

Nominations Committee report



Richard Pennycook Nominations Committee Chairman



Introduction from the Committee Chairman

Whilst the impact of COVID-19 on the Nominations Committee was less immediately felt, the Committee has nonetheless had a busy year. Focusing on its core responsibilities of succession (both at Board and senior management level), composition and evaluation, the Committee made recommendations to the Board on two external appointments, that of the Group HR Director and the Executive Director role of Chief Financial Officer. In addition, two internal promotions to the Executive Committee were approved demonstrating a healthy balance of internal and external candidates for succession into senior management roles.

During the year the Nominations Committee has also overseen the progress made by the Equality, Diversity and Inclusion (EDI) Group and undertaken a remote annual Board evaluation for the first time.

Succession

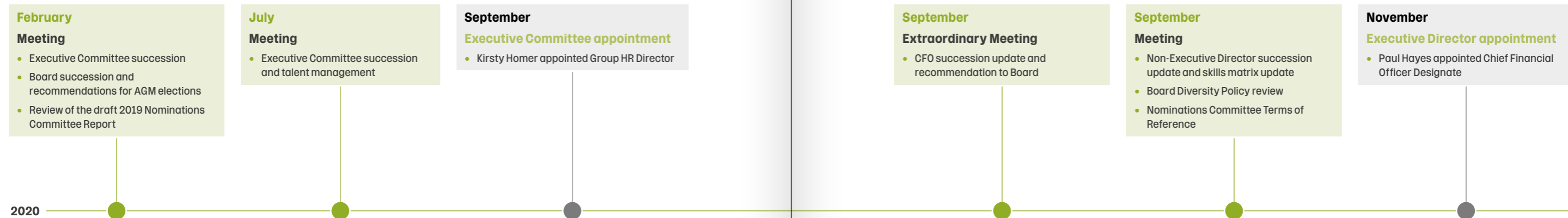
We were pleased to welcome Paul Hayes as Chief Financial Officer in December 2020. Paul brings a significant amount of listed company experience given his time in senior finance roles at a number of UK and US listed companies. His manufacturing experience will also be a benefit to Howdens' vertically integrated business. Paul's appointment followed a formal and rigorous procedure which is set out in more detail on page 99.

Mark Robson retired from the Board at the end of December 2020 having been appointed as Chief Financial Officer in April 2005. From April 2014, he was also Deputy Chief Executive. Mark played a pivotal role over many years in building Howdens into a strong and successful business. In recent years he helped ensure a smooth CEO transition following Matthew Ingle's retirement in 2018 and his careful management of the Company's finances was a key element of our ability to weather the storm of the COVID-19 pandemic. On behalf of the Board, I would like to thank Mark for his significant contribution to Howdens and to the Board.

As reported in last year's Nominations Committee Report, the Committee takes an active role in senior management succession and oversaw three appointments to the Executive Committee in addition to Paul's appointment as Chief Financial Officer. In July, Julian Lee and Richard Sutcliffe were promoted to the Executive Committee following a period of 'acting up' in role. Their respective roles as Operations Director and Supply Chain Director follow the restructuring of the business's commercial functions from a two division structure (Trade and Supply) to having a commercial team fully integrated with the key manufacturing and supply chain functions.

Having operated with an interim HR Director for a number of years, the business appointed Kirsty Homer as Group HR Director in September. Kirsty's appointment in the lead people role is an important step forward for the business and she brings with her extensive experience from roles at Mothercare Plc and the John Lewis Partnership.

2020 Nominations Committee activity

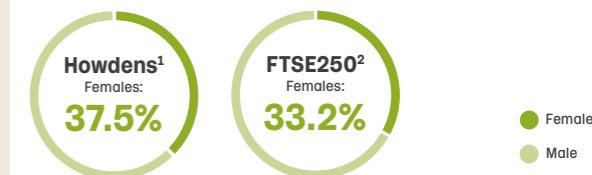


Nominations Committee meeting attendance

Richard Pennycook (4/4)	Geoff Drabble (4/4)
Karen Caddick (4/4)	Louise Fowler (2/3) ¹
Andrew Cripps (4/4)	Debbie White (4/4)

¹ Louise was appointed to the Nominations Committee after the February meeting following the completion of her induction programme. She was unable to attend the September meeting due to a pre-existing commitment entered into prior to joining the Company. Louise received all of the papers in advance of the meetings and was able to feedback her views to the Committee Chair.

