

# Corporate governance report

## Board meeting attendance

Richard Pennycook (7/7)  
Karen Caddick (7/7)  
Andrew Cripps (7/7)  
Geoff Drabble (7/7)  
Louise Fowler (7/7)  
Paul Hayes (7/7)  
Andrew Livingston (7/7)  
Debbie White (7/7)

## Using the corporate governance report

- Part 1: Board and Executive Committee profiles and key Board activity during the year.
- Part 2: Directors' duties and section 172 disclosure.
- Part 3: Stakeholder engagement.
- Part 4: UK Corporate Governance Code compliance.

## 2022 Annual General Meeting (AGM)

Details of the 2022 AGM may be found in the 'Additional information' section on page 202.

## Share capital and significant agreements

Specific statutory and regulatory disclosures previously contained in this report have been moved to the 'Additional information' section on pages 202 and 203.



Richard Pennycook  
Chairman

## Introduction from the Chairman

I wrote in this report in 2020 that COVID-19 had impacted all of our lives in ways we could not have imagined a year ago. Sadly, this continues to be true. We started the year locked down, although thankfully still trading, and the first two Board meetings of the year were held virtually. Once again, we are having to manage with a further wave of the pandemic and, as before, we will prioritise the health and safety of our employees and customers first.

## Resilience

Our strong trading performance this year has been underpinned by good governance practice, which has given the business the resilience to prosper even in challenging times. It would be easy to assume that this resilience was just inherent within the business, but that is not the case. It comes from good governance, clear accountabilities and reporting lines, careful planning and relentless execution.

A good example of this resilience in action can be seen in the position taken in relation to safety stock. Long before consensus had moved from 'just in time' to 'just in case', Howdens had built significant safety stocks in order to safeguard its in-stock offering. Originally done as a measure to safeguard against the impact of Brexit, contingency stocks of fast-moving products have been increased since the start of the pandemic. This meant that, even in the face of significant disruption in global supply chains, Howdens was able to continue to supply its customers with kitchens. The Board received regular updates from the Supply Chain Director as well as updates from the CEO and CFO and were supportive of the position taken on inventory.

Our stakeholder relationships are also vital in building resilience and safeguarding value, and the Board will continue to focus on these relationships. Our contingency stock build would not have been possible without strong supplier relationships. Similarly, our relationship with employees meant that we were not impacted by the HGV driver shortage as others were. But in addition to fostering good stakeholder relationships, resilience also comes from good business as usual governance safeguards. During the year the Board continued to prioritise health and safety, risk and whistleblowing. In early 2022, the Board will appoint new auditors (more information on this can be found on pages 137 and 138) and we will ask shareholders to approve an updated Directors' Remuneration Policy (which begins on page 111).

## Sustainability

With the exception of COVID-19, the overarching theme for 2021 has been sustainability. Businesses and individuals have been challenged to consider the sustainability of their behaviours to try and prevent irreversible climate change and to address the social inequities that we face. In 2021, we have built on our existing climate risk and governance structures and have begun a wide-ranging Task Force on Climate-Related Financial Disclosures ('TCFD') implementation project, which we report on in more detail beginning on page 52.

The Board also set up a Sustainability Committee during the year to provide a separate forum, not impacted by the time pressures of the wider Board agenda, in which these matters could be properly considered. The report of the Sustainability Committee is set out on page 142. More detail on sustainability initiatives can be found in our Sustainability Matters report, which starts on page 46.

This is clearly an area where the Company will engage with stakeholders and report in greater detail going forwards.

## Pensions

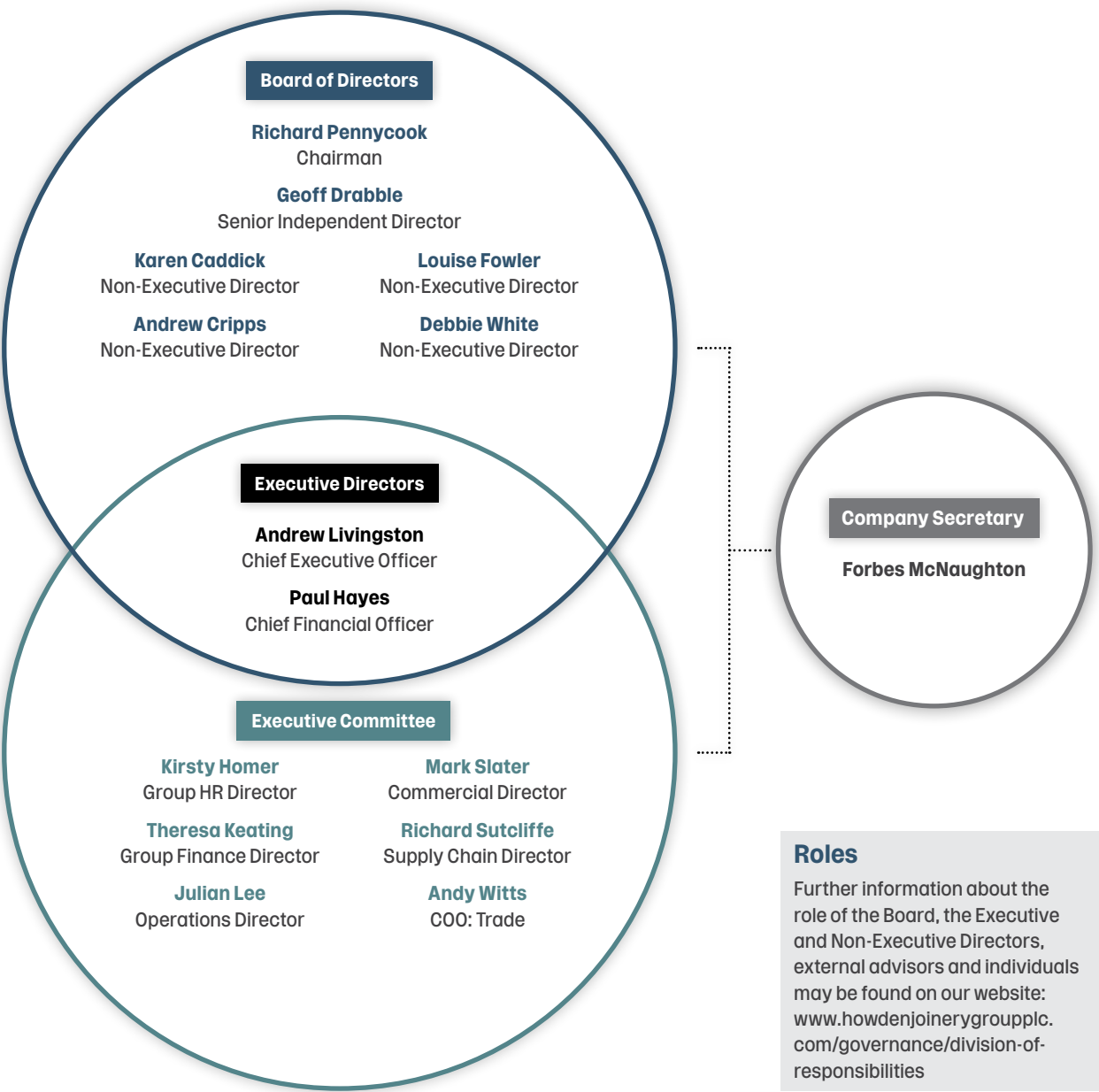
2021 was a significant year for the Company and the Board in respect of the Defined Benefit Pension Plan (the 'Plan'). During the year, the Plan's funding position improved so that it was in surplus on a technical provisions basis. It has remained there since and, due to the funding arrangements agreed with the Pension Trustees, Company contributions to the deficit have ceased. The Plan was also in surplus on an IAS 19 accounting basis.

