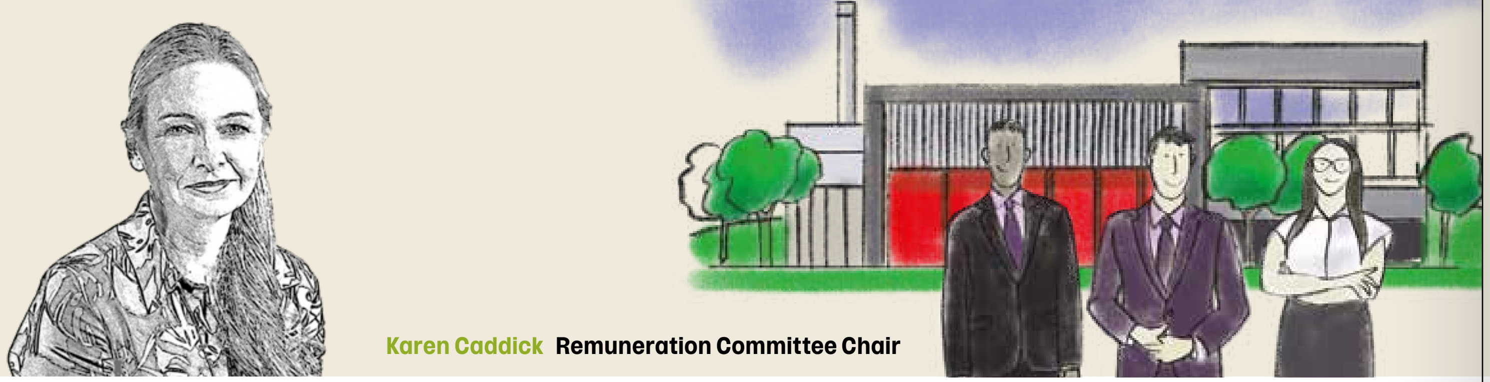
Remuneration Committee report



Karen Caddick Remuneration Committee Chair

Annual Remuneration Committee Chair's statement

I am pleased to present the Howden Joinery Group Remuneration Committee report for 2020. The report has been prepared in compliance with the requirements of the Large and Medium-sized Companies and Groups Regulations 2013 and incorporates changes made under the updated EU Shareholder Rights Directive (SRD II).

Using this report

We have updated our Remuneration Committee report this year to make accessing it as straightforward as possible. The content of the report is governed by various legislation and listed company disclosure requirements and, on occasion, this results in duplication of information. We have tried to reduce this wherever possible and present the information in an accessible and, hopefully, intuitive way.

The report is split into three sections:

1. This Committee Chair's statement
2. A summary of the Directors' remuneration policy (last approved by shareholders at the 2019 AGM)
3. The Directors' remuneration report

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

Part 1	Company performance and stakeholder experience
Part 2	Application of policy in 2020
Part 3	Implementation of policy in 2021
Part 4	Additional disclosures

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

2020

2020 has been an extraordinary year for the Remuneration Committee. The impact of COVID-19 on remuneration, both for Executive Directors and that of the wider Howdens workforce, has been significant. We have included a case study on page 115 to detail the response of the Committee to the COVID-19 crisis, but it is worth noting here that since the beginning of the crisis, the Remuneration Committee has regularly monitored the employee remuneration experience across all roles to ensure that there is alignment between the experience of the wider workforce and that of our senior management.

I would also like to take this opportunity to thank shareholders who supported the Committee when we agreed to defer the 2020 Long Term Incentive Plan (LTIP) grant and amend the weighting of the measures for this award to provide a greater weighting on relative, rather than absolute measures.

During the year the Committee was also involved in the recruitment process of the new Chief Financial Officer. It was important that the Committee build a remuneration package which would attract a high calibre individual to replace Mark Robson, and we are pleased that we were able to do so within our shareholder approved remuneration policy. More detail on Paul Hayes' remuneration for 2021 and Mark Robson's exit arrangements, which were also within policy, are detailed later in the report.

I will be presenting a summary of the work of the Committee in 2020 at the Annual General Meeting (AGM) on 6 May 2021.

Policy

Our existing remuneration policy was approved by shareholders at the 2019 AGM and is due to expire at the 2022 AGM. A short-form version can be found on pages 108 and 109. The Remuneration Committee are satisfied that the Directors' remuneration policy operated as intended during the year despite the many challenges of the COVID-19 crisis. The policy in full can be accessed at www.howdenjoinerygroupplc.com/governance/remuneration-policy

I am pleased to report that the 2019 Directors' Remuneration Report received a high level of support at our AGM held on 7 May 2020. A breakdown of voting for both the remuneration policy and remuneration reports for the previous three AGMs can be found on page 125.

Remuneration Committee meeting attendance

Karen Caddick (7/7)
Andrew Cripps (7/7)
Geoff Drabble (7/7)
Louise Fowler (5/7)[1]
Debbie White (7/7)

1 Louise was unable to attend either of the Committee meetings in September due to pre-existing commitments entered into prior to joining the Company. She received all of the meeting papers in advance of the meetings and was able to feedback her views to the Committee Chair.

Remuneration Committee report contents

2020 reward outcomes

Annual bonus

For the 2020 annual bonus, performance was based on the delivery of both profit and cash flow targets. For the full year we have reported a decrease in sales of 2% and in profit of 29%. The decrease in sales and profit were exclusively attributable to the unprecedented disruption to the business in H1. Sales in H2 increased by 16% against 2019 with profit before tax (PBT) increasing by 9%. Our performance reflected the measures we put in place to enable our employees and our customers to work safely together and was achieved whilst repaying all of the financial support received under Government's Coronavirus Job Retention Scheme, all the business rates deferred by local councils, and the deferred pension deficit payments.

Despite our strong relative financial performance, full year PBT and cash flow were below on-target vesting resulting in 0% of salary for our Executive Directors.

Performance Share Plan (PSP)

Similarly, the 2018 PSP with performance measured to FY 2020 is based on three-year PBT growth per annum. Over the three-year period of the 2018 PSP cycle, our PBT has declined by 7.2% per annum. In line with performance targets requiring 5% per annum PBT growth to achieve threshold vesting, the award will therefore lapse in full.

2021 reward and incentives

Salary

In January 2021 we wrote to our top 10 shareholders to inform them that we would be increasing the CEO's salary above the increase proposed for the wider workforce. In this communication, the Committee noted that Andrew Livingston had been in role as CEO for a number of years and, whilst he had received inflationary increases over this period in line with the wider workforce, the Committee determined that a review of his remuneration was appropriate, taking account of:

1. Andrew's growing experience in the role and the desire to fairly reflect the substantial growth in the business delivered by Andrew since his appointment;
2. His salary positioning at the lower end of the market upon appointment; and
3. An increase in his responsibilities as a result of the departure of Mark Robson as Deputy CEO and the Company's reversion to a traditional model with a CEO and CFO, with some accountability therefore moving back to the CEO.

In light of these factors, the Committee determined that it was appropriate to increase the annual salary for the CEO from £581,000 to £650,000 (an increase of 12%) with effect from 1 January 2021.

When considering Andrew's pay we also considered carefully whether it was appropriate to make such an increase at the current time. Taking into account the significant improvement in trading performance in H2, the support we have been able to offer employees, the payments we have been able to restart to shareholders, Government and the pension scheme, and the importance of the coming years to Howdens' future success, we ultimately decided that bringing Andrew's pay in line with the market now was the right decision for the business. More detailed information on the increase in CEO salary can be found on page 120.

There will be no increase in CFO, Paul Hayes' salary in 2021 having joined the business late in 2020 and as such the next salary review for both CEO and CFO will be in 2022, with any increases effective in July that year.

Annual bonus

For the 2021 annual bonus, we replicated the methodology and PBT and cash flow measures used in the 2020 annual bonus, subject to an aggregate maximum of 150% of basic salary. This maintains the focus on profit in incentives and alignment with the depots, whilst maintaining a healthy stretch between target and maximum bonus levels to ensure strong shareholder alignment.