Board gender split



¹ Figures correct as at 26 December 2020.
² Figures derived from 2021 Hampton-Alexander Review and correct as at 11 January 2021.

Composition

The importance of broadening diversity within leadership and senior management teams has continued to gather momentum. Whilst we remain pleased that half of the Non-Executive Directors on the Howdens Board are female, we are mindful that gender representation is not the only means by which a board achieves diversity. Similarly, we are aware of the need to improve gender, racial and other imbalances in our senior management team and throughout our organisation.

The work of the EDI Group, which is set out in more detail on page 97, has Debbie White as its Board sponsor and we are pleased with the progress made despite the difficulties of engaging with employees due to COVID-19. Awareness and engagement activities, which have been well received in 2020, will continue into 2021 as will the development of ways to raise confidence and capability on EDI topics in the business. Our ultimate goal is to identify a route map for the Howdens EDI journey as part of an integrated approach to ESG matters.

The Nominations Committee understands the importance of leading by example on EDI matters and in line with our Boardroom diversity policy will continue to seek diversity of mindset as well as of gender, race, and background when considering new appointments in the period to 2022.

Evaluation

Following the externally facilitated Board review in 2019, an internal Board evaluation process was undertaken in respect of the 2020 review. More information on the Board evaluation process and outcomes are set out on pages 102 and 103.

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 6 May 2021.
- 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.
- Preparatory work to commence on Chairman succession.

Nominations Committee report continued

Composition

Skills and experience matrix

The Nominations Committee used a skills matrix when assessing its Non-Executive Director succession plans. The matrix highlights where the skills and experience of our Non-Executive Directors are particularly strong, where there are opportunities to further grow the Board's collective knowledge, and to inform the Board's future composition as Non-Executive Directors naturally rotate off the Board.

Skills and Experience	Importance	Number of Non-Executive Directors	
		Direct experience	Indirect experience
Industry/Sector			
Business-to-business	H	6	0
Manufacturing	H	4	2
Logistics, distribution and supply chain management	H	4	2
Consumer goods	H	5	0
Geographic exposure			
UK	H	6	0
France	M	4	2
Governance			
UK listed companies	H	6	0
Company chair experience	M	4	1
Remuneration committee chair experience	M	3	0
Audit committee chair experience	M	3	0
Policy development	M	4	1
Senior independent director experience	M	2	0
Technical			
Accounting and Finance	H	4	2
Audit	H	4	1
Executive management	H	6	0
Risk management	H	5	1
HR/Remuneration	M	2	4
Ecommerce	M	2	4
Marketing	M	2	4
IT/Cyber security	M	1	3
Legal	M	2	2
Howden Specific Considerations			
Vertical integration	H	4	2
Multisite depot operation	H	4	2

Importance

M Medium H High

Diversity

Equality, Diversity and Inclusion (EDI) Group

We reported in the 2019 Nominations Committee report that the Howdens EDI Group had been established during as a sub-committee of the Executive Committee. The EDI Group was chaired by the Chief Governance Officer, Rob Fenwick, throughout 2020 and its members included employees from a range of roles, seniority, backgrounds, abilities, race and geographic location. Non-Executive Director Debbie White acted, and continues to act, as the Board's sponsor to the Group to ensure there is Board-level commitment of the EDI Group's objectives. The EDI Group also engaged Suzy Levy of The Red Plate to provide third party support.

To that end, members of the Executive Committee received EDI training during 2020 and the EDI Group has identified a roadmap for future years, based on the Mercer model, underpinned by the principle of being 'authentically Howdens'. The EDI Group also delivered an interactive online training pilot to over 150 employees from across the business with a number of Non-Executive Directors also attending these sessions. EDI training sessions will continue to be held in 2021.

In 2021, the Board will continue to receive regular updates from the EDI Group and Debbie White will continue in her role as Board sponsor to the EDI Group in 2021.

Following the foundational activities undertaken in 2019, the EDI Group has focused its efforts in three main areas:

1. To raise awareness and engage senior management on EDI and its importance to the business moving forwards.
2. Developing pathways to raise confidence and capability on EDI topics in the business.
3. To identify a route map for the Howdens EDI journey as part of an integrated approach to ESG matters.

