January**

- 2021 Budget
- ESG update
- Pensions update
- Health & Safety
- Whistleblowing
- Investor Relations
- Group Policies and Statements

**February**

- Draft 2020 preliminary results, draft 2020 Annual Report and Accounts and 2021 AGM documents
- Risk Management
- Shareholder and capital returns
- Health and safety
- NED fees
- Board Evaluation feedback
- Principal advisor review

**April**

- Strategic opportunities and long-term planning
- Draft Interim Management Statement
- Health and safety
- Investor Relations

**May**

- AGM - further details on page 194

**June**

- Trading update
- AGM feedback

**July**

- ESG update
- Pension update
- HR update
- Health & Safety
- Digital Programme
- Draft 2021 Interim results
- Broker update
- Whistleblowing

**September**

- France and Belgium update
- Supply Chain update
- Employee engagement
- Health and safety
- Investor relations update
- Key risks
- Corporate governance (including presentation from the Group's corporate lawyers, Freshfields)

**November**

- Trading and commercial update
- Health & Safety
- Investor relations update
- Board Committees' Terms of Reference review
- Schedule of Matters Reserved for the Board review
- 2022 Board calendar

**April**

- Health & Safety
- Cash flow scenario analysis
- Pensions update
- AGM planning
- NED perspectives and external experiences of the COVID-19 crisis

**May - AGM**

Details of how the meeting was held in light of the COVID-19 pandemic may be found on page 87. All resolutions were passed, with the exception of the resolution for the final dividend which was withdrawn.

**June**

**(Out of cycle meeting held in response to the COVID-19 crisis)**

- Health & Safety
- Cash flow scenario analysis
- H2 trading
- Pensions - future provision
- AGM feedback

**November**

- ESG update
- Health & Safety
- P11 performance
- Pensions update<sup>2</sup>
- Shares and dividend forfeiture programme update
- 2021 Board calendar

**Executive Committee presenters:**

- Andy Witts (COO: Trade)
- Mark Slater (Commercial Director)
- Rob Fenwick (Chief Governance Officer)

**February 2021**

Board effectiveness evaluation

1 The Company's actuaries reported to the Board on routine funding and investment matters and the Chair of the Pension Trustees attended to provide an overview of the Trustees' funding and investment strategy and to seek approval from the Board of its long-term strategy proposal.

2 The Company's actuaries reported to the Board on routine funding and the valuation and the Chair of the Pension Trustees attended to provide an overview of the Trustees' funding and investment strategy.

3 Gareth retired from the Executive Committee in April 2020.

# Corporate governance report continued

## Executive Committee and Company Secretary

### Executive Directors

**Andrew Livingston**  
Chief Executive Officer

**Paul Hayes**  
Chief Financial Officer

*Andrew and Paul's profiles  
may be found on page 72*

### 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.



**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').



**Kirsty Homer**  
Group HR Director

Kirsty joined Howdens in September 2020 and was appointed to the Executive Committee in December 2020.

Kirsty is a highly experienced HR practitioner, who has previously served as Global People & Governance Director at Mothercare Plc and held senior HR roles at Waitrose and John Lewis before being appointed Personnel Director there in 2013.



**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.

### Executive Committee members



**Julian Lee**  
Operations Director

Julian joined Howdens in 2003 and was appointed to the Executive Committee in July 2020.

Julian joined Howdens as a leader of the Manufacturing Division and then moved to Asia in 2005 to head up the International Sourcing and Supply Chain. Since returning to the UK in 2009, he has made a major contribution to the development of our Supply Chain and Operations, taking full responsibility for these in early 2020. Julian's role encompasses Manufacturing and Distribution Operations at our sites in Howden and Runcorn as well as our new facilities in Raunds. Prior to joining Howdens, Julian worked in a number of Strategic and Operational roles within the Silentnight Group.



**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.



**Richard Sutcliffe**  
Supply Chain Director

Richard joined Howdens in June 2019 and was appointed to the Executive Committee in July 2020.

Prior to joining Howdens, Richard was Director of Supply Chain at Screwfix. Before this, he held senior supply chain and business planning roles at Hobbycraft, Wyevale Garden Centres and B&Q. He was appointed to help optimise stock holdings across the business and has improved stock availability both nationally and locally. Richard is also leading the XDC project, which will deliver superior service levels and availability to depots.



**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 Chartered Governance Institute (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.