In January, the Board approved the closure of the Plan to future accrual. The rationale for doing so was very clear:

it would ensure greater certainty and predictability of Plan costs which would help support the long-term viability of the Company. The two-tier pension structure which had developed was also at odds with Howdens' underlying ethos that it should be worthwhile for all concerned and provision of more equitable pension benefits across the workforce was also a determining factor when considering closure. While difficult for those employees affected, Howdens goes into 2022 with a much-improved retirement savings offering for the majority of its employees which, from April 2022, will be aligned across the organisation.

Such decisions demonstrate that the principle of worthwhile for all concerned continues to form the basis upon which all Board decisions are made.

## Board and Executive Committee structure



Corporate governance report continued

Board of Directors

Executive Directors



**Andrew Livingston**  
Chief Executive Officer



**Paul Hayes**  
Chief Financial Officer

Appointed

Andrew was appointed to the Board as Chief Executive Officer on 2 April 2018.

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

Contribution to the long-term sustainable success of the Company

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

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

Other listed company appointments

Non-Executive Director at LondonMetric Property Plc

None

Committee Membership

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S

Non-Executive Directors



**Richard Pennycook**  
Independent Non-Executive Chairman



**Geoff Drabble**  
Senior Independent Director and Non-Executive responsible for workforce engagement

Appointed

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

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

Contribution to the long-term sustainable success of the Company

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

Geoff brings extensive experience of the building products and construction markets having spent over a decade as CEO of Ashtead Group Plc in addition to his current appointment as Chairman of Ferguson Plc. He also has extensive experience from his time as an executive director at the Laird Group, where he was responsible for the Building Products division. Geoff understands and has managed businesses with multi-site depot operations and he has strong business-to-business sector experience. Geoff is also Chairman of DS Smith Plc, the global provider of sustainable packaging solutions, paper products and recycling services.

Other listed company appointments

Chairman of On the Beach Group plc

Chairman of Ferguson Plc  
Chairman of DS Smith Plc

Committee Membership

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Key to Board Committee membership

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 Audit Committee

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 Remuneration Committee

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 Nominations Committee

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 Sustainability Committee

Chair of Committee

Independence

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



**Karen Caddick**  
Independent Non-Executive Director



**Andrew Cripps**  
Independent Non-Executive Director



**Louise Fowler**  
Independent Non-Executive Director



**Debbie White**  
Independent Non-Executive Director

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

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

Louise was appointed to the Board in November 2019.

Debbie was appointed to the Board in February 2017.

Karen's professional experience provides her with a strong diversity of perspective and cultural fit to help with the leadership of the Howdens business. Having served as the Group Human Resources Director of large listed organisations such as Saga Plc and RSA Insurance Group Plc (now RSA Insurance Group Limited), Karen has particular strengths in organisational development, delivery of diversity programmes, and executive remuneration. These attributes have stood Karen in good stead for her role as Chair of the Remuneration Committee and has made her a valuable addition to the Nominations Committee.

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

Louise has over 25 years' customer, brand and digital experience at a senior level. Her experience encompasses publicly listed and private businesses, the mutual sector and not-for-profit organisations. Louise's strong background in consumer experience and reputation is valuable to the Company as it strives to provide a strong aftersales service to further support the builder customer. Her digital experience also provides valuable insight given the investment the Company continues to make in its digital programme. Louise is an Honorary Professor in Marketing at Lancaster University Management School.

Debbie has direct operational experience in the business-to-business sector from her time as CEO at Interserve Plc. She also has in-depth knowledge of the UK and French markets, both of which Howdens operates within. Her previous experience as a CFO and as Chair of the Audit Committee of the charity Wellbeing of Women ensures Debbie has strong financial awareness and competence. Debbie is currently interim HR Director at BT Plc and has also supported Howdens management in the formation and delivery of its Equality, Diversity and Inclusion (EDI) programme.

None

Deputy Chair of Swedish Match AB

Non-Executive Director of Assura Plc

Non-Executive Director of PAVmed Inc.<sup>1</sup>

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1 The Board considered Debbie's appointment as Non-Executive Director of PAVmed Inc. prior to her appointment. The Board was satisfied that Debbie had the requisite time available to commit to her responsibilities in her role as Non-Executive Director of Howdens. Further information is available on page 92.

Howden Joinery Group Plc Annual Report & Accounts 2021

Howden Joinery Group Plc Annual Report & Accounts 2021

Strategic report

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# Corporate governance report continued

## Key Board activity

Set out below and on the facing page are highlights of the matters the Board considered in 2021 and will consider in 2022. Not all of the matters the Board considered or will consider are listed, therefore this should not be considered an exhaustive list of activities.

In addition to the matters shown on the 2021 timeline, at each meeting the Board received strategic, operational and financial updates from the CEO and CFO. The Board also considered aspects of Group culture and strategy at various points during the year.



