

Nominations Committee report

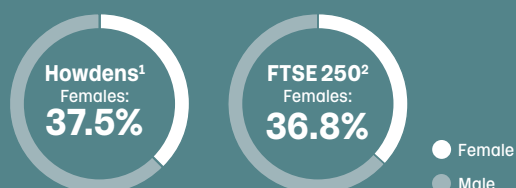
Nominations Committee 2021 meeting attendance

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

Key activities in the year ahead

- All current Directors will stand for re-election at the AGM on 12 May 2022.
- Regular updates from the Group HR Director on senior management succession will be provided to the Committee.
- The Committee will undertake its review of skills, composition and size of the Board.
- A review the Boardroom Diversity Policy will be undertaken.
- Executive Committee succession planning and talent management updates will be provided to the Committee.

Board gender split



1 Figures correct as at 25 December 2021.

2 Figures derived from the 2022 FTSE Women Leaders Review.



Richard Pennycook
Nominations Committee
Chairman

Introduction from the Committee Chairman

The role of the Nominations Committee continues to evolve. Whilst maintaining its core responsibilities of succession, composition and evaluation, the Committee recognised in 2021 that there were parts of the Committee's remit, particularly around diversity, which required a more dedicated forum.

Sustainability

At the Nominations Committee meeting in September, the Committee discussed and recommended to the Board that a separate committee of the Board be established to ensure sufficient time and attention was being afforded to key environmental and social priorities. This committee, called the Sustainability Committee, was established in November 2021 and its first report can be found on page 142.

Going forwards the Sustainability Committee will have responsibility for considering the ongoing work of the Equality, Diversity, and Inclusion ('EDI') Group, which continues to have a Board sponsor in Debbie White, as well as initiatives on social mobility and apprenticeships.

The Nominations and Sustainability Committees will continue to work together closely where their respective remits overlap, such as on Boardroom diversity.

Succession

Despite the fact that there were no changes to the Board in 2021, it has nevertheless been a busy year for the Nominations Committee. The Committee was involved with new appointments to the Executive Committee and undertook the search to identify my successor as Chairman of the Board (and indeed the Nominations Committee). Further details in respect of each of these appointments are set out later in this report.

Composition

The Nominations Committee remains mindful of the importance of broadening diversity within leadership and senior management teams. We remain pleased that half of the Non-Executive Directors on the Howdens Board are female, but we are aware that gender representation is not the only means by which a board achieves diversity. Similarly, we understand the need to improve gender, racial and other imbalances throughout our organisation, but particularly in senior leadership roles.

We have disclosed our boardroom gender and ethnicity data within this report but we will work with the Sustainability Committee during 2022 to determine whether greater disclosure and targets would be in the best interests of the Group.

Evaluation

As in 2020, an internal Board evaluation process was undertaken in respect of the 2021 review. Circumstances once again dictated that this review was also undertaken remotely. More information on the Board evaluation process and outcomes are set out on pages 104 and 105.