#### Reputation

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



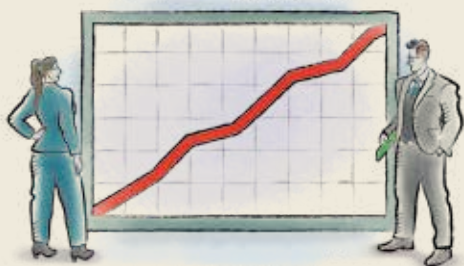
#### Long-term thinking

The likely consequences of any decision in the long term.



#### Investors

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



#### Suppliers

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



#### Workforce

The interests of the Company's employees.



#### ...Customers



Howdens is a company that strives to be worthwhile for all concerned. It's the principle that we were 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 2020 please see pages 74 and 75.

The Board regularly considers feedback from the Company's stakeholders. These are set out in detail on pages 82 to 87. The Board considers this engagement to be effective and in keeping with the Company's culture. For example, much of the feedback is conversational rather than formal but where there is need for confidentiality, such as whistleblowing, this is also provided. Stakeholder feedback can directly affect the Board's decision making (such as feedback received in relation to the Directors' remuneration policy) but it also provides the context for decision making, particularly where there are competing stakeholder interests.

As Directors, when we discharge our duty as set out in section 172 of the Companies Act 2006 ('Section 172'), we have regard to the other factors set out on the 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 section 172(1)(a)-(f) when discharging their Section 172 duty and the effect on certain decisions taken by them in 2020.

#### Restarting operations

Following the announcement of the UK Government's 'stay at home' measures on 23 March 2020, the decision was taken to close our UK operations, with the exception of essential activity at our distribution and manufacturing sites.

Essential activity at these sites was only carried out where two-metre social distancing could be maintained, and where operations involved the provision of products to NHS trusts and other 'at needs' organisations.

Following clarification from the Department for Business, Energy and Industrial Strategy that individuals without COVID-19 symptoms and individuals not capable of working from home should be at work if their employer complied with relevant health and safety guidance, the Board made the decision on 26 March to allow depot operations to restart voluntarily on a 'call and collect' basis and with social distancing measures in place.

In reaching its decision to restart depot operations, the Board had regard to a number of factors. The primary concern of the Board was the welfare of the workforce, their families, our customers and the communities within which the business operates. The Board was also mindful of the desirability to maintain the Company's reputation for doing the right thing and that whilst immediate crisis management was necessary, focus on the recovery and maintenance of stakeholder relationships in the long term was crucial.

#### Stakeholder returns

As reported elsewhere in this Annual Report, in November 2020 the Board announced that it would be repaying all financial support it had received in the first half of the year under the Government Coronavirus Job Retention Scheme and would pay all other deferred payments before the end of the year. This included the payment of business rates from which the Company was entitled to relief.

When coming to this decision, the Board was mindful of its obligations to all its stakeholders. As there was no obligation on the Company to repay the support it had legitimately received as a result of the COVID-19 crisis or to pay back deferred payments ahead of agreed schedules, it is arguable that these decisions were done to the detriment of shareholders who could, in principle, have received higher levels of returns had the Board not taken this decision.

However, the Board was also mindful of its statutory obligations to society as a whole and on that basis (and in the face of competing stakeholder demands) agreed to this course of action. The Board has been pleased with the feedback from shareholders that they support this decision and that other companies followed Howdens' lead in the repayment of business rates, which have contributed over £2bn to Treasury finances to date.

#### Investment in in-house manufacturing capabilities

During 2020, the Board approved an investment to increase in-house manufacturing capabilities. The rationale behind the investment was to build on the successful vertical integration strategy by increasing production of frontal and décor ends whilst continuing to benefit from external suppliers sourcing.

When considering the investment proposition, the Board considered the likely consequences of any decision making in the long-term. Specifically, the Board was mindful of the potentially negative impact on existing supplier relationships but that the benefits of the investment would also include:

- The creation of shareholder value through cost savings and improved stock turnover.
- Greater control of the supply chain, resilience and greater speed to market which would help protect customers from exposure to international supply chain interruptions.
- Employee benefits such as job creation.
- The associated environmental benefits, with an estimated 200 less tonnes of CO<sub>2</sub> due to fewer loads being transported internationally.

Taking all stakeholder interests into account, the Board approved the proposal as it would most likely promote the success of the Company for the benefit of its members as a whole.