2021

January

- Health and safety
- Defined Benefit Pension Plan closure
- 2021 budget
- Investor relations update

Executive Committee presenters:  
RF KH TK JL AW

February

- ESG update
- Draft 2020 preliminary results
- Draft 2020 Annual Report and Accounts and 2021 AGM documents
- Dividend and capital returns strategy, including Special Dividend
- Investor relations update
- Risk update
- Non-Executive Directors' fees
- Principal Advisors

Executive Committee presenters:  
RF

April

- Health and safety
- Group Policies and Statements
- Investor relations update
- Dividend Reinvestment Plan introduction
- Share Incentive Plan expansion
- Strategic planning (separate session)

Executive Committee presenters:  
AG KH TK JL MS RS AW

May - AGM

Details of how the meeting was held in a COVID-safe manner may be found on page 88. All resolutions were passed with the requisite majority.

2022

January

- 2022 Budget
- Health and safety
- Whistleblowing report
- Investor Relations
- Governance update
- Review of Principal Risks
- Board evaluation feedback

February

- Draft 2021 preliminary results, draft 2021 Annual Report and Accounts and 2022 AGM documents
- Shareholder and capital returns
- Health and safety
- NED fees
- Principal advisor review
- Approval of principal advisors

April

- Strategic opportunities and long-term planning
- Health and safety
- Pensions
- Investor Relations

May

- AGM - further details on page 202

Executive Committee presenters

<b>RF</b> Rob Fenwick (Chief Governance Officer) <sup>1</sup>	<b>JL</b> Julian Lee (Operations Director)	<b>MS</b> Mark Slater (Commercial Director)
<b>KH</b> Kirsty Homer (Group HR Director)	<b>AW</b> Andy Witts (COO: Trade)	<b>RS</b> Richard Sutcliffe (Supply Chain Director)
<b>TK</b> Theresa Keating (Group Finance Director)	<b>AG</b> Andy Gault (Group Digital Director)	

Governance and risk

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

Risk remains a matter reserved for the Board and a detailed review of our risk management processes and principal risks can be found on pages 38 to 45. We have reviewed our risk management processes and remain satisfied that they are robust and effective.

Reporting from our whistleblowing helpline is also considered by the Board on a biannual basis.

Shareholder engagement

Information about how we engage with shareholders can be found in our section on Stakeholder Engagement on pages 88 and 89.

June

- Health and safety
- Appointment of new external auditor
- Pensions update<sup>2</sup>

Executive Committee presenters:  
MS AW

July

- ESG review (including EDI)
- Health and safety
- Strategy update, including capital allocation
- Broker update
- Investor relations update
- Digital update
- Draft interim results and announcement
- Principal Risks

Executive Committee presenters:  
MS AW

September

- Warehousing proposal
- Supply Chain update
- France and Belgium update
- Health and safety
- Investor relations update
- Pensions Scheme Act 2021 training

Executive Committee presenters:  
RS

November

- Update on strategic initiatives
- Periods 10 and 11 performance
- Health and safety
- Pensions update<sup>2</sup>
- Investor relations update
- Schedule of Matters Reserved for the Board and Board Committee Terms of Reference
- 2022 Board calendar

Executive Committee presenters:  
AG

1 Rob retired from the Executive Committee in February 2021.  
2 The Company's actuaries reported to the Board on routine funding and investment matters and the Chair of the Pension Trustees attended to provide an overview of the Trustees' funding and investment strategy and to seek approval from the Board of its long-term strategy proposal.

Corporate governance report continued

Executive Committee and Company Secretary

Executive Committee members					
					
<b>Kirsty Homer</b> Group HR Director	<b>Theresa Keating</b> Group Finance Director	<b>Julian Lee</b> Operations Director	<b>Mark Slater</b> Commercial Director	<b>Richard Sutcliffe</b> Supply Chain Director	<b>Andy Witts</b> Chief Operating Officer: Trade
<b>Appointed</b>  Kirsty joined Howdens in September 2020 and was appointed to the Executive Committee in December 2020.				 Richard joined Howdens in January 2019 and was appointed to the Executive Committee in July 2020.	
 Theresa joined Howdens in September 2000 and has been a member of the Executive Committee since February 2012.				 Andy joined Howdens in July 1995 and has been a member of the Executive Committee since September 2008.	
<b>Experience and contribution to creating value in the business</b>  Kirsty is a highly experienced HR practitioner, who has previously served as Global People & Governance Director at Mothercare Plc and held senior HR roles at Waitrose and John Lewis before being appointed Personnel Director there in 2013.  Kirsty is key in ensuring the business has the right people and talent to fulfil its strategic aims. Following the retirement of the Chief Governance Officer, Kirsty has led the business's Equality, Diversity and Inclusion (EDI) agenda and has been instrumental in designing its EDI strategy and gaining agreement on priority areas.				 Prior to joining Howdens, Richard was Director of Supply Chain at Screwfix. Before this, he held senior supply chain and business planning roles at Hobbycraft, Wyevale Garden Centres and B&Q.  Richard's role as Supply Chain Director encompasses optimising stock holdings across the business and ensuring Howdens maintains market leading stock availability. He is also leading the XDC project, which is delivering superior service levels and availability to depots.	
 Theresa was appointed Group Finance Director in May 2014, having been Group Financial Controller since 2007. She joined the Group Finance team in 2000 having previously held various commercial finance roles at Waterstones, HMV and Heals. Theresa is also a trustee of E-Act, a multi-academy trust.  Theresa leads the key controls project, which is improving the business's capability to identify operational, IT and financial controls which mitigate our key and principal risks. Following the retirement of the Deputy CEO & CFO at the end of 2020, Theresa has also provided valuable stability and continuity in the Finance function.				 Andy was one of the founding members of the Howdens depot management team, having joined from Magnet in 1995. He was promoted from the regional team to become Sales Director in January 2007 and was appointed Chief Operating Officer of Trade in January 2014.  Andy has overall responsibility for the performance and culture of depots and associated support functions in the UK and Ireland. He oversees the evolution of our depot estate, including our strategically important depot reformatting and the opening of new depots. He is key in ensuring our depots build trusted relationships with local tradespeople.	
 Prior to joining Howdens, Julian worked in a number of strategic and operational roles within the Silentnight Group. He joined Howdens in 2003 as a leader of the Manufacturing Division and from 2005 to 2009 was head of international sourcing and supply chain in Asia. Since 2009, Julian has made a major contribution to the transformation of our supply chain and operations and in 2020, he was appointed Operations Director, encompassing both manufacturing and logistics.  Julian leads our strategic manufacturing investments, including increased in-house manufacturing capability and capacity.				 Mark has over 25 years' experience in retail and trade businesses working in senior commercial, marketing and strategy roles. Prior to joining the business, Mark held senior commercial positions with Travis Perkins Plc, The Walt Disney Company and Dixons Carphone.  Mark's role as Commercial Director includes range management, which is one of the business's key strategic initiatives. Balancing choice and new product with disciplined range management is crucial to ensuring both availability and profitability.	