Richard Pennycook

Nominations Committee Chairman

2021 Nominations Committee activity



Nominations Committee report continued

Composition

Skills and experience matrix

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

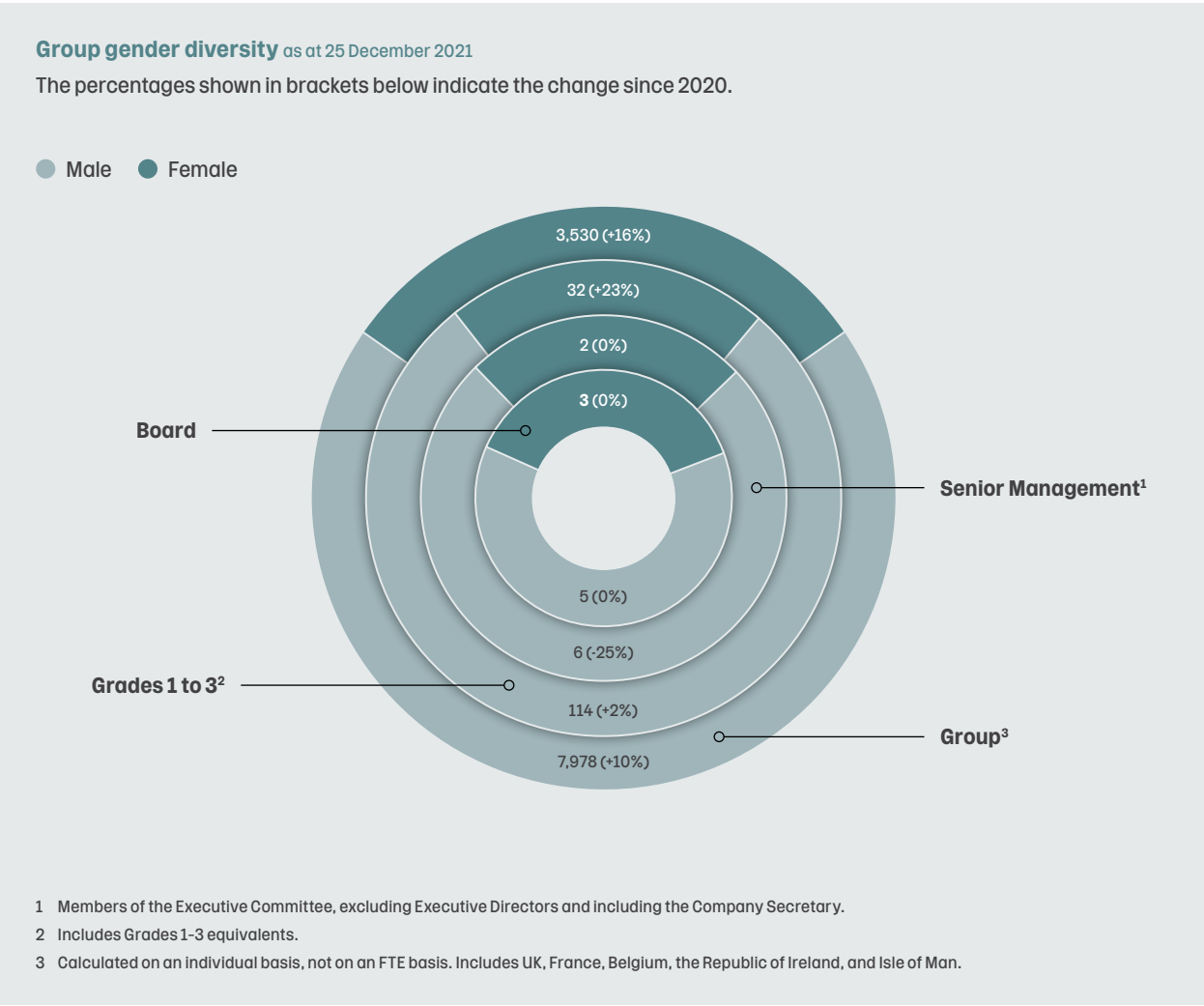
Skills and Experience	Importance	Number of Non-Executive Directors	
		Direct experience	Indirect experience
Industry/Sector			
Business-to-business	H	6	0
Manufacturing	H	4	2
Logistics, distribution and supply chain management	H	4	2
Consumer goods	H	5	0
Geographic exposure			
UK	H	6	0
France	M	4	2
Governance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

Importance
M Medium H High

Diversity

Group gender diversity statistics

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



Nominations Committee report continued

Composition continued

Boardroom Diversity Policy

The Board recognises the importance of ensuring that there is diversity of perspective, background and approach in its management team and on its Board. Since the business was established in 1995, it has sought to enable individuals to progress within the organisation regardless of age, gender, background or formal qualifications.

We believe that it is in the interests of the business and of its shareholders for us to build a stable, cohesive and representative Board and we are mindful of the outputs and recommendations from both the FTSE Women Leaders Review (formerly the Hampton-Alexander Review) and the Parker Review when making appointments to the Board. However, whilst the setting of targets on particular aspects of diversity may be relevant in many cases, we feel that this could be given inappropriate focus within the context of a smaller board, resulting in the possible overlooking of certain well-qualified candidates.

The Nominations Committee will continue to seek diversity of mindset as well as of gender, race, and background when considering new appointments in the period to 2023, and it will continue to review this policy on an annual basis to ensure it remains appropriate. More widely, we are committed to developing a long-term pipeline of executive talent that reflects the diversity of Howdens' business and its stakeholders. As at 25 December 2021, 37.5% of Board members were women. Both of the Executive Directors were male. There were no 'non-white' members of the Board members as at 25 December 2021.

Group Diversity Policy

The Group promotes the importance of diversity and adopts an Equal Opportunities Policy under which training and career development opportunities are available to all employees, regardless of gender, religion or race.