# Corporate governance report continued

## Adapting for COVID-19

COVID-19 was very much an emerging risk when we signed off our 2019 Annual Report in February 2020. However, within a month, following Government guidance, the Board announced the closure of all depots, both in the UK and internationally, with the exception of operations involving the provision of products to NHS trusts and other 'at needs' organisations where two-metre social distancing could be maintained. It also announced the closure of its manufacturing operations, with the exception of essential activity where two-metre social distancing could be maintained.

Within a week, following updated Government guidance, the Board announced the phased re-opening of the depot network and supply operations where it was safe to do so to ensure we could provide support to our trade customers.

### The Board's response

To address the pace of change, the Board met more often and management increased its reporting frequency. The Board met (albeit virtually) each month between February and July to consider management's response to the crisis.

At the meeting at the end of March 2020, the Board met and based its agenda on its three priorities:

1. Keeping employees and customers safe.
2. Prudent cash management and preservation, and viability.
3. (Only once the first two had been established) Consideration of strategic opportunities for the future.

The Board also considered the business continuity management and governance framework put in place by the Executive Committee, which evidenced that:

- A clear command structure had been established with experienced leadership and management was appropriately supported by subject matter experts.
- A risk-based approach had been adopted to ensure priorities were focussed on key risk aspects. This activity was supported by the Group Risk team.
- Business continuity management processes had been engaged, led by the Chief Governance Officer, to co-ordinate business activities.



- 'Mission critical' activities were mapped for specific areas to ensure focus was placed on the most important aspects of the business.
- Daily Executive Committee meetings took place to review the latest COVID-19 developments and to provide prompt decision making.
- Stakeholder responsibilities, as per Section 172 of the Companies Act 2006, were clearly defined and well understood.

In subsequent Board and Committee meetings there was continued focus on health and safety matters and standard operating procedures across all operations. These discussions included mental health awareness. There was consideration by the Remuneration Committee of the approach to pay and benefits whilst employees were furloughed. Management continued to update its cash flow scenario planning to provide analysis of the Company's financial position, which was presented to the Board.

The Board also received updates on the provision of products supplied to NHS Trusts and other 'at needs' organisations such as hospices. Further details of Howdens community support are set out on page 62 of the Sustainability report.

### Shareholder returns

At the meeting in March, as part of the efforts to preserve cash, the Board agreed to withdraw their support for the resolution in the AGM notice to pay a final dividend, while they effectively suspended shareholder returns. The Board was careful to have regard to its responsibilities to its stakeholders under section 172 of the Companies Act 2006 when taking this decision, but were unanimous that it was in the interests of all stakeholders and the long-term interests of the Company to do so.

### Stakeholder engagement

Board level stakeholder engagement took many forms throughout the year. As the Non-Executive Director responsible for employee engagement, Geoff Drabble's normal programme of events was curtailed. However, engagement sessions were possible at the Howden site during September when reported COVID-19 cases were low and Government measures allowed. Geoff was able to conduct a socially distanced Q&A session with employees and spoke with many to hear their experiences first-hand.

During the year, there were frequent interactions between the Board and the Pensions Trustees. The information protocol in place between the Company and Trustees safeguards adequate information flows, but the strength of relationship enabled the full and frank discussions that were needed to help protect the Company's cash position. The Trustees and Company agreed a three-month suspension of deficit recovery payments during the year (which the Company has subsequently caught up on) and the Trustees and the Company's banking partners agreed covenant waivers when it was apparent that a technical breach of the earnings covenant was likely.

The Chairman and Executive Directors spoke regularly with shareholders during the year, both during and outside of the normal engagement cycle. Many shareholders were vocal in their support for the repayment of Government support prior to the recommencement of shareholder returns.

### Annual General Meeting (AGM)

In April 2020, the Board took the decision to change the venue and list of permitted attendees to the AGM. The meeting was held as a 'closed' meeting, with only the DCEO & CFO and Company Secretary, both shareholders in their own right, in attendance. The Board were

mindful that the AGM provides a forum for small shareholders to speak to the Board directly. As such, an online facility to submit questions was established prior to the AGM so that shareholders retained the ability to ask their questions. To keep an open dialogue with all shareholders, this facility was retained for the rest of the year.