Executive Directors




**Andrew Livingston**  
Chief Executive Officer

**Paul Hayes**  
Chief Financial Officer

Andrew and Paul's profiles may be found on page 76

Company Secretary



**Forbes McNaughton**  
Company Secretary

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

**Experience and contribution to preserving value in the business**  
  
Forbes joined the Company as Deputy Company Secretary in 2012 following a period of secondment from KPMG. He is a fellow of the Corporate Governance Institute (CGI) and is Secretary to the Executive Committee as well as to the Board of Directors.  
  
Forbes is the link between the Executive Committee and the Board and is responsible for managing a number of external stakeholder relationships such as with the Pensions Trustees and external regulators. He is the head of the legal function in addition to his corporate governance responsibilities.



# Corporate governance report continued

## Directors' duties

### Section 172(1) statement

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

### Environment and community

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



### Reputation

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



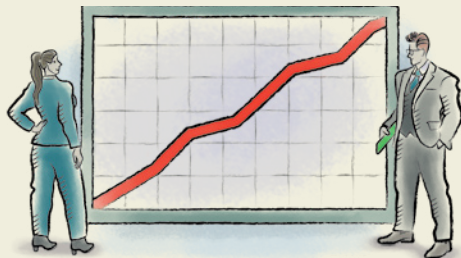
### Long-term thinking

The likely consequences of any decision in the long term.



### Investors

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



### Workforce

The interests of the Company's employees.



### Suppliers

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



### ...Customers



Howdens is a company that strives to be worthwhile for all concerned. It's the principle that we were founded on. But balancing the needs and views of all of our stakeholders is challenging as there are often competing interests. This is why the Board first and foremost considers our purpose, our culture, our mission and our strategy to ensure all decisions have a clear and consistent rationale. For details on the matters which the Board discussed and debated during 2021 please see pages 78 and 79.

The Board regularly considers feedback from the Company's stakeholders. These are set out in detail on pages 84 to 89. The Board considers this engagement to be effective and in keeping with the Company's culture. For example, much of the feedback is conversational rather than formal but where there is need for confidentiality, such as whistleblowing, this is also provided. Stakeholder feedback can directly affect the Board's decision making (such as feedback received in relation to the Directors' Remuneration Policy) but it also provides the context for decision making, particularly where there are competing stakeholder interests. The Board also established the Sustainability Committee during the year to consider environmental and societal matters in more detail (see pages 142 and 143 for more detail on the Committee's duties and remit). The work of this committee will directly affect the Board's decision making.

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

We have set out some examples below of how the Directors have had regard to the matters in section 172(1)(a)-(f) when discharging their Section 172 duty and the effect on certain decisions taken by them in 2021.

### Defined Benefit Pension Scheme Closure

In January 2021, the Board approved the closure to future accrual of the Defined Benefit Pension Plan ('DB Plan') with effect from 31 March 2021. The closure followed a period of formal consultation with DB Plan members, the DB Plan trustees and collective bargaining groups.

When considering the closure of the DB Plan, the Board was keenly aware of the competing interests of the stakeholders involved and therefore ensured its decision making was ultimately driven by the need to offer pension provision which was worthwhile for all concerned and sustainable in the long-term. In line with this, the Board was clear that the defined contribution scheme (DC Plan), into which DB Plan members would move and in which most UK employees were participating already, needed to be made more competitive in addition to the DB Plan closure, and it therefore approved a competitive new DC Plan design.

In coming to its decision to close the DB Plan and to approve a new design for the DC Plan, the Board was mindful of the potential negative impact on existing DB Plan members' future pension benefits; however, it considered that the following benefits of the closure were substantial:

- Greater certainty and predictability of DB Plan costs and contributions from the Company, which in turn supports the long-term viability of the Company to the benefit of its investors, workforce, customers, pensioners, and suppliers; and

- Provision of more equitable pension benefits across the workforce and greater flexibility of pension benefits to tailor to individuals' circumstances.

To further reduce the impact of closure on DB Plan members, and in line with feedback given during the consultation period, the Board approved the use of transition payments and a change to the rules to allow DB Plan members who remained employed until retirement to use their top up DC Plan funds as their tax-free retirement lump sums.

### Capitol Park - warehousing strategy

In September 2021, the Board approved a new warehousing facility close to our Howden site. The rationale behind such a decision was to further support the successful vertical integration strategy by securing long-term warehousing for its manufactured stock, the manufacturing capabilities for which had seen significant investment approved in 2020.

In reaching its decision to approve the lease of the Capitol Park facility, the Board considered the likely consequences of its decision in the long-term. Whilst the Board was mindful of the impact of increased in-house manufacturing capability on some existing supplier relationships, it noted that the benefits of the proposals included shareholder value creation and environmental benefits, the leasing of one large site being more cost and energy-efficient than the leasing of several smaller sites over a wider geographic spread. In addition, Capitol Park will afford the business the flexibility to use more of the space at the Howden site for manufacturing in future, further supporting its vertical integration strategy. The Board also noted that there was the potential for job creation through the lease of an additional site and that the additional warehousing space supported the business model by ensuring the Group could remain in-stock for the benefit of its trade customers.

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

### Shareholder returns - special dividend

Following the decision to suspend dividend payments in 2020 due to the impacts of the COVID-19 pandemic, the Board approved the payments of a final dividend (in respect of the year ended 26 December 2020), a special dividend, and an interim dividend in 2021.

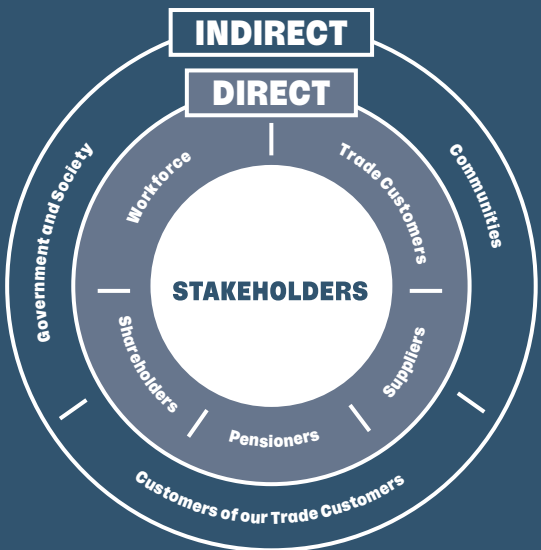
In coming to its decision to pay a special dividend (equivalent to the cancelled 2019 final dividend), the Board considered the health of the Group's finances, future investment opportunities, expected peak working capital requirements, and trading outlook, and noted the strong trading and cash performance in the second half of 2020. The Board also took this decision following the repayment of all financial support the business received in 2020 under the Government Coronavirus Job Retention Scheme and the payment of any deferred payments ahead of agreed schedules (see page 79 of the 2020 Annual Report and Accounts). This was the right thing to do at the time given the Board's wider statutory obligation to society as well as its shareholders. Shareholder feedback at the time was also supportive of the decision. However, once other stakeholders had 'been made whole', the Board considered it important that cash returns to shareholders should resume and that shareholders, a significant number of whom are also employees in the Group, should receive a one-off additional return given the strong position of the Group.