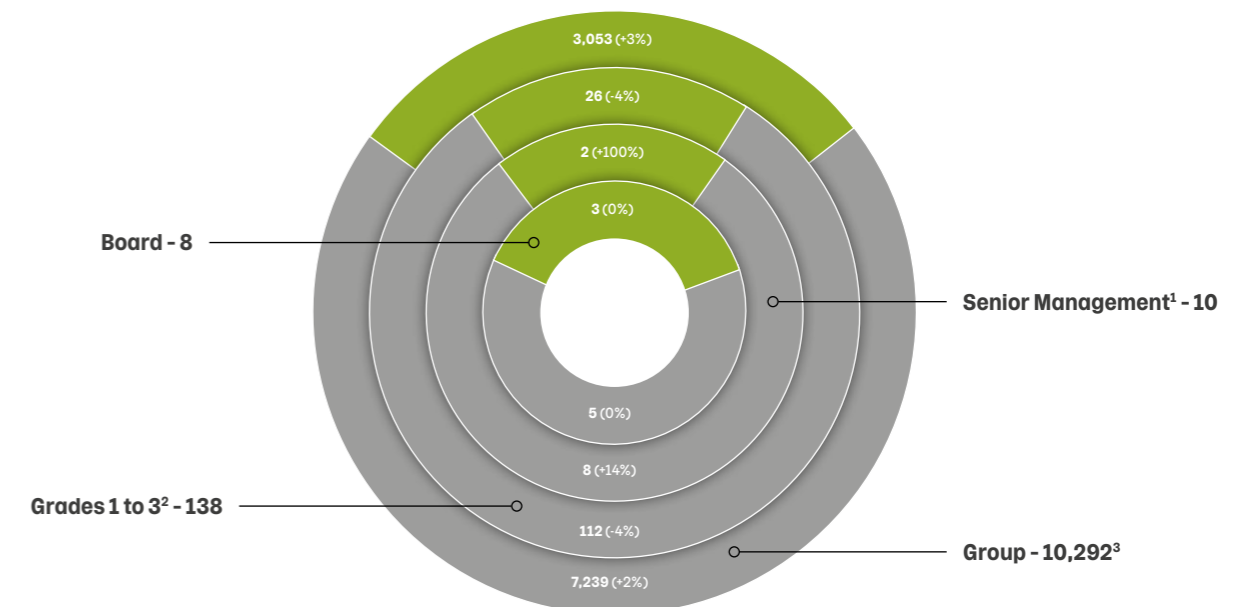
Group gender diversity statistics

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

Group gender diversity as at 26 December 2020

The percentages shown in brackets below indicate the change since 2019.

● Male ● Female



1 Members of the Executive Committee, excluding Executive Directors and including the Company Secretary.
 2 Includes Grades 1-3 equivalents.
 3 Calculated on an individual basis, not on an FTE basis. Includes UK, France, Belgium and Isle of Man.

Nominations Committee report continued

Composition continued

Boardroom Diversity Policy

The Board recognises the importance of ensuring that there is diversity of perspective, background and approach in its management team and on its Board. Since the business was established in 1995, it has sought to enable individuals to progress within the organisation regardless of age, gender, 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 and we are mindful of the outputs and recommendations from both the Hampton-Alexander Review and the Parker Review when making appointments to the Board. However, 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 2022, 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 26 December 2020, 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.

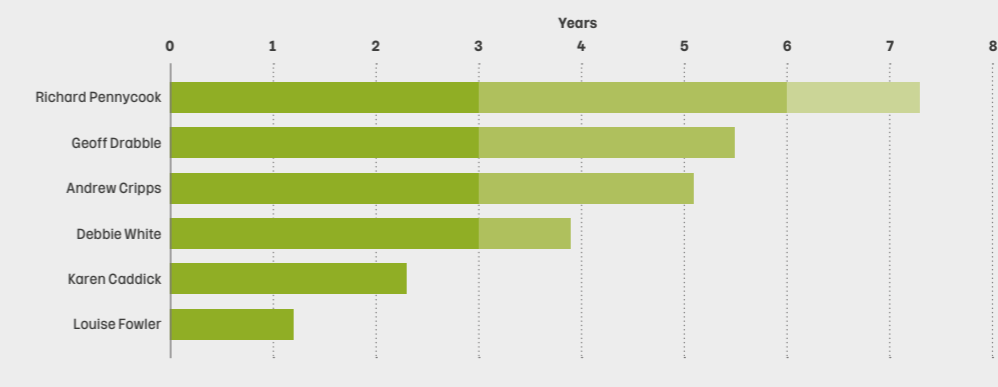


Succession

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.