PSP

We reported in the 2019 Remuneration Committee report that we had introduced a shareholder returns measure in 2020 in respect of the PSP to complement the pre-existing profit PBT measure. The Committee concluded that Relative Total Shareholder Returns (TSR) would provide greater alignment with shareholder interests and provide balance to the existing PBT measure. The TSR measure was also felt to be the most relevant comparator externally and would safeguard against complexity. The introduction of this measure has been well received by both shareholders and senior management.

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

For the 2021 PSP, we will maintain the opportunity of 220% for Executive Directors and we will retain both the PBT and TSR measures. Given market practice, and the current use of profit in our incentives, the Committee has agreed a weighting of 67% for PBT growth and 33% for the TSR measure. This was the weighting originally agreed for the 2020 PSP award and the Committee are minded that this provides an appropriate balance between earnings and shareholder returns for the performance period, particularly given the ongoing uncertainty around COVID-19 restrictions in the short and medium term. The target range of 5% to 15% PBT growth per annum has been retained and no changes will be made to the TSR measure. More detail on each of the PSP measures is set out on page 121.

Pensions

We reported last year that the Committee had agreed a plan with the Executive Directors to ensure that their pensions would be aligned with the wider workforce by the Company's next policy cycle (May 2022).

Our Executive Directors are now on that agreed flightpath and, in January 2020, Andrew Livingston's pension supplement, received in lieu of Company pension contributions, reduced from 20% of basic salary to 18% of basic salary. In January 2021, it reduced by a further 4% to 14% of basic salary and in May 2022 Andrew's pension supplement will be aligned to the Company pension contributions of the wider workforce, which is currently 5% of basic salary[1].

Similarly, Mark Robson's pension supplement, received in lieu of pension contributions, reduced from 30% of basic salary to 24% from January 2020. Whilst Mark stepped down from the Board at the end of the 2020 financial year, the Committee can confirm that his supplement reduced further to 18% of basic salary from January 2021. Paul Hayes' pension supplement received in lieu of Company pension contributions was aligned with the wider workforce upon appointment, in line with policy.

In November 2020, the Company entered into a consultation process with affected employees and collective bargaining groups regarding the potential closure of the defined benefit Howden Joinery Pension Plan (the 'Plan') to future accrual. The outcome of the consultation was that the Plan would be closed to future accrual from 31 March 2021. The key driver for the Board in tabling these proposals was the realignment of pension spending across its workforce to provide all employees with the same flexible and competitive pension arrangement. This will result in an improved defined contribution pension benefit, which is currently received by c.85% of all employees, and ensure fairness in pensions across the Company. More detail on the changes to our pension benefits can be found in the Financial Review on page 36.

Senior management and the wider workforce

In addition to the Executive Directors, the Howdens Remuneration Committee also sets remuneration for senior management[2]. The Committee agreed during the year that from 2021, and in line with best practice, the definition of senior management would include the Head of Internal Audit and Risk.

The Committee also received updates on the ongoing employee benefits review and all-employee remuneration related policies in order to provide the context for, and to ensure alignment with, the policy on Executive Director remuneration. We have once again chosen to disclose the 'Provision 33 dashboard' template, which was adopted by the Committee in 2019 and shows some of the key internal and external measures that the Committee members are aware of when determining Executive Director and senior management remuneration. This dashboard can be found on page 125 of this report.

I hope the information presented within this report provides a clear explanation as to how we have operated our remuneration policy over 2020 and how we intend to implement it for 2021. We continue to be committed to an open and transparent dialogue with our stakeholders, and the Committee would welcome any feedback or comments you have on this report, our Policy or how we implement it for 2021.

Karen Caddick
Remuneration Committee Chair

1 From 1 April 2021, Company contributions will increase to 6% of basic salary.

2 The Howdens Remuneration Committee classifies 'senior management' as members of the Executive Committee (excluding Executive Directors) and the Company Secretary. From 2021, this classification will also include the Head of Internal Audit and Risk.

How the Committee exercised discretion for the incentive period ending 26 December 2020

The Committee considered the financial performance for the incentive period ending 26 December 2020. PBT for the year was £185.3m and cash flow was £291.7m. The three-year PBT declined by 7.2% per annum.

The Committee considered whether the incentive outturns projected for the 2020 annual bonus and 2018 PSP were proportionate to financial performance and whether there were any other external factors of which the Committee was aware which would make increasing or decreasing the payments under these awards appropriate. In reaching its conclusion, the Committee considered the remuneration structures and policies for the workforce as a whole, the relative ratios of Executive and employee reward, continued alignment to shareholder value, as well as the predictability and proportionality of the incentives, and their ongoing alignment to culture.

Despite the significant contribution made by the Executive Directors to Howdens during what was an extremely challenging year, the Committee took all of these matters into consideration and agreed that the lapsing in full of these awards without adjustment was the right overall outcome.

2020 Remuneration Committee activity

February
Committee meeting
- Approval of 2020 salaries for Executive Directors and senior management as well as payment of the 2019 bonus and 2017 PSP
- Targets agreed for 2020 annual bonus and 2020 PSP
- Proposal from management approved regarding the reduction the pension benefits for the Executive Directors
- Approval of 2019 Remuneration Committee report
- Governance update
- Group benefits review update from HR Director

April
Share award grant
- SIP Free Share grant to all UK employees approved

May
AGM
- Remuneration report approved by shareholders

June
Committee meeting (out of cycle)
- Consideration of impact on remuneration on all employees from COVID-19
- Approval of management proposal to forgo 20% of salary for Executive Directors and Executive Committee members and 20% of fees for the Chairman and Non-Executive Directors for two months. Salary forgone would be donated to a charity

July
Committee meeting
- Governance and AGM update
- Update on outstanding awards
- Review of 2020 PSP measures
- 2021 remuneration timeline reviewed

Shareholder communication
- Company and Remuneration Committee Chair communication with shareholders on updated PSP measures weighting

August
Share award grant
- PSP granted to Executive Directors and Senior Management

September
Committee meeting
- Approval of remuneration package for new CFO and confirming arrangements for outgoing DCEO & CFO
- Consideration of COVID-19 impact on all employees' remuneration
- Review of CEO salary

October
Committee meeting (out of cycle)
- Approval of agreements reached in principle with new CFO and outgoing DCEO & CFO

November
Committee meeting
- Governance update
- Consideration of COVID-19 impact on all employees' remuneration
- 2021 planning and salary benchmarking
- Review of PSP measures
- Approval of CEO 2021 salary
- Review of Committee's terms of reference

January 2021
Shareholder communication
- Company and Remuneration Committee Chair communication with shareholders on CEO salary

2020

Remuneration Committee report continued

Directors' remuneration policy summary

At the Annual General Meeting of shareholders on 2 May 2019, the Directors' remuneration policy (the 'Remuneration Policy'), as set out in the 2018 Annual Report and Accounts, was approved by shareholders. Set out below is a summary of that policy, how that policy links to strategy and consideration of some of the factors the Committee addressed when formulating the policy. How the Policy has been applied during 2020 and will be applied during 2021 can be found on subsequent pages in the report.

The Remuneration Policy can be viewed in full online at www.howdenjoinerygroupplc.com/governance/remuneration-policy.

Executive Directors

Fixed pay

Base salary	Link to strategy
Salaries are reviewed annually and set within a range defined by a market benchmark. This is derived from companies of a comparable size or operating in a similar sector. Our policy is to pay at median.	Salaries reflect the market value of the Executive's role in addition to their skill, responsibilities, performance and experience.

Benefits	Link to strategy
The Company pays the cost of providing benefits on a monthly basis or as required for one-off events.	Our policy provides a competitive level of benefits.