# Corporate governance report continued

## Stakeholder engagement

### Howdens' stakeholders



### Stakeholder and forms of engagement

Workforce	pages 84 to 85
Trade customers	pages 86 to 87
Suppliers	pages 86 to 87
Pensioners	pages 88 to 89
Shareholders	pages 88 to 89



### Workforce

- Engagement with our workforce includes the following:
- Regional Board meetings
  - Employee engagement surveys
  - Senior leadership meetings
  - Town hall meetings
  - Trade union and works council meetings in manufacturing



### Non-Executive Director responsible for workforce engagement

In 2019, the Board appointed Geoff Drabble as the Non-Executive Director responsible for workforce engagement.

### Regional Board meetings

Regional Board meetings are a forum for the depot leadership team and Executive Committee members to discuss strategy and day-to-day business matters on a regular basis. Our COO of Trade attends all meetings and all regional directors, area managers and depot managers attend the meetings applicable to their region. Our CEO attends a number of these meetings each year. Certain support functions (including Finance and HR) also regularly attend. One Regional Board meeting is held per region per period, providing over 100 opportunities each year for two-way discussions about critical business issues.

### Defined Benefit Pension Plan ('DB Plan') consultation

At the end of 2020 and beginning of 2021, team briefings with management groups and trade union representatives were held to gather views on the proposed closure to the DB Plan to future accrual. Internal communication channels were used to keep the workforce informed of the consultation progress and the outcomes of the process. The closure of the DB Plan was agreed with the Pension Trustees and the trade union, and approved by the Board to take effect in March 2021. Further information regarding the outcome of the consultation is available on pages 83 and 89).

### Local engagement surveys and employee forums

Following a period of significant sales growth and the introduction of new ways of working in depots due to COVID-19, the trade leadership team decided to use local engagement surveys to understand how our depot teams were feeling and to get feedback on local issues.

Feedback from the surveys identified common strengths across the depot network, including knowing and understanding what the expectation was of individuals, believing depot managers are committed to quality, and believing Howdens to be a great place to work. Common areas for development were also identified and included wanting more opportunities to learn and develop and the opportunity to do what they do best.

Regional directors are leading the follow-up locally, using a combination of general results sharing and one-to-one discussions. Results are being compared across regions to identify further trends.

Building on the success of the all-employee survey in 2019, the business will participate in the Best Companies engagement survey for all employees in March 2022.

In addition, informal feedback sessions are hosted by area managers to address local issues and are usually organised into sessions by job role, but may also be organised by depot or a specific issue. Issues raised are often of a local nature and are resolved locally. Where there are broader issues, area managers will liaise with the wider business for a resolution. These forums also act as an opportunity to exchange best practice as well as to meet colleagues from other depots.

### Senior Leadership Meetings ('SLMs')

The Senior Leadership Team (SLT) is made up of around 25 leaders from across the business who work closely with the Executive Committee to develop and deliver our business plans. The SLMs are designed to encourage open and frank discussions across all business matters.

Members of the SLT are invited to present to the Board directly when relevant, which is both important for individuals' development, but also provides the Board with an ongoing view of the talent pipeline below Executive Committee level.

### Whistleblowing helpline

The Company uses a third-party operated, confidential whistleblowing helpline. The helpline is multilingual and available 24 hours a day. The Company Secretary provides the Board with a bi-annual report which details the number and nature of whistleblowing instances made during the period. Whilst no specific complaints were escalated for Board attention, the governance processes are in place should this be deemed necessary.

# Corporate governance report continued

## Stakeholder engagement continued

### Trade customers

Engagement with our trade customers includes the following:

- Local depots
- Builder forums
- Cabinet research groups
- Customer surveys



#### Local depots

The primary method of engaging with our trade customers since Howdens opened its doors in 1995 has been through the conversations at the local depot. The relationship between the depot manager and the trade customer has always been at the heart of what we do. Our depot managers feed back builder views to management at Regional Board meetings, which the COO of Trade is present at and which the CEO and other members of the Executive Committee often attend. Feedback from Regional Board meetings influences product and pricing decisions. However, it also reinforces our strategic decisions on new depot openings, ensuring that we are maintaining excellent customer service and investing in new product.

During 2021, the Regional Board meetings were held both in-person and virtually. From these meetings, managers were able to feedback directly to the CEO, COO of Trade and other senior executives about any matters affecting their depots and their customers.

#### Builder forums

Ensuring all levels of our organisation understand the challenges of our trade customer is fundamental to ensuring our service proposition is worthwhile to them. We therefore hold regular direct feedback sessions with our trade customers in the form of Builder Forums. These forums normally see a small group of customers coming together in an informal setting to talk about their experience of our product and also how it compares with others in the market. The agendas for the forums are driven by the customers themselves.

In 2021, 11 forums were held with our trade customers, 9 of which were held virtually. In response to feedback from the forums, we made a number of product and process improvements, including improving how our back panels are fixed to our base cabinets by investing in an automated process at our Runcorn manufacturing site and by trialling a new size of worktop in selected depots to gauge demand.

The business will once again host Builder Forums in 2022. Depending on the COVID-19 measures in place at the time, these may be held virtually or in-person.

#### Cabinet research groups

In 2021, four research groups were conducted in-person with a cross section of small builders, landlords, and developers within COVID-safe environments. The participants involved were selected to ensure a balanced mix of customer participants, all of whom had purchased and installed a minimum of two kitchens in the last 12 months.

The sessions were hosted by an independent agency and focused on our cabinets and those of our trade and retail competitors. In particular, cabinet construction, quality and ease of installation were considered. These sessions are key to ensuring that our cabinets are the best in the trade market. Our 2021 session results showed that customers still favour Howdens' rigid units over our competitors' and rank our specification as the best in the market.