### Returns

As reported elsewhere in this Annual Report, the Board announced in November 2020 that it would repay all the financial support it had received in the first half of the year through the Government's Coronavirus Job Retention Scheme and would pay all other deferred payments before the end of the year. This included the payment of business rates from which the Company was entitled to relief. In addition, the Board has also announced that it will recommence shareholder returns by way of dividend. This includes a 'catch-up' special dividend in respect of the 2019 final dividend, which the Board withdrew its support for prior to the 2020 AGM.

In addition to ensuring that all employees were fairly remunerated during the year and that all suppliers and landlords were paid on time and in full, the Board were mindful of Howdens' founding principle of worthwhile for all concerned and were resolute that no single stakeholder group should bear the brunt of the impact of COVID-19 on Howdens.

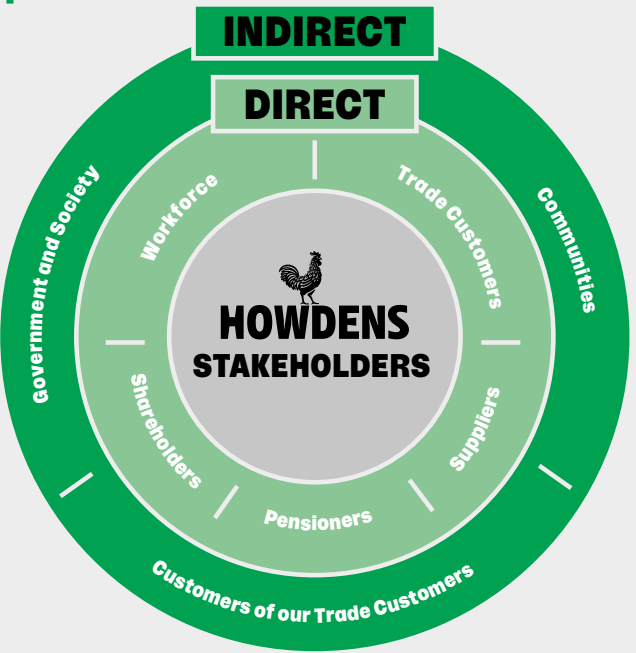
### Ongoing


Whilst the Board agenda has returned to a more normal pattern at the beginning of 2021, the Board continues to receive regular updates from management on COVID-19 governance and the frequently changing external environment. The safety of our employees and customers remains the priority of the Board and the Company and we are pleased that, when tested, the Howdens culture and business model both proved resilient.


# 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
<p><b>Workforce</b></p> <p>Engagement with our workforce includes the following:</p> <ul style="list-style-type: none"><li>• Employee surveys</li><li>• Senior leadership meetings</li><li>• Town hall-style meetings</li><li>• Regional Board meetings</li><li>• Meetings with the Trade Union and works councils</li></ul> 	<p><b>Non-Executive Director responsible for workforce engagement</b></p> <p>In 2019, the Board appointed Geoff Drabble as the Non-Executive Director responsible for workforce engagement. 2020 has been a challenging year for face-to-face employee engagement but, during the year, Geoff held an interactive session with blue and white collar workers at the Howden factory.</p> <p>Geoff also received briefings from management in relation to:</p> <ol style="list-style-type: none"><li>1. The consultation and employee involvement in establishing and maintaining COVID-secure working (return to work plans). This included the communication and engagement activities in this regard and Trade Union and works council involvement.</li><li>2. Furlough payment and communication.</li><li>3. How the business was supporting remote working.</li><li>4. Mental health and wellbeing support.</li><li>5. Protecting Clinically Extremely Vulnerable (CEV) employees.</li></ol>


Stakeholder and forms of engagement	Engagement detail and how it has influenced Board discussions and decision-making
<p><b>Workforce continued</b></p> 	<p><b>Engagement with Trade Union and works councils</b></p> <p>Howdens respects the collective bargaining of its employees and actively engages with the Trade Union and works councils on employee related matters. In 2020, there were a number of significant areas of engagement with these collective groups which included:</p> <ol style="list-style-type: none"><li>1. COVID-19-related return to work engagement.</li><li>2. Ballot for flexible working.</li><li>3. Engagement on defined benefit scheme closure.</li></ol> <p><b>Employee surveys</b></p> <p>Building on the success of the all-employee survey in 2019, a number of employee surveys were used in 2020. Targeted surveys relating to 'return to work' and 'remote working' were used to capture employee sentiment. The results were then used to inform management and Board decision making when addressing each of these matters.</p> <p><b>Senior Leadership Meetings ('SLMs')</b></p> <p>The Senior Leadership Team (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.</p> <p>Members of the SLT are 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.</p> <p><b>Whistleblowing helpline</b></p> <p>The Company uses a third-party operated, confidential whistleblowing helpline. The helpline is multilingual and available 24 hours a day. The Company Secretary provides the Board with a bi-annual report which details the number and nature of whistleblowing instances made during the period. Whilst no specific complaints were escalated for Board attention, the governance processes are in place should this be deemed necessary. The Board encouraged management to ensure that employee communications about the helpline were refreshed during the year and that there be a continuous communication programme put in place.</p>