Pension	Link to strategy
Executive Directors appointed after May 2019 are invited to join the Company defined contribution pension scheme or receive a salary supplement in lieu of pension in line with the maximum level of benefit they would have received if they had enrolled in the scheme. Company contributions for Executive Directors are aligned with those for the wider workforce[1]. The pension benefits of directors appointed before May 2019 are governed by earlier Remuneration Policies and their contracts of employment. However, the CEO, who was appointed to the Board in April 2018, has voluntarily agreed to reduce his current benefits to be in line with the wider workforce by May 2022, that being the next scheduled renewal by shareholders of this Policy. More detail on the tapering of their benefits is set out on page 106.	The Committee remains committed to providing competitive long-term savings opportunities provided they are aligned with the opportunities afforded to the wider workforce.

Variable pay

Annual bonus	Link to strategy	
The annual bonus has a maximum opportunity of 150% of base salary. Performance is assessed annually against stretching PBT and cash flow targets. 30% of any bonus earned is deferred into shares. Shares are paid out on the second anniversary of the deferral date. Malus and/or clawback provisions operate on the bonus for a period of up to two years after the performance period.	PBT and cash flow targets reflect our key internal performance indicators and the role of sustainable profit growth in our entrepreneurial culture. The annual bonus incentivises performance over the financial year. Deferral links bonus pay out to share price performance over the medium term.	**Performance period:** 1 year **Additional deferral period:** 2 years **Time from end of performance period to receipt:** • 70% of bonus has no deferral period. • 30% of bonus paid after 2 year deferral period.

1 At 26 December 2020, Company contributions to the wider workforce were 5% of basic salary. From 1 April 2021, Company contributions will increase to 6% of basic salary.

Fixed Variable

Performance Share Plan	Link to strategy	
The vesting of awards is based on performance over a three-year performance period. The maximum opportunity allowed under the award is 270% of salary. Malus provisions apply for the duration of the vesting period. Vested awards are subject to a two-year holding period following vesting, during which no performance measures apply.	Focuses management on longer-term financial growth than addressed by the annual bonus. Long-term financial growth is fundamental to the generation of shareholder value. As with the annual bonus, deferral links bonus pay out to share price performance but the post-vesting holding period does this over the longer period.	**Performance period:** 3 years **Additional deferral period:** 2 years **Time from grant to receipt:** 100% of vested award after 5 years

Executive Director shareholdings

Significant shareholdings on the part of our Executive Directors are key to ensuring effective alignment with shareholders. Under the Remuneration Policy, the Executive Directors are expected to have a personal shareholding equal to twice their annual base salary. Shares deferred under the deferred bonus plan and unvested conditional share awards are not counted towards this requirement. Executive Directors are also eligible to receive shares awarded under the Share Incentive Plan (SIP), the Company's all-employee share scheme. Any shares held in trust under the SIP that were awarded to an Executive Director less than three years beforehand are not counted towards the shareholding requirement.

In 2019 a post-cessation shareholding requirement was introduced in the Remuneration Policy. This requires Executive Directors to hold 100% of their shareholding requirement (or full actual holding if lower) for a period of two years post cessation of employment. See page 123 for a table of total shares in the Company held by the Directors, together with unvested performance shares and those held subject to deferral conditions.

Non-Executive Directors

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

Fees are reviewed every year and are set within a range defined by a market benchmark of comparable size companies and with reference to any pay increase awarded to the wider workforce. All fees for 2021 and the prior year are set out of page 120. Non-Executive Directors are also entitled to receive expenses in respect of reasonable travel and accommodation costs.

Remuneration Committee report continued

Directors' remuneration policy summary continued

Underlying principles

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

Clarity	Simplicity	Risk
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.
The Company invited its principal shareholders and shareholder representative groups to consult on the updated Remuneration Policy and received good feedback. The level of pension benefit for new Executive Directors was reduced and the minimum percentage of variable pay linked to financial measures was increased following input from these meetings. All UK employees are awarded Free Shares in the Company through the Share Incentive Plan. More information on how the Company engages with its workforce can be found on pages 82 and 83.	The Remuneration Policy has received positive feedback from stakeholders in relation to its simplicity. When the Remuneration Policy was updated in 2019 the profit share element of the annual bonus was replaced due to the complexity of the calculation and lack of understanding of its operation. The Committee's approach to performance measures had always been that they must be understandable for participants in the schemes in order to ensure they are effective.	The Remuneration Committee have a track record of setting maximum levels of award for the PSP below the maximum allowed under the policy. This ensures that such awards do not become excessive due to share price volatility. Whilst the Committee has consciously not set an absolute annual quantum on Executive remuneration, this is something that the Committee will keep under review. The total pay of the Executive Directors is considered by the Committee as well as pay ratios with the wider workforce and shareholder returns.

Predictability	Proportionality	Alignment to culture
The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	Incentive schemes should drive behaviours consistent with company purpose, values and strategy.
The range of possible rewards for the Executive Directors is considered on page 119 and were communicated when the Remuneration Policy was approved by shareholders. The range in relation to the PSP reflects the reduced maximum award for 2021 rather than maximum allowed under the policy. The Committee has a wide range of discretion in relation to variable pay awards, new joiners, and leavers, which were identified and explained when the Remuneration Policy was approved.	In 2020 the profitability of the business was significantly impacted by the COVID-19 lockdown measures put in place by Government in H1 and as such both the 2020 annual bonus and 2018 PSP lapsed in full. Whilst the Committee was pleased with the performance of the Executive Directors throughout the year, particularly given the extraordinary trading environment, it concluded that this was appropriate given the broader stakeholder experience throughout the year. The Committee remains confident that the awards used to ensure continued delivery of strategy and long-term performance are working as intended.	The Committee remain confident that the incentive schemes operated under the Remuneration Policy are aligned with purpose, values and strategy. Howdens' staff are paid on the performance of their local depot or on the profitability of the Group as a whole. This has created an autonomous, entrepreneurial, profit-focused culture and is reflected in the heavy weighting given to profit measures in our incentive schemes for Executive Directors and senior management.

Directors' remuneration report

Part 1: Company performance and stakeholder experience

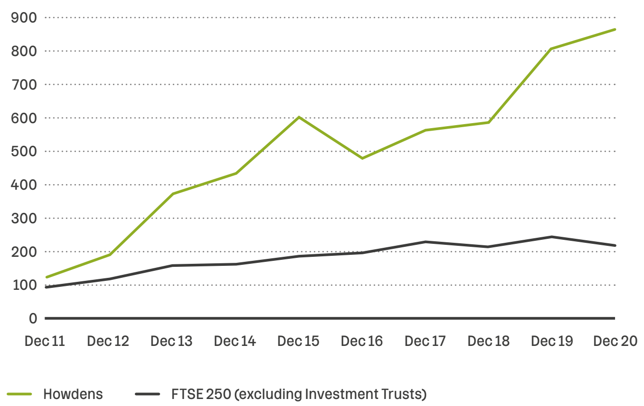
In this opening section of the Directors' remuneration report, we detail some of the considerations of which the Committee has regard when implementing the Remuneration Policy. Contained in this section are specific disclosures on Group performance, as well as comparative disclosures on the relative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

Group performance

Total shareholder return (TSR)

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

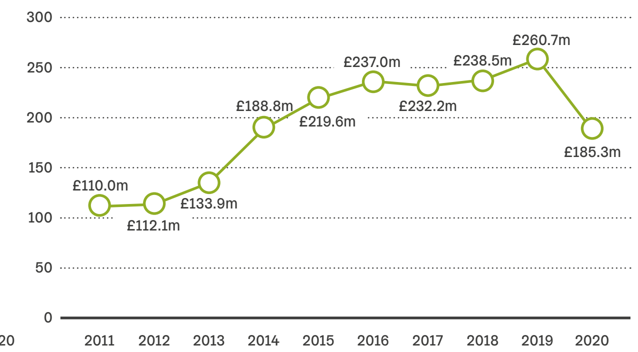
Howdens historic TSR



Profit before tax (PBT)