However, the feedback also confirmed further opportunities to improve our specification and packaging solution even further. Initiatives are currently underway to explore these opportunities further.

As a result of earlier cabinet research groups, we have halved the allowable tolerance on key cabinet features, making our cabinet measurements even more precise, which enables better assembly of our kitchens by our customers. We achieved this by improving our manufacturing capability on production lines and by implementing exacting controls in our processes. To ensure these new tolerances are maintained, investment was made in a highly accurate, 'state of the art' laser measuring system, which will also be used going forward to validate continuous improvement activities.

#### Customer surveys

We run a monthly online survey with over 40,000 of our trade customers to gain insight into their trade job activity, the proportion of their spend with us versus competitors, and their overall business 'optimism'. We also use these surveys to engage customers on specific topics such as stock availability in the market, their perception on customer service, product quality, and range feedback. This knowledge allows us to be 'on the pulse' of what is going on in the market and to understand the challenges that our trade customers face.

### Suppliers

Engagement with our suppliers includes the following:

- Supplier conference
- Category team relationships



#### Supplier conference

Each year, our key suppliers are invited to join senior leadership at our annual supplier conference. This is an important date in our calendar as it's a time when the Company can communicate its priorities and any changes in the business to its suppliers, ensuring a consistent message is heard by all.

In 2021, due to COVID-19 restrictions, the business hosted its annual supplier conference, 'Playing to Win', virtually. The conference was used to maintain the ongoing conversation with our key partners, informing them of the key initiatives and business priorities and to ensure we continued to take advantage of the range of opportunities throughout the year. The session was attended by over 100 senior executives from our key partners who were given the opportunity to ask questions to our senior leadership team.

#### Supplier meetings

Throughout 2021, it was extremely important we continued to work closely with our suppliers to navigate the ongoing global supply chain challenges and disruption and to maintain the in-stock promise to our trade customers. In the first half of 2021 this was mostly done virtually as we were unable to travel due to COVID-19 restrictions. However, in the second half of the year as restrictions were lifted we were able to visit our key partners, which in turn contributed to us overcoming any supply chain challenges that we faced ahead of our peak trading period.

#### Supplier Code of Conduct

In 2021 we updated and re-issued our Supplier Code of Conduct to our supply base. This reinforced our expectations of the supply base and supports the commitments we have set out as part of our sustainability agenda (further information is available in the Sustainability Matters report beginning on page 46).

#### Category team relationships


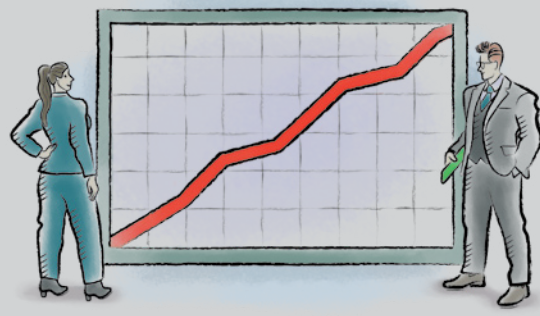
Our internal commercial structure is organised into categories. The use of categories provides clearer accountabilities for ranging decisions and with greater internal accountability comes the fostering of stronger relationships with our suppliers. Suppliers are now engaging with focused teams within the organisation and this clarity brings the opportunity for even more valuable discussions.

Despite the challenges around travel and material lead-times we have continued to work closely with our key partners on product development. This has continued at pace across all our product categories with a significant amount of new product being introduced throughout the year. This has ensured our trade customers have been able to access the latest trends and products from our depots.



**Corporate governance report** continued

Stakeholder engagement continued

Pensioners			
<div><p>Engagement with our pensioners includes the following:</p><ul style="list-style-type: none"><li>• Board engagement with the Trustee Board</li><li>• Plan closure consultation</li><li>• Newsletters</li><li>• Triennial valuations</li></ul></div> <div></div>	<p>At 25 December 2021, the Howden Joinery Defined Benefit Pension Plan (the 'Plan') had over 10,500 members, of whom over 6,300 were deferred members, and over 4,100 were pensioners and dependants.</p> <p><b>Board engagement with the Trustee Board</b></p> <p>The Trustee Board, chaired by an independent trustee, is responsible for investment strategy and for the day-to-day running of the Plan. There are a number of matters reserved for the Company as sponsor under the Trust deed and the Board invites the Chair of the Trustees to present to the Board every year and provide an update on matters affecting the membership.</p> <p>In 2021, the Company engaged with the Trustee Board on a number of matters outside of the normal engagement cycle of investment and funding strategy, including the proposed closure of the Plan to future accrual and new climate-related regulations.</p>	<p><b>Plan closure consultation</b></p> <p>At the end of 2020, the Company entered into consultation with active members (individually and collectively with the trade union) and the Trustee Board on a proposal to close the Plan to future accrual with effect from 31 March 2021.</p> <p>During the consultation, all parties had the opportunity to raise their views with the Company, and as a result of this process and the feedback received, the Company agreed enhancements to the original proposal. This included the use of transition payments and a change to the rules to allow Plan members who remained employed until retirement to use their top up defined contribution scheme funds as their tax-free retirement lump sums.</p> <p>Following the closure of the Plan, the active employee members joined the Company’s defined contribution pension scheme and, as part of the project to review pension benefits across the business, the Company has increased employer contributions to the defined contribution pension scheme for all employees.</p>	<p><b>Triennial valuations</b></p> <p>Ensuring that there is an appropriate balance between shareholder distributions and Plan deficit funding is a priority for the Board. The triennial actuarial review as at 31 March 2020 was completed in April 2021.</p> <p>Following the review, the Company agreed to maintain deficit repair contributions at the rate of £30m per year, with an agreed 'switch off' mechanism if full funding on the Technical Provisions basis was met. Full funding on this level was achieved and therefore the deficit repair contributions were suspended in July 2021.</p> <p>The Company and Trustee Board have also engaged and agreed a long-term funding objective for the Plan with the aim to reduce reliance on the Company. The Trustee Board has an agreed approach to de-risking and triggers and regularly updates the Company.</p>
	Shareholders		
<div><p>Engagement with our shareholders includes the following:</p><ul style="list-style-type: none"><li>• Annual General Meeting</li><li>• Shareholder meetings and Roadshows</li><li>• Shareholder consultations</li><li>• Asset reunification</li></ul></div> <div></div>	<p><b>Annual General Meeting (AGM)</b></p> <p>At the time of the 2021 AGM, the UK Government’s Coronavirus rules restricted socialising indoors to those in the same household (or within a support bubble) and stipulated that travel should be minimised wherever possible. While the rules allowed for meeting others for work (where it was necessary), this did not include shareholder meetings of public companies.</p> <p>The 2021 AGM was therefore held with three employee shareholders, one of whom was the Company Secretary and the other the CFO. The minimum quorum required by the Articles of Association was therefore met. The Chairman was also in attendance and chaired the meeting.</p> <p>However, the Company was keen that its shareholders should be provided with the opportunity to submit any questions they had of their Board of Directors, and therefore a question facility was set up on the Company’s corporate website and this remained open throughout the year following the conclusion of the AGM.</p>	<p>Through the questions facility, shareholders submitted questions regarding future dividends, our depots in France, and the environmental credentials of the paper used for our annual reports and notices of AGM. The Company’s response to these questions may be found on our website: <a href="http://www.howdenjoinerygroupplc.com/investors/share-price/annual-general-meeting">www.howdenjoinerygroupplc.com/investors/share-price/annual-general-meeting</a></p> <p><b>Shareholder meetings</b></p> <p>Following both the full year results and half year results announcements, the Executive Directors spoke with investors owning around one-third of the Company.</p> <p>Following the release of the full year results in February 2021, feedback from investors included that the Company’s ever strengthening competitive position was encouraging, and that the Company’s prudent balance sheet management had been a significant advantage throughout 2020.</p>	<p>Following the release of the half year results in July 2021, management once again spoke with investors who referred to uncertain market conditions ahead, but expressed confidence in the Howdens business model and competitive position.</p> <p>In addition, during the year the Chairman met with shareholders to discuss a wide range of governance matters. The Remuneration Committee and Audit Committee Chairs were also available to meet with shareholders during the year and will be so again in 2022. The Committee Chairs will also present on the work of their respective committees at the 2022 AGM.</p> <p><b>Directors' Remuneration Policy consultation</b></p> <p>The Chair of the Remuneration Committee invited the Company’s principal shareholders and shareholder representative groups to consult on the updated Remuneration Policy. She met with all those that requested meetings and provided written responses to others. Further information about the consultation and its outcomes may be found on page 122 of the Remuneration Committee report.</p>