# Corporate governance report continued

## Stakeholder engagement continued


Stakeholder and forms of engagement	Engagement detail and how it has influenced Board discussions and decision-making
<p><b>Trade customers</b></p> <p>Engagement with our trade customers includes the following:</p> <ul style="list-style-type: none"><li>• Local depots</li><li>• Builder forums</li><li>• Product research groups</li><li>• Customer surveys</li></ul> 	<p><b>Local depots</b></p> <p>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.</p> <p>During 2020, the Regional Board meetings were mostly held virtually and were held more regularly as the business navigated its way through the pandemic. From these meetings, managers were able to feedback directly to the CEO, COO of Trade and other senior executives of the local experiences. It was through these sessions that managers discussed the urgent need for product to supply the NHS Nightingale Hospitals and to self-employed account holders, who were also said to be extremely grateful for the service provided during the strictest lockdown periods (even where these were required to be limited), as they were able to finish their jobs (especially in vacant properties) and receive much-needed cash.</p> <p><b>Builder forums</b></p> <p>Ensuring all levels of our organisation understand the challenges of our trade customer is fundamental to ensuring our service proposition is worthwhile to them. We therefore hold regular direct feedback sessions with our trade customers in the form of Builder Forums. These forums normally see a small group of customers coming together in an informal setting to talk about their experience of our product and also how it compares with others in the market. The agendas for the forums are driven by the customers themselves so we can be sure we are hearing everything that is on their mind.</p> <p>In Q1 2020, prior to the COVID-19 lockdown measures being put in place by the Government in March, 20 forums were held with our trade customers. In response to feedback from the forums, we made a number of product and process improvements, including additional investment in key manufacturing components to enhance our cabinet specifications, improving the way we manufactured our 22mm worktops, and improving our storage pallets for worktops and bulk storage.</p> <p>In 2021, the business will once again host Builder Forums, but these will take place virtually while Government COVID-19 measures are in place.</p> <p><b>Cabinet research groups</b></p> <p>Each year, we host a cabinet research group which is made up of a number of our account holders, from small builders to landlords to developers. In these sessions, our teams begin by asking our customers about their businesses and what they are experiencing in the market. The session then focuses on our cabinets and discussions are held as to how the cabinets are performing in the field. These sessions are key to ensuring that our cabinets are the best in the trade market. In 2020, the group was split into three sessions to ensure COVID-19 measures could be adhered to.</p>

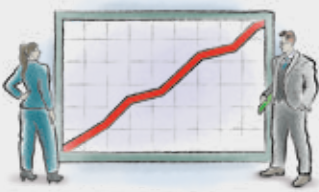
Stakeholder and forms of engagement	Engagement detail and how it has influenced Board discussions and decision-making
<p><b>Suppliers</b></p> <p>Engagement with our suppliers includes the following:</p> <ul style="list-style-type: none"><li>• Supplier conference</li><li>• Category team relationships</li></ul> 	<p><b>Supplier conferences</b></p> <p>Each year, our key suppliers are invited to join senior leadership at our annual Supplier Conference. This is an important date in our calendar as it's a time when the Company can communicate its priorities and any changes in the business to its suppliers, ensuring a consistent message is heard by all.</p> <p>During 2020, the business hosted two supplier engagement sessions. These were held virtually for the first time given COVID-19 restrictions.</p> <p>The first session, 'Leading the Way', received strong feedback on the key messages, which were to build back faster and fitter than the competition, investment in stock and new opportunities on promotional activity, and the introduction of new products.</p> <p>The second virtual supplier engagement session 'Leading the Way... into 2021' was held to maintain an ongoing conversation with our key partners to ensure the full range of opportunities could be taken advantage of into 2021. Each session was attended by over 100 senior executives from our key partners, who were given the opportunity to ask questions of our senior leadership.</p> <p>It was more important than ever throughout 2020 to engage with and support our supplier base, who experienced significant disruption to operations. Throughout the COVID-19 crisis all our orders placed prior to the crisis were honoured, and while many other companies cancelled orders, we placed additional orders to ensure we were able to keep supporting our customer, the builder. The Board and the Executive Committee understood the importance of ensuring our suppliers' order books were such that they could continue to operate and persevere beyond the pandemic and that ongoing engagement on forecasting was crucial for suppliers to be able to plan in our demand.</p> <p>In both supplier engagement sessions, our leadership was keen to thank our partners for their continued strong support and keenness to go above and beyond for the business during the pandemic. Without the enduring strong relationships with our supplier partners, the business would not have been in the position to maintain the in-stock promise to our customers.</p> <p><b>Category team relationships</b></p> <p>In 2019, a new commercial structure was established, 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.</p>