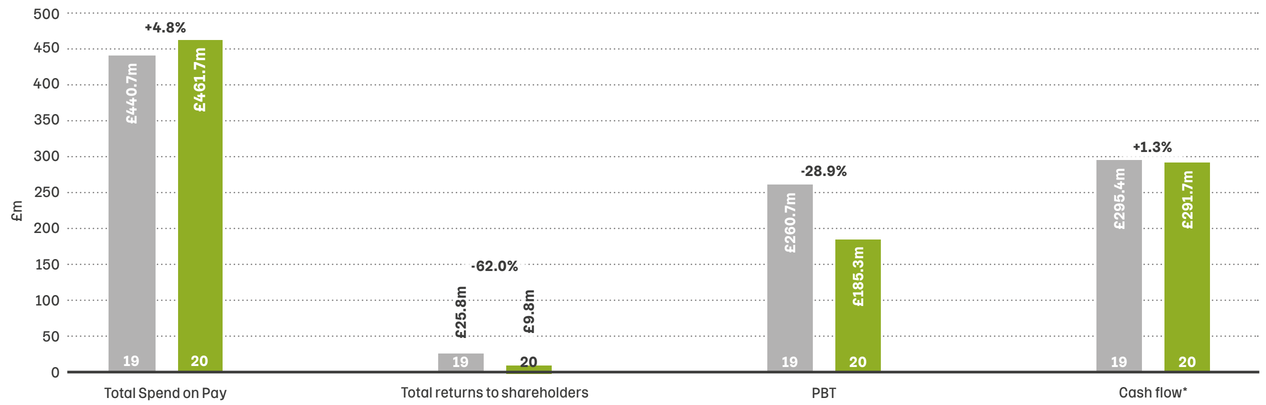
The graph below illustrates the Company's historic PBT performance.

Howdens historic PBT (£m)



Relative importance of spend on pay

The graph below sets out the change in the Group's total remuneration spend from 2019 to 2020 compared to the total returns to shareholders of the Group and the two incentive performance measures PBT and cash flow.



* Net cash flow from operating activities is the definition used for the annual bonus scheme (see page 121).

Remuneration Committee report continued

Directors' remuneration report

Part 1: Company performance and stakeholder experience continued

Director pay

Our corporate performance and remuneration

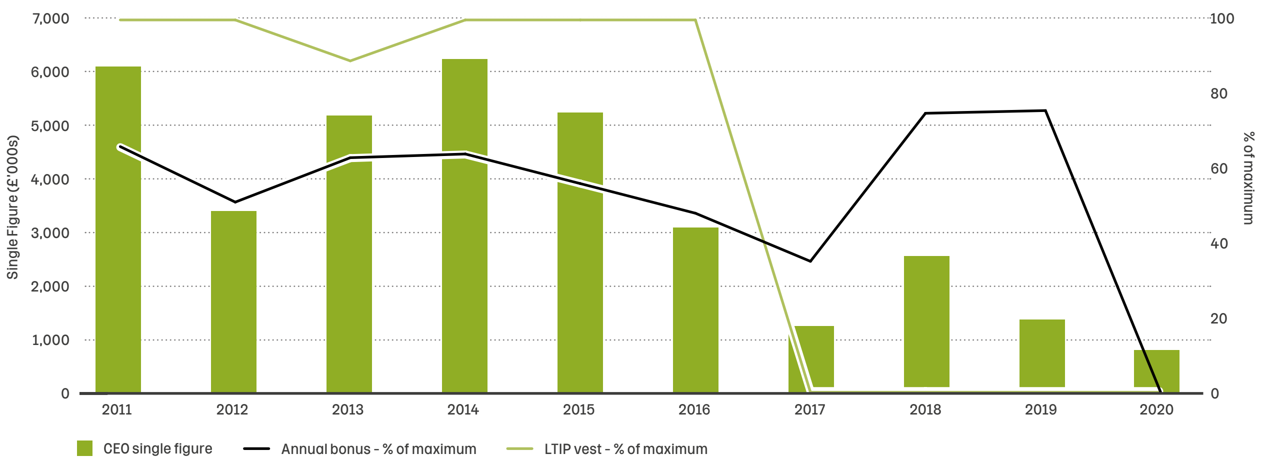
Historic single figure

The table and graph below show the historic CEO single figure and incentive payout levels. They show that, until 2020, the annual bonus performed strongly and that long-term incentives have reflected the challenging market conditions following the 2016 referendum on membership of the European Union.

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

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
CEO single figure (£'000)	6,083	3,401	5,168	6,221	5,225	3,098	1,268	2,569	1,391	816
Annual bonus (% of maximum)	66%	51%	63%	64%	56%	48%	35%	75%	76%	0%
LTIP vest (% of maximum)	100%	100%	89%	100%	100%	100%	0%	0%	0%*	0%

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



CEO pay ratio table

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2020	A	31:1	25:1	21:1
2019	A	71:1	58:1	48:1
2018	A	122:1	100:1	81:1

During 2020, Howdens has calculated the CEO pay ratio in line with the updates to the Directors' Remuneration Reporting Regulations. The data used to calculate the CEO pay ratio was accurate as at 31 December 2020.

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

In 2020, all levels of the wider workforce continued to receive bonus payments. No bonus payment was made to the CEO in respect of the 2020 compensation year and this is reflected in the CEO single figure.

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

	25th percentile	50th percentile	75th percentile
Total pay and benefits (FTE)	£26,731	£32,195	£39,408
Salary (including overtime) (FTE)	£20,300	£24,807	£29,892

The pay and benefits of our colleagues was calculated in line with the Single Total Figure of Remuneration methodology. In our calculations we used actual pay from 1 January 2020 to 31 December 2020. Joiners, leavers and part-time employees' earnings have been annualised on a full time equivalent (FTE) basis (excluding any payments of a one-off nature).

Where bonus payments are made on a weekly, monthly or quarterly basis, we included payments made in the 2020 compensation year. However, for annual bonus payments, we estimated the bonus due to employees for the 2020 compensation year (payment is due in March 2021).

P11D values have been based on the 2019/20 reportable values; however, they have been annualised accordingly.

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

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

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

Howden Joinery Group Plc Annual Report & Accounts 2020

Remuneration Committee report continued

Directors' remuneration report

Part 1: Company performance and stakeholder experience continued

All-Director remuneration relative to average employees (SRD II disclosure)

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

The table below discloses this information solely in respect of the change from financial year 2019 to financial year 2020 but in future years it will provide a comparative view against previous years and will ultimately provide a five-year view of the change in individual director's pay relative to the change in average employee pay.

	% Change 2019 to 2020		
	Basic Salary	Benefits	Bonus
Average Howden Joinery Group Plc employee remuneration[1]	-	-	-
Average Howdens Group employee remuneration	4%	9%	12%

1 In the financial year ended 26 December 2020, Howden Joinery Group Plc did not employ any individuals.

		%Change 2019 to 2020		
Directors	Position	Basic Salary / Fee	Benefits	Bonus
Andrew Livingston[1]	CEO	3%	84%	(100)%
Mark Robson	DCEO & CFO	3%	(51)%	(100)%
Richard Pennycook	Chairman	3%	(100)%	-
Karen Caddick[2]	Non-Executive Director and Remuneration Committee Chair	18%	(89)%	-
Andrew Cripps	Non-Executive Director and Audit Committee Chair	5%	0%	-
Geoff Drabble[2]	Non-Executive Director and Senior Independent Director	22%	0%	-
Louise Fowler[2]	Non-Executive Director	515%	100%	-
Debbie White	Non-Executive Director	3%	390%	-

1 Andrew Livingston received a relocation allowance in 2020 as permitted under the Director's Remuneration Policy. More information on Executive Director benefits is set out on page 117.

2 Louise Fowler was appointed to the Board in November 2019 and did not receive a full year of fees in respect of that year. In September 2019, Karen Caddick was appointed Remuneration Committee Chair and Geoff Drabble was appointed Senior Independent Director. Geoff also assumed additional responsibilities as the Non-Executive Director responsible for employee engagement at the beginning of 2019. The increases shown in their Non-Executive Director fees are predominantly due to these changes.