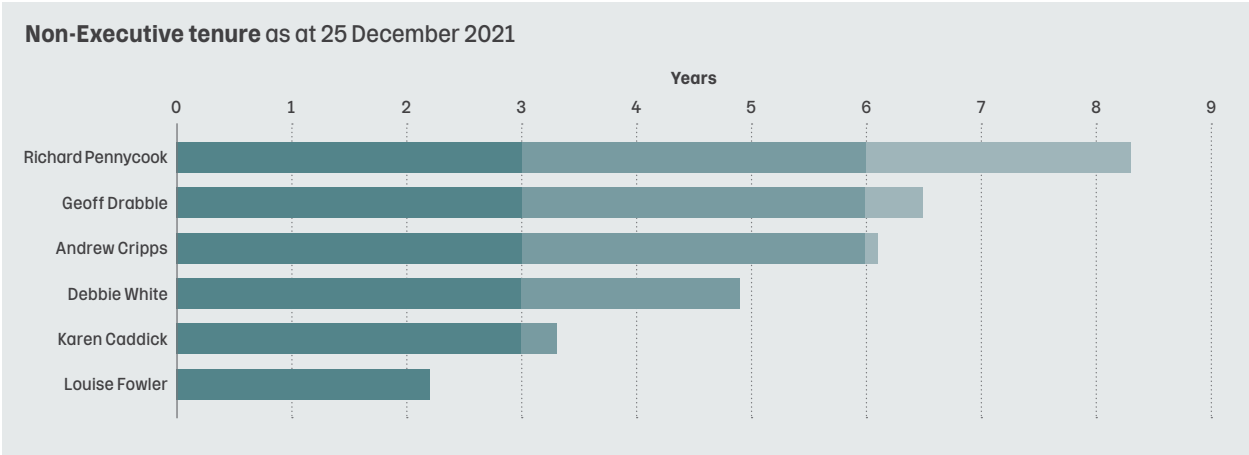
The Group is committed to meeting the code of practice on the employment of disabled people and full and fair consideration is given to disabled applicants for employment. It aims to do all that is practicable to meet its responsibility towards the employment and training of disabled people. The Group welcomes, and considers fully, applications by disabled persons, having regard to their particular aptitudes and abilities. It is also the Group's policy to retain employees who may become disabled while in service and to provide appropriate training.



Succession

An integral part of the work of the Nominations Committee is to establish and maintain a stable leadership framework and to proactively manage changes and their impacts on the future leadership needs of the Company, both in terms of Executive and Non-Executive leadership. Ensuring the correct leaders are in place enables the organisation to compete effectively in the marketplace and therefore to meet its various obligations to its stakeholders.

As detailed in the rest of the report, the Nominations Committee has managed succession programmes for both the Board and senior management, which have ensured that the necessary skills, expertise and experience are present in the leadership of the organisation.



Board succession

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

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

There were no Non-Executive Director retirements or appointments in 2021. However, the process normally used in relation to appointments is set out below. We continue to manage a phased succession programme for Non-Executive Directors and are pleased with the balance of length of tenure, as well as of diversity, background and perspective of our current Non-Executive Directors.

The process for the Chairman's succession is set out in the case study on page 103.

Appointment

Where it is identified through Board succession planning that a non-executive appointment is required to the Board, the Nominations Committee will engage an external search consultancy to undertake the process of recruiting a new Non-Executive Director. The external search consultancy would be made aware of our Boardroom Diversity Policy (if they were not already) and the Nominations Committee would specifically task them with producing a diverse shortlist of candidates for the position.

The skills matrix (the current version of which may be found on page 98), together with the collective knowledge, experience and diversity of the Board and the length of service of the Directors, would be used by the Committee to highlight where there were opportunities for a new Non-Executive Director to contribute to the skillset of the Board and would inform the search that external search consultancy undertake.

Following longlisting and shortlisting processes, and prior to any recommendation being made by the Nominations Committee to the Board, the preferred candidate would meet with each existing member of the Board.

Induction

Working with the Company Secretary, new Directors undertake an induction programme tailored to the needs of the individual. However, they will generally include a number of site visits and meetings with members of the Executive Committee, key employees and advisors. Site visits include our manufacturing sites, our distribution centre and depots. New Directors will also be provided with a mixture of documentation including Company publications, Board materials and some formal information on the role and responsibilities of UK-listed company directors.

The Group's induction programme for newly appointed Directors will continue to be centred on familiarisation with the Group's operations, key individuals and external advisors.