# Corporate governance report continued

## Stakeholder engagement continued

Stakeholder and forms of engagement	Engagement detail and how it has influenced Board discussions and decision-making
<p><b>Pensioners</b></p> <p>Engagement with our pensioners includes the following:</p> <ul style="list-style-type: none"><li>• Board engagement with the Trustee Board</li><li>• Annual newsletter</li><li>• Triennial valuations</li></ul> 	<p>At 26 December 2020, the Howden Joinery Defined Benefit Pension Plan (the 'Plan') had 10,600 members, of which 1,246 were active members, 5,354 were deferred members, and 4,000 were pensioners and dependants.</p> <p><b>Board engagement with the Trustee Board</b></p> <p>The Trustee Board, chaired by an independent trustee, is responsible for investment strategy and for the day-to-day running of 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.</p> <p>In 2020, the Company engaged with the Trustee Board on a number of matters outside of the normal engagement cycle of investment and funding strategy. In the first half of the year, the Company and Trustee Board entered into arrangements to defer deficit recovery payments in order to safeguard the Company's cash position at the outset of the COVID-19 crisis. Following this, the Company and Trustee Board entered tripartite arrangements in conjunction with the Company's banking partners to negate the effects of a technical breach of the earnings covenant.</p> <p>In the second half of the year, the Company and Trustee Board engaged closely on the Company's proposals to close the Plan to future accrual and the statutory consultation process which was undertaken. The Company and the Trustee Board will continue to work together closely on this matter to ensure a smooth transition of active employee members from the Plan to the Company's defined contribution pension scheme.</p> <p><b>Triennial valuations</b></p> <p>Ensuring that there is an appropriate balance between shareholder distributions and Plan deficit funding is a priority for the Board. The triennial actuarial review as at April 2020 is in progress and expected to complete in 2021.</p>

Stakeholder and forms of engagement	Engagement detail and how it has influenced Board discussions and decision-making
<p><b>Shareholders</b></p> <p>Engagement with our shareholders includes the following:</p> <ul style="list-style-type: none"><li>• Annual General Meeting</li><li>• Shareholder meetings and Roadshows</li><li>• Shareholder consultations</li><li>• Asset reunification</li></ul> 	<p><b>Annual General Meeting (AGM)</b></p> <p>In compliance with the Government's 'Stay at Home' measures (effective from 23 March 2020 and extended on 16 April 2020), whereby public gatherings of more than two people were prohibited, the 2020 AGM was held as a closed meeting with the minimum quorum required by the Articles of Association. The attendance of the DCEO &amp; CFO and Company Secretary (the quorum) at the meeting were considered essential for work purposes and therefore permitted under the measures. However, the Company was keen that its shareholders should be provided with the opportunity to submit any questions they may have of their Board of Directors and therefore a question facility was set up on the Company's corporate website and this remained open throughout the year following the conclusion of the AGM.</p> <p>Voting for the AGM was by way of a poll, which ensured that the votes of shareholders who were unable to attend the AGM, but who had appointed proxies, were taken into account in the final voting results. We believe this method gives a more accurate reflection of the views of all of our shareholders and therefore routinely use this method for each general meeting of the Company.</p> <p><b>Shareholder meetings and results roadshows</b></p> <p>Due to COVID-19, face-to-face meetings with investors were unable to take place during 2020. However, following both the preliminary results and interim results announcements, the Executive Directors had calls with investors owning around one-third of the Company. On these calls, investors showed particular interest in the initiatives that the business was pursuing, the strength of the balance sheet, and the cash needed to sustain the business throughout the COVID-19 pandemic.</p> <p>The Non-Executive Directors, in particular the Chairman and Audit and Remuneration Committee Chairs, are available for meetings with shareholders throughout the year. The Chairman met with shareholders during the year to discuss a number of corporate governance related matters including Board succession, diversity and distribution of capital.</p> <p><b>Shareholder consultation</b></p> <p>In January 2021, the Company wrote to its largest 10 shareholders and shareholder advisory groups regarding proposed changes to CEO base pay. Further details of the consultation may be found on page 105 of the Remuneration Committee report.</p> <p><b>Asset reunification</b></p> <p>The Company, in conjunction with its Registrar, commenced a proactive asset reunification programme in April 2020. The programme targeted holders of certificated ordinary shares who had 12 consecutively uncashed dividends and sought to re-unite them with their shares and unclaimed dividend payments.</p>