Wider workforce considerations

The Remuneration Committee received updates from the Interim Group HR Director in respect of the ongoing all-employee benefits review. This review incorporates all aspects of employee reward at Howdens. In light of the impact of COVID-19 on the business, from Q2 2020 the Committee also received regular updates from management on the number of employees furloughed under the Government's Coronavirus Job Retention Scheme (CJRS) and information pertaining to the average salary of an employee in 2020 versus the respective periods in 2019 for depot, blue collar manufacturing, and logistics roles.

In Q4 2020, the Company repaid to the Government the £22m it received in the first half of 2020 under the CJRS. No claims were made under this Scheme in the second half of the year.

When determining the base salary, benefits and variable pay awards for the Executive Directors and senior management, the Committee had regard to the information contained in the dashboard set out on page 125.

Case study

The Remuneration Committee's response to COVID-19

It will be apparent to anyone reading this report how the COVID-19 crisis has impacted every aspect of Howdens. Our safety first approach and how we have managed our responsibilities to our collective stakeholders is well documented in other sections of this Annual Report. In this case study, we look specifically at the actions of the Remuneration Committee in response to the crisis as it unfolded and its unique position in ensuring the ongoing alignment between Executive reward and that of the workforce as a whole.

Approach

In determining how to implement the Directors' Remuneration Policy in such an uncertain external environment, the Remuneration Committee was mindful of the impact of the crisis on the Company's stakeholder base. In particular, the Committee had regard to the large number of employees furloughed in H1 and the suspension of shareholder returns and pension deficit recovery payments. In order to adequately inform its decision making process, the Committee received detailed updates from management throughout the year on the impact of furlough on employees' total remuneration compared to prior year. Detailed analysis based on job role was presented to the Committee at each of the meetings. In addition, updates on the external environment and shareholder sentiment were regularly provided by the Committee's advisors.

By the end of year, the Remuneration Committee was pleased that the strong trading performance in H2 had resulted in incentives meaning that the majority of roles (including all depot and blue collar manufacturing roles) were in line or ahead of 2019 total reward levels. This was in addition to the Company announcing that it would repay all Government support it had received, including business rates relief, and catching up all deferred payments before the end of the year. More recently, the Board has announced that it will make a 'catch-up' special dividend payment in respect of the suspended final dividend from 2019.

Whilst the Board has sought as far as possible to ensure that no individual group of stakeholders is significantly disadvantaged by the impact of COVID-19, the Remuneration Committee concluded that it was not appropriate to amend performance targets or exercise discretion in relation to the annual bonus for Executive Directors. The Remuneration Committee (and the Board as a whole) were pleased with the performance of the Executive Directors in incredibly difficult circumstances but were also mindful that profit targets in respect of the annual bonus and the 2018 LTIP had not been met.

2020 LTIP

The Remuneration Committee set LTIP targets as normal in February 2020 and communicated these publicly in the 2019 Remuneration Committee Report. However, by mid-March it was apparent that with the temporary cessation of operations and the closure of depots that these targets were no longer achievable. On that basis, the Remuneration Committee took the decision to postpone the grant of the 2020 LTIP, normally made at the end of March, until there was greater clarity on the impact COVID-19 restrictions would have on Howdens' business in the short-term.

By July, it was clear that H1 trading had been significantly impacted but depot and manufacturing operations were fully functional with COVID-safe standard operating procedures in place. It was at this point the Remuneration Committee reviewed the position on the 2020 LTIP grant. It had always been the Committee's intention to include a relative TSR performance measure alongside the PBT growth measure which had used for a number of years. The incorporation of the TSR measure reflected the Committee's desire to explicitly incorporate a measure which directly reflected the experience of shareholders. The weighting of measures for the award (as reported) would have been 67% vesting based on PBT growth with a performance target range of 5%pa to 15%pa growth and 33% based on relative TSR measured against a broad group of FTSE listed companies of similar market capitalisation, with a performance target range of median to upper quartile.

At the July Remuneration Committee meeting the Committee considered its approach to the 2020 LTIP award, in particular the appropriateness of the measures and respective weightings in the given circumstances. The Committee agreed that it was appropriate to maintain the proposed award level, performance measures and targets. However, given the considerable uncertainty over the future course and timing of the economic recovery, and ultimately the performance of the business in absolute terms over the performance period, the Committee's view was that relative TSR provided a more robust measure of management's performance over the period, as well as increasing the alignment between executives and shareholders. It was therefore decided that the weightings of the two performance measures would be reversed for 2020 only, with PBT growth carrying a 33% weighting and relative TSR carrying a 67% weighting. This decision was communicated to large shareholders prior to the granting of the award and the feedback received on the chosen approach was very supportive.

Salary sacrifice

In response to the significant impact of the COVID-19 crisis on Howdens employees and the broader community, the Remuneration Committee approved a management proposal to temporarily reduce the basic pay of Executive Committee members by 20% for a period of two months via individual charitable donations. This was aligned to the period that the majority of Howdens employees were furloughed (by the end of May, 90% were back at work). Following the decision, the Non-Executive Directors collectively agreed to waive 20% of their fees for the same period.

Donations were made through payroll giving and individuals were able to nominate a charity of their choice or donate to NHS Charities Together. In total, charitable donations made by members of Board and the Executive Committee totalled £104,473.

Remuneration Committee report continued

Directors' remuneration report

Part 2: Application of policy in 2020

In this section of the Directors' remuneration report we set out how the Committee has executed policy for 2020. Disclosures in this section are retrospective and where applicable are shown against prior year comparator.

Single figure of remuneration (audited)

	Fixed						Variable				Total Remuneration	
	Salary/Fees		Benefits		Pension		Bonus		LTIP			
£000s	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Executive Directors:												
Andrew Livingston	578	564	132	72	106	113	0	643	0	-	816	1,391
Mark Robson	452	441	31	62	113	134	0	502	0	183	596	1,322
Total	1,030	1,005	163	134	219	247	0	1,145	0	183	1,412	2,713
Non-Executive Directors:												
Richard Pennycook	256	250	-	10	-	-	-	-	-	-	256	260
Mark Allen	-	50	-	-	-	-	-	-	-	-	-	50
Karen Caddick	68	58	-	3	-	-	-	-	-	-	68	61
Andrew Cripps	68	65	-	-	-	-	-	-	-	-	68	65
Geoff Drabble	71	58	-	-	-	-	-	-	-	-	71	58
Louise Fowler	56	9	1	-	-	-	-	-	-	-	57	9
Tiffany Hall	-	53	-	-	-	-	-	-	-	-	-	53
Debbie White	56	55	2	-	-	-	-	-	-	-	58	55
Total	575	598	3	13	-	-	-	-	-	-	578	611

Total Executive Director fixed vs variable Pay

	Total (Fixed)		Total (Variable)	
£000s	2020	2019	2020	2019
Executive Directors:				
Andrew Livingston	816	748	0	643
Mark Robson	596	637	0	685
Total	1,412	1,385	0	1,328
Non-Executive Directors:				
Richard Pennycook	256	260	-	-
Mark Allen	-	50	-	-
Karen Caddick	68	61	-	-
Andrew Cripps	68	65	-	-
Geoff Drabble	71	58	-	-
Louise Fowler	57	9	-	-
Tiffany Hall	-	53	-	-
Debbie White	58	55	-	-
Total	578	611	-	-

Notes to the single figure table

Non-Executive Directors

Louise Fowler was appointed to the Board and both Tiffany Hall and Mark Allen retired from the Board during 2019. In September 2019, following Tiffany Hall's retirement, Karen Caddick was appointed Remuneration Committee Chair and Geoff Drabble was appointed Senior Independent Director.

In 2020 all Non-Executive Directors donated 20% of their fees to charity for two months in recognition of the challenges facing public services and charities as a result of COVID-19. Non-Executive Directors were able to nominate a charity of their choice or donate to NHS Charities Together. The donations were made through payroll giving and therefore the disclosures in the single figure table above are inclusive of these donations.