# Corporate governance report continued

## 2018 UK Corporate Governance Code: application and compliance

The Financial Reporting Council (‘FRC’) published its most recent iteration of the UK Corporate Governance Code (the ‘Code’) in 2018, which applies to accounting periods beginning on or after 1 January 2019. We are pleased to report that the Company applied all the Principles of the Code throughout the period and we have reported in summary below how we have done so. During the year, the Company was compliant with all Provisions of the Code, except for Provisions 38, 40 and 41.

Provision 38 provides that executive director pension contribution rates (or payments in lieu) should be in line with those available to the workforce. Our Remuneration Policy (‘Policy’), which was approved by shareholders in 2019, stipulates that Executive Director new joiners’ pension contribution rates must be in line with that available to the wider workforce. In 2021, our Chief Financial Officer (who was appointed to the Board on 27 December 2020) received a pension contribution rate which is in line with the wider workforce. Our incumbent Chief Executive’s pension contribution rate, while in line with Policy for existing Directors, is not yet in line with the wider workforce. This is because the reduction of fixed, contractual remuneration must be applied carefully and proportionally over time. Our Chief Executive is fully supportive of his rate tapering as set out on page 108 of the Remuneration Committee report and the Board confirms that his contribution rate will be in line with the wider workforce by the AGM in 2022.

Provision 40 provides that when determining executive director remuneration policy and practices, remuneration committees should address whether remuneration arrangements promote effective engagement with the workforce. Provision 41 provides that the annual report of remuneration committees should include a description of the engagement that has taken place with the workforce to explain how executive remuneration aligns with wider company pay policy. The Remuneration Committee did not directly consult with the workforce on Executive Director pay arrangements during 2021; however, the Committee receives reports from management on pay and benefits across the workforce to ensure that there is good alignment on remuneration across the organisation as a whole. In addition, in 2021, the Board approved an update to the Company’s Share Incentive Plan (‘SIP’), our UK all-employee share plan, which allows all employees with shares held in the SIP trust to exercise voting rights on those shares. This means our UK employees with SIP shares (a majority of the workforce) are able to vote on the Directors’ remuneration report and the Directors’ Remuneration Policy (when applicable) at general meetings of the Company. The Remuneration Committee will keep under review the need to engage the workforce more directly on executive remuneration arrangements. Details of how Executive Director pay is considered in the context of the workforce is set out on page 123 of the Remuneration Committee report.

### Section 1: Board leadership and company purpose

**A**

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

Howdens’ founding principle of being worthwhile for all concerned supports the premise that its role is to ensure long-term, sustainable growth and value for all its stakeholders.

During 2021, the Company (led by the Board) increased shareholder returns, paid more tax, employed more people and contributed to the communities in which we operate. More information on our sustainable business model and strategy can be found on pages 13 to 15 and our contribution to wider society can be found in our Sustainability Matters report beginning on page 46.

Governing in an effective way ensures the framework and controls needed to align our operations with our strategy are in place. It is only by doing this that we can ensure long-term strategic success of the Company for our stakeholders. We discuss throughout the Governance section how our actions help to preserve the value that the business generates and how they support the strategy. For example, we have set out the way our remuneration structure supports our strategic aims on pages 124 and 125.

**B**

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

An explanation of our purpose, values and strategy are set out in the Strategic report which starts on page 8. The Board regularly discusses the importance of Howdens’ unique culture and are mindful that it remains aligned with its purpose, values and strategy. Workforce engagement is also an important part of the Board’s agenda and more information about the methods of engagement with the workforce may be found on pages 84 and 85.

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

### Section 1: Board leadership and company purpose continued

**C**

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

The Board is satisfied that the necessary resources are in place to ensure that the Company meets its objectives and measures performance against them. Our KPIs and how we have performed against them can be found on pages 29 to 31.

More information on our risk processes, including our principal and emerging risks, can be found on pages 38 to 45. Our Audit Committee report provides a summary of our internal control framework on page 140.

**D**

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

Howdens has a broad group of clearly defined stakeholders and the Board actively engage with each of these groups on a regular basis. A detailed explanation of our engagement with our shareholders and wider stakeholder base and how this engagement has informed the Board’s decision making processes can be found on pages 84 to 89. How the Board members discharged their ‘section 172’ statutory directors’ duties is described on pages 82 and 83.