# Corporate governance report continued

## 2018 UK Corporate Governance Code: application and compliance

The Financial Reporting Council ('FRC') published its most recent iteration of the UK Corporate Governance Code (the 'Code') in 2018, which applies to accounting periods beginning on or after 1 January 2019. We are pleased to report that the Company applied all the Principles of the Code throughout the period and we have reported in summary below how we have done so. We are also pleased to report that 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 be in line with that available to the wider workforce. Our Deputy Chief Executive and Chief Financial Officer (who retired from the Board on 26 December 2020) received pension contributions which were not in line with the wider workforce during the reporting period. However, in 2021, our new Chief Financial Officer (who was appointed to the Board on 27 December 2020) will receive a pension contribution rate which is in line with the wider workforce. Our incumbent Chief Executive's pension contribution rate, while in line with Policy for existing Directors, is not yet in line with the wider workforce. This is because the reduction of fixed, contractual remuneration must be applied carefully and proportionally over time. Our Chief Executive is fully supportive of his rate tapering as set out on page 106 of the Remuneration Committee Report and the Board confirms that his contribution rate 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 2020, the Board led the Company's response to the unprecedented challenges which arose as a result of the COVID-19 pandemic. The Company's primary focus was on keeping our employees and customers safe from COVID-19 at all times. Once this had been established, action was taken to safeguard the Company's cash position to ensure that it remained viable in the face of extremely challenging external conditions.

In the latter part of the year, as pressures eased on cash, depots and manufacturing operations reopened and trading returned to a more normalised cycle (albeit in a COVID-secure way), the Board was able to focus on longer-term strategic initiatives and stakeholder experience. In line with Howdens' values-led approach, the Board decided to return Government support received during the year relating to the Coronavirus Job Retention Scheme and business rates relief. More information on our sustainable business model and strategy, and our contribution to wider society may be found in the Sustainability 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 is only by doing this that we can ensure long-term strategic success of the Company for our stakeholders. We discuss throughout the Governance section how our actions support the strategy. For example, we have set out the way our remuneration structure supports our strategic aims in the Remuneration Committee report on page 108.

**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 4. 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 also an important part of the Board's agenda and more information about the methods of engagement with the workforce may be found on pages 82 and 83.

Integrity and sympathy to the Howdens culture are paramount when the Board recruits new members to the Board. More information about our recruitment and inductions process can be found on pages 99 to 101.

**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 30 to 32.

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 38. Our Audit Committee report provides a summary of our internal control framework on page 132.

### 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 82 to 87. How the Board members discharged their 'section 172' statutory directors duties is described on pages 78 and 79.

**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 114.

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 2020 Board evaluation concluded that the Board worked well as a group and continued to adopt a collegiate approach. Further information about the outcomes and process of the 2020 Board evaluation may be found on pages 102 and 103 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.



# Corporate governance report continued

## 2018 UK Corporate Governance Code: application of Principles

### Section 2: Division of responsibilities continued

**G**

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

At least half of the Board was made up of Independent Non-Executive Directors (not including the Chairman) throughout the reporting period. The Non-Executive Directors which the Board considered to be independent are shown as such on pages 72 and 73. 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](http://www.howdenjoinerygroupplc.com/governance/division-of-responsibilities)) and the function of the Board Committees may be found in the respective committee terms of reference, also available on the Company’s website ([www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters](http://www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters)).