Fixed Variable

Executive Directors

Salary

Salaries will not be changed outside of the annual review, unless there are exceptional circumstances, such as a mid-year change in role. Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set within a range defined by market benchmark derived from companies in a similar sector (policy is to pay median). Salaries for 2021 can be found on page 120. The peer group used is reviewed whenever benchmarking is performed, and the Committee applies judgement in identifying appropriate peer group constituent companies. The individual's level of total remuneration against the market is considered at the same time.

In 2020 both Executive Directors donated 20% of their base salary to charity for two months in recognition of the challenges facing public services and charities as a result of COVID-19. Executive Directors were able to nominate a charity of their choice or donate to NHS Charities Together. The donations were made through payroll giving and therefore the disclosures in the Single Figure Table are inclusive of these donations.

Benefits

Benefits are based upon market rates and include receipt of a car allowance, non-exclusive use of a driver, health insurance and death-in-service insurance payable by the Company. Following Andrew Livingston's appointment as CEO, the Remuneration Committee agreed that the Company would pay reasonable hotel costs in order to provide flexibility whilst he undertook the logistical demands of the role. In 2020 Andrew relocated and received a relocation allowance in line with the shareholder approved approach to recruitment remuneration of £94,340. Following receipt of the relocation allowance, no further payments were made in respect of hotel costs and no future payments will be made in respect of accommodation costs.

Pension

Both Executive Directors received a cash benefit in lieu of pension during the year. More information about future Executive Director pension benefits can be found on page 106.

LTIP

Mark Robson's LTIP figure was reported as £210,000 in the 2019 Remuneration Committee report. This was calculated using the average three-month share price to 28 December 2019. The figure contained in the single figure table has been calculated using the share price on 27 March 2020, that being the opening share price on the vesting date of the 2017 LTIP award.

Annual bonus (audited)

Targets for 2020

Our annual bonus for 2020 was based on PBT and cash flow measures subject to an aggregate maximum of 150% of salary. The PBT and cash flow measures were weighted as follows:

	PBT component		Cash flow component	
Threshold	£250.7m	(17% of salary)	£299.0m	(3% of salary)
Target	£268.3m	(63.75% of salary)	£325.0m	(11.25% of salary)
Outperformance	£281.7m	(127.5% of salary)	£342.0m	(22.5% of salary)

Outcomes for the year

The PBT figure for the year in relation to the annual bonus is £185.3m. The cash flow figure for the year in relation to the bonus was £291.7m. As both measures were below the threshold performance target, this award lapsed in full.

Remuneration Committee Report continued

Directors' remuneration report

Part 2: Application of policy in 2020 continued

Performance Share Plan (PSP) (audited)

Targets for 2020

The PSP awards granted from 2017 to 2020 have been measured against PBT growth over a three-year period. The PBT growth for the 2018 award was based on growth from FY 2017 to FY 2020. Any PSP award that vests is subject to a two-year holding period for serving Executive Directors.

Outcomes for the year

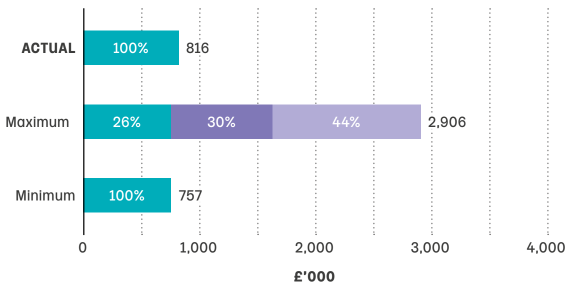
The 2018 PSP had a threshold requirement of 5% p.a. and a maximum requirement of 15% p.a. 2020 PBT was £185.3m, and therefore decline on FY 2017 was 7.2% p.a. The award will therefore lapse in full.

2020 remuneration scenarios

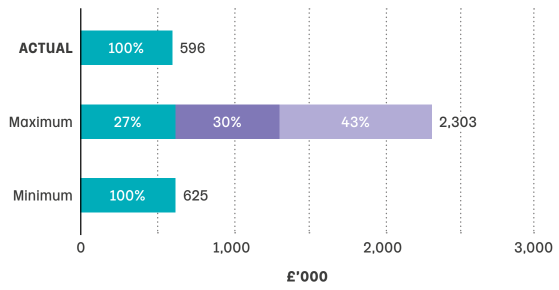
Below we have shown the projected maximum and minimum remuneration scenarios, as reported in the 2019 Remuneration Committee report, along with the actual outcome for 2020. Mark Robson's actual 2020 package value fell below the minimum scenario value reported in the 2019 Directors' Remuneration report as his 2018/19 benefits figure was used as a proxy for the calculation of the minimum scenario. In 2020, Mark's benefits reduced by 51% year-on-year and therefore the actual outcome is shown as having fallen beneath the minimum.

Value of package

Andrew Livingston



Mark Robson



Fixed elements of remuneration   Annual bonus   LTIP

Fixed elements of remuneration consist of the annual salary that the Executive Director will received for 2020, alongside their 2020 pension entitlement.

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

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

Directors' remuneration report

Fixed   Variable

Part 3: Implementation of policy in 2021

In this section of the Directors' remuneration report we set out how the Committee has implemented policy for 2021. Disclosures in this section are forward looking. The outcome of any variable award for Executive Directors will be reported in the Remuneration Committee report for the financial year 2021.

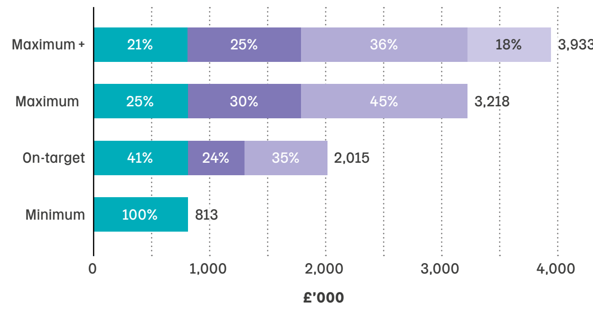
2021 remuneration scenarios

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

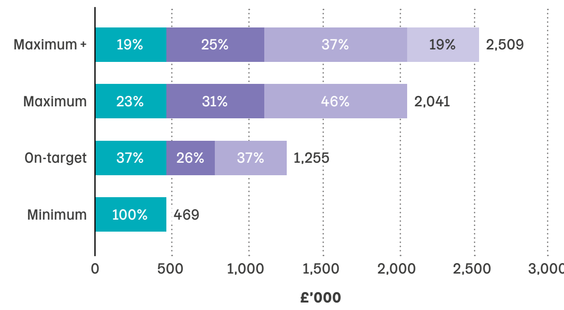
The composition and value of the Executive Directors' remuneration packages in a range of performance scenarios are set out in the charts below. These show that the proportion of the package delivered through long-term performance is in line with our Remuneration Policy and changes significantly across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

Value of package

Andrew Livingston



Paul Hayes



Fixed elements of remuneration   Annual bonus   LTIP   LTIP (attributable to 50% share price appreciation)

Fixed elements of remuneration consist of the annual salary that the Executive Director will receive for 2021, alongside their 2021 pension entitlement, and actual benefits received in 2019/20 (as a proxy for 2021).

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

LTIP is based on a maximum opportunity of 220% of salary in line with the 2021 grant (noting that the overall policy maximum is 270% of salary). Target opportunity is calculated as 50% of maximum (110% of salary).

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

Remuneration Committee report continued

Directors' remuneration report

Part 3: Implementation of policy in 2021 continued

Non-Executive Director fees

		Basic NED Fee[1]	Chair Fee	SID Fee	Committee Chair Fee
2021	Fee	**£58,500**	**£265,000**	**£15,500**	**£12,900**
	Effective date	**1 July 2021**			
2020	Fee	£56,650	£257,500	£15,000	£12,500
	Effective date	1 March 2020			

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

2 In recognition of the additional time requirement necessary to undertake the role of Non-Executive Director responsible for workforce engagement, the SID Fee was increased by £5,000.