Non-Executive tenure as at 26 December 2020



Board succession

The Nominations Committee regularly reviews the skills and expertise that are present on the Board and compares these to the expertise that it believes are required given the strategy, business priorities and culture of the organisation.

Since Howdens began trading in 1995, its core strategy has remained largely unchanged. The market, the size, and the stage of maturity of our organisation however have changed, and so our Board has needed to evolve through sensible and well-managed succession planning that does not compromise the stability of the Board.

There were no Non-Executive Director retirements or appointments in 2020. We continue to manage a phased succession programme for Non-Executive Directors and are pleased with the balance of length of tenure, as well as of diversity, background and perspective of our current Non-Executive Directors.

Appointment

In October 2020, following consideration of a number of suitable candidates, the Nominations Committee recommended to the Board that it appoint Paul Hayes as Chief Financial Officer. In reaching this recommendation, the Committee had undertaken a thorough recruitment process.

The Committee engaged the external search consultancy, Odgers Berndtson¹, to undertake the process of recruiting a new CFO following Mark Robson's indication that he would consider retiring from the Board should an appropriate candidate be identified.

Given Mark Robson's experience and length of tenure, the Nominations Committee worked closely with Odgers Berndtson to develop the right specification for the role. Odgers Berndtson were made aware of Howdens' Boardroom Diversity Policy and the Nominations Committee specifically tasked them with producing a diverse shortlist of candidates for the position. The Nominations Committee reviewed the current Executive Director structure at the outset of the process and concluded that it would revert to a standard structure with CEO and CFO on the Board following Mark's retirement from the Board.

Following the approval of the specification and interview and selection process, the Nominations Committee requested that the Remuneration Committee determine an indicative reward package in line with the Remuneration Policy for Executive Directors. With the assistance of Odgers Berndtson, a long list of candidates was drawn up for consideration by the Nominations Committee. Both internal and external candidates were invited to participate in the process.

¹ The Committee confirms that Odgers Berndtson has no other connection with the Company or its Directors other than in relation to the recruitment of members of the Board.

Nominations Committee report continued

Succession continued

The Nominations Committee considered formal appraisals of all candidates selected from the longlist. A significant number of the candidates met with the Chairman and some of the Non-Executive Directors. Following the conclusion of these meetings, the Nominations Committee met to agree a shortlist of candidates.

Two candidates were considered for further consideration. Both candidates met with the Non-Executive Directors, the Chairman and members of the Executive Committee. References were taken for each candidate and psychometric profiles were undertaken for the selected candidates.

Following a further Nominations Committee meeting, it was agreed to seek to engage with a particular individual and agree contract terms. The Remuneration Committee worked with Mark Robson to agree an exit arrangement which was fair and in line with the Remuneration Policy. The Remuneration Committee also agreed an onboarding package with the new CFO. More information and detail about both Mark Robson and Paul Hayes' remuneration arrangements can be found in the Remuneration Committee report, which starts on page 104. After contractual arrangements had been

agreed with both parties in principle, the Board met on 15 October 2020 to consider the recommendations of both the Nominations Committee and the Remuneration Committee. They unanimously approved the proposals and internal and external announcements were made on 16 October.

Having successfully secured a suitable candidate for the role and discharged its announcement obligations, the Nominations Committee tasked the Interim Group HR Director with formulating transitional arrangements for the outgoing and incoming CFOs, which included a detailed induction plan for the new CFO Designate. Paul Hayes joined Howdens on 2 November 2020 as CFO Designate and assumed the role of CFO on 27 December.

Induction

Following Paul's appointment as CFO Designate in November 2020, he commenced a tailored induction programme. This included gaining a broad commercial and operational understanding of the business and visiting a number of depots, our manufacturing sites in Howden and Runcorn, and other locations. This has been achieved in a COVID-safe way and provided him with a good understanding of the business.