### Section 2: Division of responsibilities

**F**

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

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

The Chairman is mindful of his role in facilitating constructive Board relations and promoting a culture of openness and debate amongst the Board. This in turn encourages the effective contribution of all the Non-Executive Directors.

**E**

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

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

One example of this is how our Remuneration Committee consider the pay policies and practices of the wider workforce when determining Executive reward. More information in this regard can be found on page 123.

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

The 2021 Board evaluation concluded that the Board was effective, professionally run and had worked well during the year. Further information about the outcomes and process of the 2021 Board evaluation may be found on pages 104 and 105 of the Nominations Committee report.

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

# Corporate governance report continued

## 2018 UK Corporate Governance Code: application of Principles

### Section 2: Division of responsibilities continued

**G**

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

At least half of the Board was made up of Independent Non-Executive Directors (not including the Chairman) throughout the reporting period. The Non-Executive Directors which the Board considered to be independent are shown as such on pages 76 and 77. The Board confirms that all the Non-Executive Directors (excluding the Chairman) were independent during the reporting period and that the Chairman was independent on appointment.

There is a clear division of responsibilities between the leadership in the organisation. The responsibilities of the Chairman, Chief Executive, and Senior Independent Director may be found on the Company’s website ([www.howdenjoinerygroupplc.com/governance/division-of-responsibilities](http://www.howdenjoinerygroupplc.com/governance/division-of-responsibilities)) and the function of the Board Committees may be found in the respective committee terms of reference, also available on the Company’s website ([www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters](http://www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters)).

**H**

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

The number of Board meetings which were held during the reporting period and the attendance at each of these meetings may be found on page 74. Similarly, the number of each Board Committee’s meetings and attendance may be found on the following pages: 96 (Nominations Committee), 106 (Remuneration Committee), 134 (Audit Committee), and 142 (Sustainability Committee).

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

**I**

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

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

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

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

During the reporting period, Debbie White’s appointment as Non-Executive Director of the NASDAQ-listed company, PAVmed Inc, was authorised by the Board. Prior to the appointment, the Board considered whether Debbie could allocate enough time to her role as a Non-Executive Director of Howdens and was satisfied that she had the requisite time to fulfil the new role as well as her current role with the Company.

Members of the senior management team regularly presented to the Board on their respective areas of the business (see pages 78 and 79 for a timeline of Board meetings and information regarding any Executive Committee attendees), which provided an opportunity for the Board to constructively challenge and to provide advice to our senior management team.

Information about the management of conflicts between the duties Directors owe the Company and either their personal interests or other duties they owe to a third party may be found on page 141.

### Section 3: Composition, succession and evaluation

**J**

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

The Nominations Committee engages external search consultancies when searching for Board position candidates. Further information about the appointments process is available on page 101 of the Nominations Committee report and the Board’s diversity policy is available on page 100.

The Nominations Committee regularly reviews the skills matrix and the tenure of each Board member (see pages 98 and 101 respectively for further details). This ensures the Board’s succession plan remains aligned with the natural rotation of Directors off the Board and the strategic objectives of the business.

The succession plans for the senior management team are regularly reviewed by the Nominations Committee (see the Nominations Committee timeline on page 97).

**K**

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

The Board uses a skills matrix to ensure it has the necessary combination of skills, experience and knowledge to meet its strategic objectives, business priorities and to ensure the unique Howdens culture is maintained. The skills matrix may be found on page 98.

The tenure of each Director may be found on pages 101 and 102. The Board has a good balance of new and longer-serving Directors (as at the year end date, tenures of the Non-Executive Directors (including the Chairman) range from just over two years to just over eight years, and the average tenure is just over five years.

**L**

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

Details of the 2021 Board evaluation process and outcomes may be found on pages 104 and 105 of the Nominations Committee report.

The specific reasons why the Board considers that each Director’s contribution is, and continues to be, important to the Company’s long-term sustainable success may be found on pages 76 and 77. Reference to the specific reasons and where to find them in the Annual Report and Accounts will accompany the resolutions to re-elect the Directors in the 2022 AGM Notice. The Board recommends that shareholders vote in favour of the re-election of all the Directors.

Strategic report

Governance

Financial statements

Additional information



# Corporate governance report continued

## 2018 UK Corporate Governance Code: application of Principles

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

**M**

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

The Board has established formal and transparent policies and procedures, which ensure the external auditor and internal audit function are independent and effective and are accountable to the Audit Committee. The Board also monitored the integrity of the annual and interim financial statements of the Company through the Audit Committee. Further information about the work of the Audit Committee, including the subjects above, may be found in the Audit Committee report which begins on page 134.

**N**

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

A statement regarding the Directors' responsibility for preparing the Annual Report and Accounts and the Directors' assessment of the Annual Report and Accounts, taken as a whole, as being fair, balanced and understandable and providing the necessary information for shareholders to assess the Company's position, performance, business model and strategy, may be found on pages 70 and 71.

**O**

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

The Board is responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. The Board is assisted with these responsibilities by the Audit Committee. Such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives. The Board has conducted reviews of the effectiveness of the system of internal controls through the processes described within the 'Risk management' and 'Principal risks and uncertainties' sections (see pages 38 to 45) and are satisfied that it accords with the Code and with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. As described in the Audit Committee report on page 140, a key controls project is ongoing across the Group to focus and further strengthen our overall control framework. This work to further enhance internal controls will lead to better assurance and efficiencies through opportunities to formalise and automate controls in a consistent way across the Group.

The assessment of the principal and emerging risks, the uncertainties facing the Group, and the ongoing process for identifying, evaluating and managing the significant risks faced by the Group is set out in the 'Risk management' and 'Principal risks and uncertainties' sections (see pages 38 to 45). The Board confirms that it has conducted a robust assessment of the principal and emerging risks.



### Section 5: Remuneration

**P**

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

The way the Remuneration Committee has ensured our remuneration policies and practices are aligned with our culture, our strategy and risk management is discussed in the Remuneration Committee report, which starts on page 106.

**Q**

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

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

The Remuneration Committee reviews workforce remuneration and related policies when setting Executive Director remuneration. Ensuring these factors are always considered means our remuneration policies are clear and as predictable as possible. Further information may be found in the Remuneration Committee report on page 123.

**R**

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

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

Details of how the Remuneration Committee exercised its discretion during the year may be found on page 109 of the Remuneration Committee report.

By order of the Board

**Richard Pennycook**  
Chairman

23 February 2022