Executive Director base salaries

Base salary increases from 2021 are set out in the table below.

	2021		2020	
Executive Directors	Salary (£'000)	Effective date	Salary (£'000)	Effective date
Andrew Livingston	650	1 January 2021	581	1 March 2020
Paul Hayes	425	-	-	-
Mark Robson	-	-	454	1 March 2020

The Committee has determined that it is appropriate to increase the salary for the CEO to £650,000 effective from 1 January 2021. Andrew joined Howdens in January 2018, becoming CEO on 2 April 2018 with a base salary of £550,000. Upon appointment, his salary was set at the lower end of the market against the group to reflect his experience at the time of appointment. Over the three years since his appointment, Andrew has firmly established himself in the CEO role. The Committee's view is that just as his lack of experience on appointment was taken into account when his salary was first set, his experience in the role should now be reflected in his pay.

The Remuneration Committee benchmarked the CEO's salary against refreshed size and sector peer groups. The proposed salary of £650,000 will position Andrew's salary just below median against the sector peer group, and at around 95% of the median for a size group of the companies 50 above and 50 below Howdens in the FTSE rankings. As stated in the Directors' remuneration policy summary on page 108, policy is to pay at median.

Since Andrew's appointment in 2018, he has led the business in producing strong performance for shareholders, with Howdens having a TSR of +49% over the period, resulting in the Company moving to a position just below the FTSE 100 in the FTSE rankings. The UK depot network has grown to 748 depots and we have delivered on core initiatives such as depot and product range improvements. In addition, we continue to significantly improve our customers' digital experience of Howdens and have seen progress in Howdens' overseas business in France and Belgium.

The strong business that Andrew has helped create has shown its resilience through the recent crisis, with all of our depots and manufacturing and supply operations now re-opened and performing strongly and safely. The growth seen in H2, particularly during peak autumn trading, was further evidence of his clear and successful leadership during the crisis. The business has stayed true to its original ethos of 'worthwhile for all concerned' during the crisis and the stakeholder experience of Howdens, be it from direct or indirect stakeholders, remains strong. In November 2020, the Board stated that it intended to repay all of the Government's CJRS payments, business rates deferred by local councils and deferred pension deficit payments before the end of the year. It also signaled that the Board would consider recommencing payments of dividends with the announcement of Howdens 2020 full year results in February 2021. Since this announcement, the Board has repaid all Government support and deferred payments. It has confirmed the payment of a final dividend in respect of 2020 and a 'catch-up' special dividend relating to the suspended 2019 final dividend.

As we continue to navigate this challenging period, the Committee considers it important that Andrew is remunerated fairly for the contribution he makes towards the business, relative to his peers.

Fixed Variable

Paul Hayes' base salary is £425,000 compared to Mark Robson's salary of £454,000. We have appointed Paul Hayes to the role of Chief Financial Officer only, and therefore the CEO role will have primary responsibility for the day-to-day running of the Group and the satisfactory execution of the policies and strategy agreed by the Board.

The increase to Andrew's base salary will apply from 1 January 2021. Thereafter, we will revert to the usual cycle of annual salary reviews that applies at Howdens each year in July, with the first review for Andrew in July 2022.

Annual bonus measures

The table below sets out Annual Bonus measures for 2021. Targets for these measures are considered commercially sensitive by the Board and so are not disclosed here. Performance targets, together with achievement against them, will be set out in full in the 2021 Remuneration Committee Report.

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

Performance Share Plan (PSP) measures

Set out below are the performance measures and relative weightings for each of the measures. For 2021 the maximum opportunity under the PSP remains 220% in line with the approach taken in 2020. The performance period is three years, measured over the relevant financial years, starting with the financial year of grant. See page 124 for scheme interests awarded in 2020.

PSP measure	PBT growth
Measure weighting	67%

	PBT growth performance condition	Payout level
PBT component vesting schedule	15% p.a.	100% of maximum
	Straight-line vesting between these points	
	5% p.a.	15% of maximum
	Less than 5% p.a.	0

PSP measure	Relative TSR
Measure weighting	33%
Comparator group and averaging period for TSR performance	• Companies ranked up to 50 above and 50 below Howdens by market capitalisation in the FTSE All Share index at or shortly before the start of the performance period (excluding Investment Trusts). • One month TSR average for the month preceding the first day of the performance period and one month TSR average for the final month of the performance period.

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

Under the terms of the Remuneration Policy approved by shareholders at the 2019 AGM, the 2021 PSP awards will be subject to a two-year post-vesting holding period.

Remuneration Committee report continued

Directors' remuneration report

Part 4: Additional disclosures

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

Service contracts/Notice period

All Executive Directors' employment contracts have twelve months' notice of termination on both sides. In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation. In other circumstances, Executive Directors may be entitled to receive compensation for loss of office which will be paid monthly for a maximum of twelve months. Such payments will be equivalent to the monthly salary that the Executive would have received if still in employment with the Company. Executive Directors will be expected to mitigate their loss within a twelve-month period of their departure of the Company.

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

Loss of office payments or payments to past directors

Mark Robson stood down as a Director of the Company on 26 December 2020. He will continue to receive his base salary and benefits pursuant to his service contract until 31 May 2021, during which period he will remain at the Company's disposal. The value of Mark's base salary for the period to 31 May 2021 will be £189,048, the value of the payments received in lieu of pension will be £34,029 and his other benefits for the period will be £8,058[1]. Following the termination of his employment on 31 May 2021, Mark will receive a payment of £171,043 in lieu of basic salary in respect of his unserved notice period (paid in equal monthly instalments). He will also receive payment for any accrued but unused holiday up to a maximum of £1,745. Mark will not receive an annual bonus in respect of the period following 26 December 2020. In accordance with the Company's approved loss of office policy, unvested awards under the 2019 and 2020 Performance Share Plan will be pro-rated for the proportion of the performance period in which Mark was employed and will vest on their normal vesting dates of 2 May 2022 and 7 August 2023 respectively, subject to satisfaction of performance conditions. Provided that Mark provides evidence to the Company to demonstrate that he continues to satisfy the post-employment shareholding rule set out in section 6 of the Shareholding Policy for so long as that requirement is in force, these awards will not be subject to a post-vest holding period. Mark's share awards held in the Share Incentive Plan will be released to him following his termination date. Mark's deferred bonus shares awarded pursuant to his 2019 bonus entitlements will vest on the normal vesting date subject to the rules of the Deferred Bonus Plan. All payments to Mark will be subject to deductions for tax and national insurance contributions. Other than the amounts disclosed above, Mark will not be eligible for any other payments for loss of office.

External appointments

It is recognised that Executive Directors may be invited to become non-executive directors of other companies and that exposure to such duties can broaden their experience and skills, which will benefit the Company. Howdens allows Executive Directors and other appropriate senior employees to accept a maximum of one external non-executive appointment outside the Company, subject to permission from the Committee, provided this is not with a competing company nor likely to lead to conflicts of interest. Andrew Livingston is currently Non-Executive Director of LondonMetric Property Plc, a FTSE250 REIT. Andrew received £51,775 in fees in respect of his role as Non-Executive Director. Andrew held this position upon appointment. Paul Hayes does not have any external appointments. Executive Directors may retain the fees paid to them in respect of their non-executive duties.

Total pension entitlements (audited)

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

The table on the next page sets out the accrued pension for the Executive Directors who served during the year, with pension values calculated using the HMRC method. No additional benefits become receivable if Executive Directors retire early. Mark Robson chose to opt-out of the memberships of the plan and therefore received a salary supplement of 24% of base salary in lieu of pension in 2020.

1 The benefits figure includes payment of a car allowance and health insurance. The value of the health insurance was calculated using the value of the 2020 benefit as proxy.