**H**

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

The number of Board meetings which were held during the reporting period and the attendance at each of these meetings may be found on page 71. Similarly, the number of each Board Committee’s meetings and attendance may be found on the following pages: page 95 (Nominations Committee), page 105 (Remuneration Committee), and page 127 (Audit Committee).

When reviewing the Nominations Committee’s recommendation to appoint a new Director, the Board will always assess whether the candidate is able to allocate enough time to the role. Similarly, when assessing the acceptability of an existing Director’s wish to take on external appointments, the Board will assess the additional demand on that Director’s time before authorising the appointment within its agreed existing protocol whereby any significant appointments taken on whilst a Director of the Company must be approved by the Board before they are entered into. This is set out in the Schedule of Matters Reserved for the Board which may be found on the Company’s website ([www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters](http://www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters)).

During the reporting period, Geoff Drabble’s appointment as Non-Executive Director and Chairman Designate of DS Smith Plc was authorised by the Board. Prior to Geoff’s appointment, the Board considered whether Geoff could allocate enough time to his role as Senior Independent Director and Non-Executive Responsible for Workforce Engagement of the Company in addition to a chair role of a FTSE 100 company. The Board was satisfied that, given Geoff no longer held any full time executive positions, he had the requisite time to fulfil the new role as well as his current role with the Company.

Members of the senior management team regularly presented to the Board on their respective areas of the business (please see pages 74 and 75 for a timeline of Board meetings and information regarding any Executive Committee attendees), which provided an opportunity for the Board to constructively challenge and to provide advice to our senior management team.

Information about the management of conflicts between the duties Directors owe the Company and either their personal interests or other duties they owe to a third party may be found on page 133.

**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/tor-and-schedule-of-matters](http://www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters)) the appointment and removal of the Company Secretary is a decision for the Board as a whole.

### Section 3: Composition, succession and evaluation

**J**

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

The Nominations Committee engages external search consultancies when searching for Board position candidates. Further information about the appointments process is available on page 99 of the Nominations Committee report and the Board’s diversity policy is available on page 98.

The Nominations Committee regularly reviews the tenure of each Board member and the skills matrix (please see pages 99 and 96 respectively for further details). This ensures the Board’s succession plan remains aligned with the natural rotation of Directors off the Board and the strategic objectives of the business.

The succession plans for the senior management team are regularly reviewed by the Nominations Committee (see the Nominations Committee timeline on pages 94 and 95).

**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 96.

The tenure of each Director may be found on page 99 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 over one year to just over 7 years, and the average tenure is just over four 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 2020 Board evaluation process and outcomes may be found on pages 102 and 103 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 72 and 73 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 2021 AGM Notice. The Board recommends that shareholders vote in favour of the re-election or election of all the Directors.

# Corporate governance report continued

## 2018 UK Corporate Governance Code: application of Principles

### Section 4: Audit, risk and internal control

**M**

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

The Board has established formal and transparent policies and procedures, which ensure the external auditor and internal audit function are independent and effective and are accountable to the Audit Committee. The Board also monitored the integrity of the annual and interim financial statements of the Company through the Audit Committee. Further information about the work of the Audit Committee, including the subjects above, may be found in the Audit Committee report which begins on page 126.

**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 67.

**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 (the 'Principal risks and uncertainties' section begins on page 38) 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 in the 'Principal risks and uncertainties' section (which begins on page 38). The Board confirms that it has conducted a robust assessment of the principal and emerging risks.



### Section 5: Remuneration

**P**

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

The way the Remuneration Committee has ensured our remuneration policies and practices are aligned with our culture, our strategy and risk management is discussed in the Remuneration Committee report, which starts on page 104.

**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](http://www.howdenjoinerygroupplc.com/governance/remuneration-policy)). The Remuneration Committee also has delegated responsibility for setting the Chair of the Board's remuneration and the remuneration of senior management (i.e. the members of the Executive Committee and the Company Secretary). No Director is able to determine their own remuneration outcome.

The Remuneration Committee reviews workforce remuneration and related policies when setting Executive Director remuneration. Ensuring these factors are always considered means our remuneration policies are clear and as predictable as possible. Further information may be found in the Remuneration Committee report on page 114.

**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 107 of the Remuneration Committee report.

By order of the Board

**Richard Pennycook**  
Chairman

24 February 2021