Paul also had induction sessions with the category and supply chain teams and attended our second virtual supplier engagement session 'Leading the Way... into 2021' (see page 85). He has joined a number of virtual meetings of each of the trade regions where he was able to hear first-hand from depot managers.

Paul has spent significant time with the supply, commercial and trade finance teams as well as the Group finance function and internal audit team. This has been supported by a good transition with Mark Robson and one-to-one meetings with all our Board members, the external auditor and members of the Executive team.

Senior management succession

The Committee received regular updates regarding senior management¹ succession planning (see Nominations Committee activity on pages 94 and 95). These updates included the following:

Group Human Resources ('HR') Director appointment

In April 2020, Gareth Hopkins, our Interim Group HR Director, retired from the Executive Committee and the business. An interim HR Director was appointed to support management in the search for a permanent successor and in the day-to-day running of the business.

Following regular briefings to the Nominations Committee and meetings with the Chairman and Remuneration Committee Chair, the Committee approved the appointment of Kirsty Homer as Group HR Director in September. Kirsty brings a wealth of experience from her time in senior HR roles at the John Lewis Partnership and more recently as Global People and Governance Director at Mothercare Plc. Further information about Kirsty is available in her biography on page 76.

Operations Director and Supply Chain Director appointments

Following an orderly succession process, Julian Lee and Richard Sutcliffe were appointed as Operations Director and Supply Chain Director respectively. They share the responsibilities previously held by Rob Fenwick in his role as Chief Operating Officer of the Supply Division along with Mark Slater, Commercial Director. During the first half of 2020, Julian and Richard had standing invitations to Executive Committee meetings and were both instrumental in the business' response to the COVID-19 crisis.

Chief Governance Officer retirement

Please see case study to the right for details of Rob Fenwick's retirement.

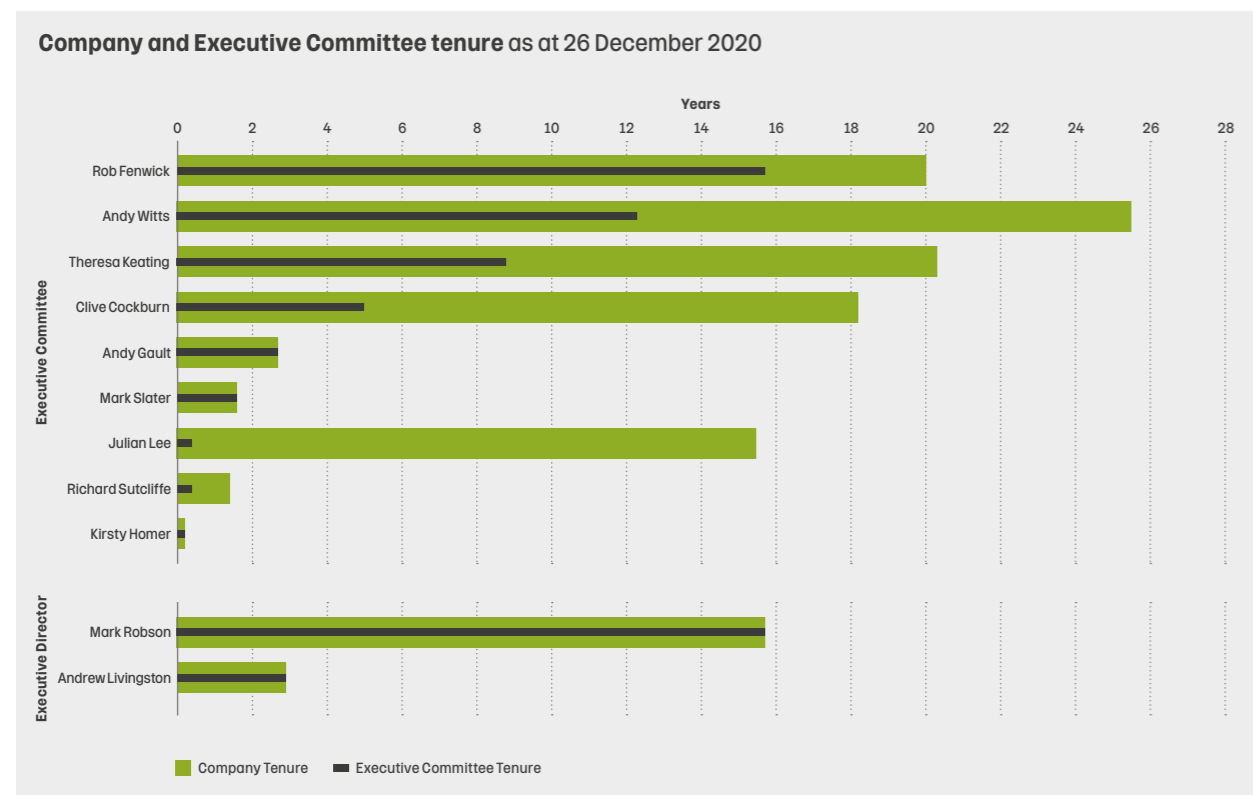
¹ The definition of 'senior management' for this purpose is defined in footnote 4 of the 2018 UK Corporate Governance Code as 'the executive committee or the first layer of management below board level, including the company secretary'.