Fixed Variable

	Executive Directors	
	Andrew Livingston	Mark Robson
Accrued pension at 26 Dec 2020 (£'000)	-	48
Normal retirement date	-	15/01/2019
Pension value in the year from defined benefit component (£'000)	-	-
Pension value in the year from defined contribution component (£'000)	-	-
Pension value in the year from cash allowance (£'000)	106	113
Total	106	113

Director shareholdings (audited)

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

The table below sets out the total shares held together with unvested performance shares and those held subject to deferral conditions. No options were exercised by the Executive Directors during the year.

	Current Executive Directors	
	Andrew Livingston	Paul Hayes
Shareholding requirement %	200%	200%
Shareholding requirement (number of shares)[1]	179,024	131,031
Owned outright (including connected persons)	138,442	0
Share awards subject only to continued employment[2]	246	0
Share awards subject to performance conditions and continued employment[3]	761,967	0
Options subject to performance conditions	-	-
Vested but unexercised options	-	-
Current shareholding (% of salary)[1]	155%	0%
Guideline met	N	N

1 Based on a share price of £6.487, being the three-month average price to 26 December 2020, and basic salary as at 26 December 2020. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons at 26 December 2020 and the Executive Director's salary at that date.

2 Share Incentive Plan.

3 Performance Share Awards under the Long Term Incentive Plan.

Non-Executive Director shareholdings (audited)

There is no shareholding requirement for Non-Executive Directors.

	Non-Executive Director:					
	Karen Caddick	Andrew Cripps	Geoff Drabble	Louise Fowler	Richard Pennycook	Debbie White
Shareholding:	6,000	3,000	3,000	470	54,663	4,562

No changes to the Executive and Non-Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 24 February 2021.

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Remuneration Committee report continued

Directors' remuneration report

Part 4: Additional disclosures continued

Scheme interests awarded during the financial year (audited)

During 2020 the Executive Directors were invited to participate in the Performance Share Plan (PSP) and Share Incentive Plan (SIP), as follows:

Nature of award:	Award of conditional shares under the PSP	
	CEO	Deputy CEO & CFO[2]
Number of shares under award	250,431	195,689
Face value of award[1]	£1,278,200	£998,797
Performance condition	Proportion of PSP award subject to the performance condition	
TSR performance condition:	67%	
PBT performance condition:	33%	
TSR component vesting schedule	Position at which Howdens ranks compared to comparators	Proportion of TSR portion of Award that may vest
	At or above upper quartile	100%
	Straight line vesting between these two points	
	At median	15%
	Below median	0%
PBT component vesting schedule	Annualised PBT growth over Performance Period	Proportion of PBT portion of Award that may vest
	15% p.a.	100%
	Straight line vesting between these two points	
	5% p.a.	15%
	Less than 5% p.a.	0%
Performance period	Performance measured from FY2020 to FY2022	
Grant date	7 August 2020	
Vesting date	7 August 2023	
Additional holding period	2 years	

1 Based on a share price of £5.104, being the closing price on 6 August 2020.
2 Mark Robson's share awards under the 2019 and 2020 PSP will be pro-rated in line with the Good Leaver provisions in the Howdens Long Term Incentive Plan rules to reflect his termination date from the Company. There is no accelerated vesting of these awards and they will vest in proportion to the performance achieved by the Company in respect of each performance period. Shares awards will only be released to Mark Robson once he has demonstrated that he has maintained the post-vesting shareholding requirement as set out in the Executive Director Remuneration Policy.

Nature of award:	Free Shares under the SIP	
	CEO	Deputy CEO & CFO
Number of shares under award	46	46
Face value of award[1]	£247	£247
Performance conditions	None	
Grant date	7 April 2020	
Vesting date	7 April 2023	

1 Based on a share price of £5.360, being the closing price on 6 April 2020.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee met seven times during 2020 and discussed a number of items for which it is responsible. Under its terms of reference, which are reviewed on an annual basis, the Committee is responsible for determining the broad policy and specific remuneration packages for Executive Directors and senior management (that being the members of the Executive Committee, the Company Secretary and the Head of Internal Audit and Risk), including pension rights and, where applicable, any compensation payments. The Committee is also regularly updated on pay and conditions applying to other employees in the Company.

Fixed Variable

Provision 33 dashboard template

This dashboard shows some of the key internal and external measures and information presented to the Committee when they determine Executive Director and senior management remuneration. These measures are considered in addition to wider workforce-related policies and the alignment of incentives with the culture of the organisation. The dashboard is populated with up-to-date information prior to each meeting where it is to be considered.

Workforce Reward
- Salary
- Pensions
- Benefits
- Bonus
- Shares

Provision 40
- Clarity
- Simplicity
- Risk
- Predictability
- Proportionality
- Alignment to culture

External Ratios

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

Gender Pay Gap

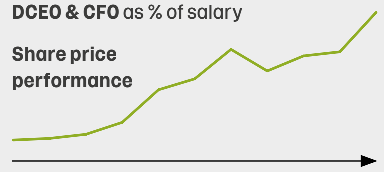
Group	Prior Year	Current
Mean pay gap		
Median pay gap		
Bonus mean gap		
Bonus median gap		

Shareholder Alignment

Executive Director shareholdings

CEO as % of salary
DCEO & CFO as % of salary

Share price performance



The Committee also considers the appropriateness of introducing a maximum cap on Executive reward for the coming year.

Advisors to the Committee

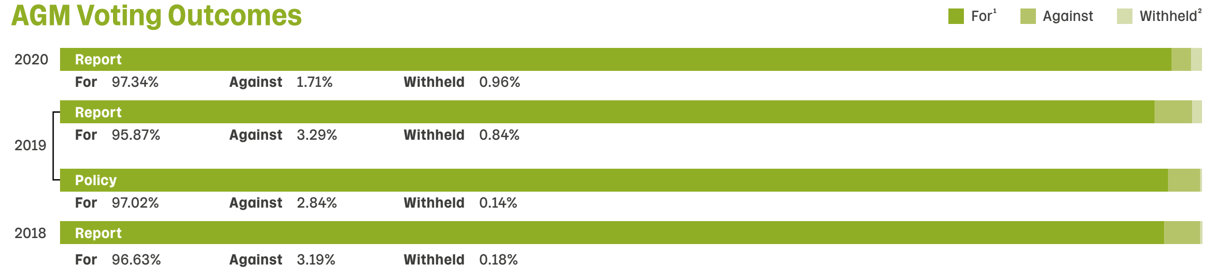
The Committee regularly consults with the CEO and the Group HR Director on matters concerning remuneration, although they are never present when their own reward is under discussion. The Company Chair attends the Remuneration Committee by invitation except when his own remuneration is determined. The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

The Committee also has access to detailed external information and research on market data and trends from independent consultants. PricewaterhouseCoopers LLP (PwC) is the Committee's retained independent advisor and provided advice to the Committee during the year. PwC has been independent advisor to the Committee since 2007 and was appointed by the Committee as the result of a tender process. During the year, the Committee reviewed the ongoing independence of PwC as adviser to the Committee and agreed to retain them. It was satisfied that PwC was providing robust and professional advice. Work undertaken by PwC for the Committee included updating the Committee on trends in compensation and governance matters and advising the Committee in connection with benchmarking of the total reward packages for the Executive Directors and other senior members of staff. A representative from PwC attends each meeting of the Remuneration Committee. Fees paid to PwC in relation to remuneration services provided to the Committee in 2020 totalled £119,200 with fee levels based on the quantity and complexity of work undertaken. PwC also provided consultancy advice and support to the internal audit function to the Company during 2020. PwC is a member of the Remuneration Consultants' Group which operates a code of conduct in relation to executive remuneration consulting.

Voting at the 2020 AGM

The results of the advisory vote on the Directors' remuneration report at the 2020 AGM may be found in the chart below, along with the results of the 2019 and 2018 AGMs.

AGM Voting Outcomes



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

By order of the Board

Karen Caddick
Remuneration Committee Chair

24 February 2021