Case study Chief Governance Officer

As reported in the 2019 Nominations Committee report, Rob Fenwick, Chief Governance Officer (and formerly Chief Operating Officer of the Supply Division) will retire from the Executive Committee at the end of February 2021. During 2020, Rob helped the business to develop its broader purpose, in particular by developing the Group's Sustainability agenda and Chairing the EDI Sub-Committee. He was also on hand to provide support to Julian Lee and Richard Sutcliffe in their new roles as Operations Director and Supply Chain Director.

In addition, Rob chaired the emergency Executive Committee meetings held in response to the COVID-19 crisis to ensure the Executive Directors were able to focus on strategic matters and high-level management of the Group's response. More details of the governance structure of the Group's response to COVID-19 can be found on pages 80 and 81. He was also tasked with the successful delivery of changes to the Group's pension benefit structure (more details of which can be found on page 36). Having an Executive Committee member of Rob's experience to oversee both the operational crisis response to COVID-19 and the significant change-management pensions project has been invaluable.

Howdens has been fortunate to have a settled and long-serving senior management team and careful management of the succession process for their roles is fundamental to the future long-term success of the Company. The retirement from the Executive Committee of both Mark Robson and Rob Fenwick marks a significant change for the senior management of the business going into 2021, but the Nominations Committee is confident that this change has been managed appropriately. During the year, the CEO presented his ongoing Executive Committee succession plans to the Nominations Committee. The Nominations Committee was satisfied that there was sufficient experience and continuity at Executive Committee level to ensure that the cultural aspects of the business, which have made it so successful, were not diluted. The Committee was also satisfied that the Executive Committee was engaged with the positive elements which can come about following senior management change. Members of the Nominations Committee were able to express their views and provide advice on the plans throughout 2020 and will continue to do so in 2021.

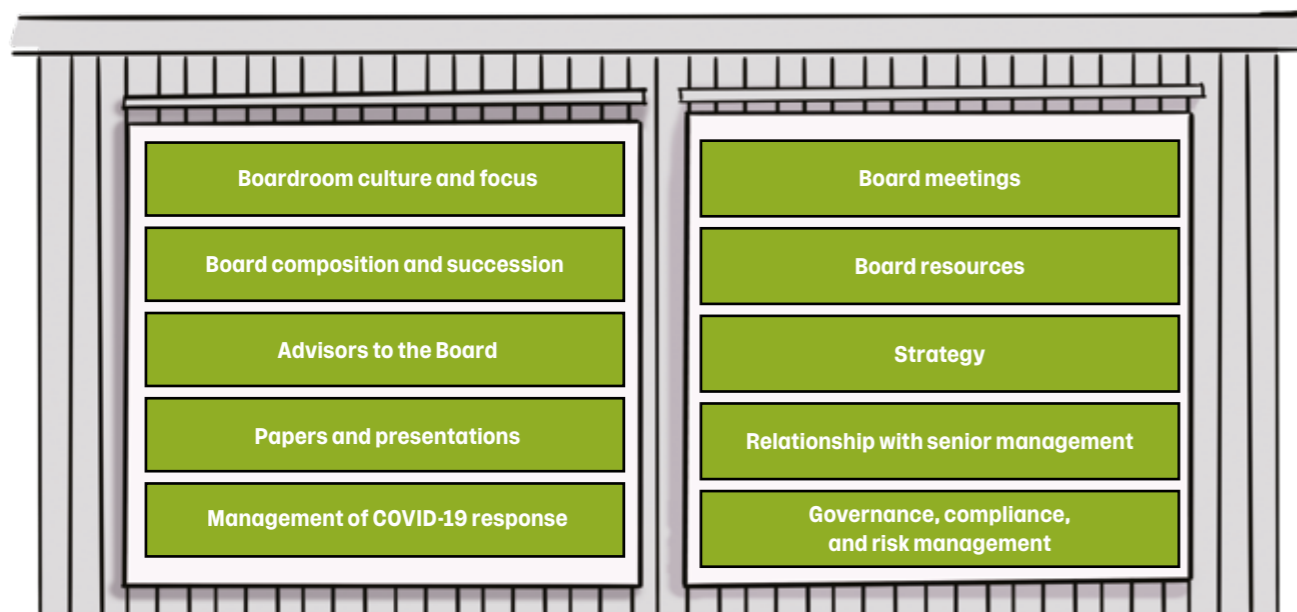


Nominations Committee report continued

Evaluation

In line with the Board's policy to undertake an external board effectiveness review every three years and following the evaluation conducted by Independent Board Evaluation (IBE) in 2019, the 2020 review was undertaken by the Senior Independent Director with support from the Company Secretary and focused on the following areas:

Evaluation areas of focus



Methodology

The evaluation was structured as an internal evaluation of the Board and was undertaken by the Senior Independent Director, with support from the Company Secretary. The review comprised interviews with all members of the Board with the report and recommendations agreed by the Senior Independent Director and the Chairman.

Since the 2019 externally facilitated evaluation, Mark Robson has retired as DCEO & CFO and Paul Hayes has been appointed CFO. There were no other changes to the Board since the previous review.

The process is outlined below:

- The evaluation methodology and agenda were agreed between the Chairman, Senior Independent Director, and Company Secretary.
- Interviews with Board members and the Company Secretary.
- The conclusions of the evaluation, including the observations and recommendations were presented to the Chairman.
- The main observations and recommendations from the evaluation were presented to the Nominations Committee and the Board.

Conclusions and recommendations

Non-Executive and Executive Directors were unanimous in their appraisal that the Board had continued to operate effectively during 2020.

The Board worked well as a group, continued to adopt a collegiate approach with well-structured meetings. It was concluded that there was a good balance of skills and experience on the Board and the Executive Directors expressed their view that they felt well-supported by the Non-Executive Directors.

It was noted that the extraordinary circumstances created by the COVID-19 pandemic during the year had tested the Board and necessarily had focused its attention on more operational matters.

Contributors commented that management's handling of the COVID crisis had been outstanding, especially in relation to employee safety and keeping the business trading. It was further noted that any issues raised during the process were improvements to an organisation that was already performing well and would seek to further strengthen it.

Highlighted strengths

- The collegiate approach of the Board, particularly in the context of the COVID crisis.
- The support the Non-Executive Directors had provided to the Executive Directors.
- Management of the succession processes for a number of long-serving Executives in the business.

Recommended areas for development and actions going forward

- Return to a focus on long-term, strategic matters in Board meetings in 2021.
- Undertaking a review of financial and non-financial reporting and communication outside of Board and Board Committee meetings.
- Continuation of the focus on Non-Executive Director succession planning, paying particular regard to the recommendations of the Parker and Hampton-Alexander reviews.
- More frequent ESG reporting to the Board.

Influence on Board composition

Members of the Board discussed the recommendations of the Parker and Hampton-Alexander Reviews as part of the 2020 Board evaluation. In 2021, the Nominations Committee will continue its focus on succession planning and to ensure that when it looks to recommend a new appointment in future, that the process has been inclusive of not only a broad range of mindsets, but also a variety of backgrounds, including race and ethnicity.

Nominations Committee evaluation

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 in 2021 the Committee would enhance its focus on Non-Executive Director succession planning and the requirements of the Parker and Hampton-Alexander reviews.

Richard Pennycook Nomination Committee Chairman

24 February 2021