Nominations Committee report continued

Succession continued

Senior management succession

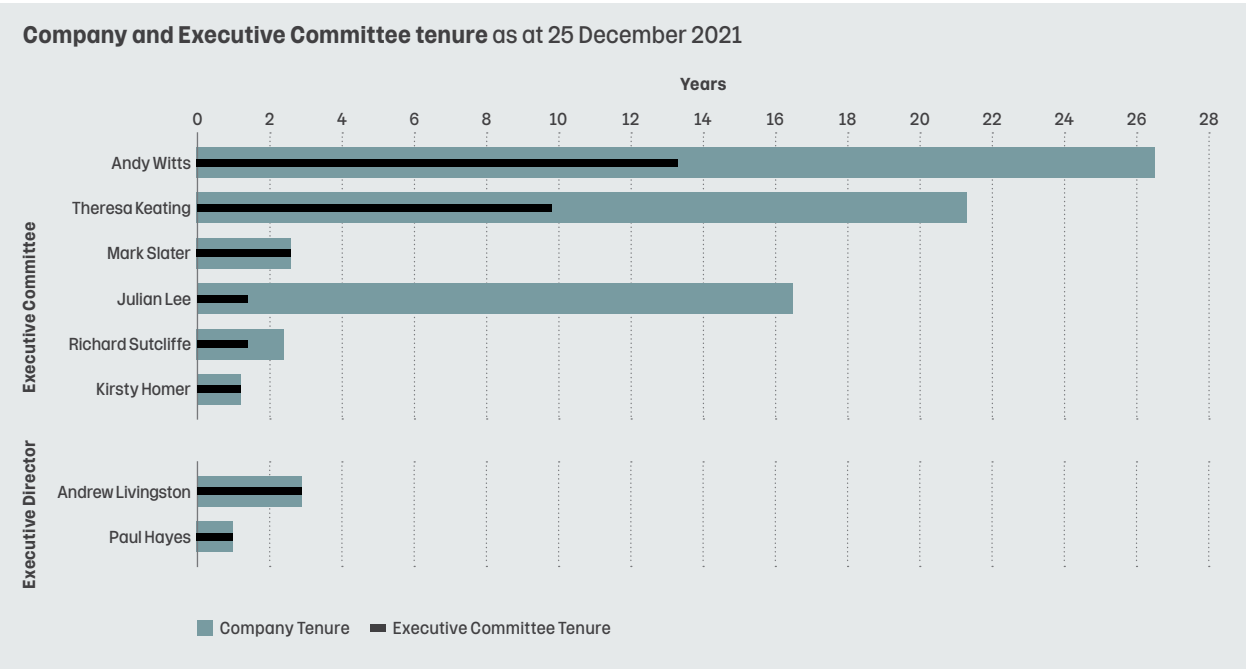
The Committee received regular updates regarding senior management¹ succession planning (see Nominations Committee activity on page 97). These updates included the planning and processes involved with the appointment of a new Chief Customer Officer. Further detail may be found below.

Chief Customer Officer

A new Executive Committee role was created in 2021 with the aim of placing even greater emphasis on the customer in Howdens' day-to-day decision making. The Chief Customer Officer (CCO) will focus on customer strategy and engagement, using data and insights from Depot Managers and working closely with the Commercial and Trade teams to help inform our approach to products, services and the overall customer experience of Howdens. The Chief Customer Officer will also be accountable for digital innovation.

David Sturdee will join as CCO in the first quarter of 2022. David has spent much of his career with Yum! Brands, most recently as Chief Operating Officer and Chief Customer Officer for Pizza Hut Europe.

The Nominations Committee will continue to work with the CEO and Group HR Director on senior management succession and development in 2022.



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

Case study Chairman Succession

Responsible for leading the Board and having responsibility for its overall effectiveness in directing the Company, the Chairman is the underpin for good corporate governance within a company.

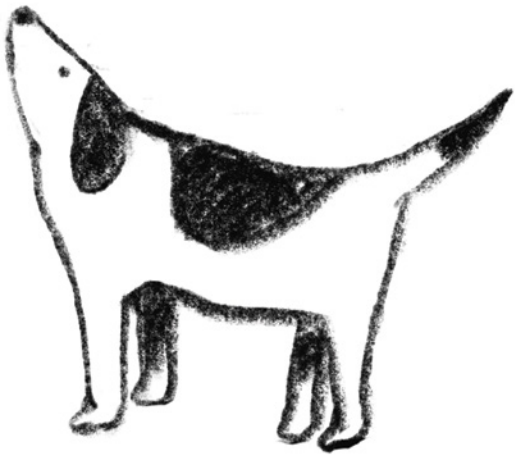
In preparedness for the ninth anniversary of the Richard Pennycook's appointment to the Board in September 2022, the Nominations Committee, under the leadership of the Senior Independent Director, commenced the search for his successor in 2021. At no point was the incumbent Chairman involved in the process of selecting his successor.

The Nominations Committee agreed a scope and candidate profile and engaged Russell Reynolds to conduct the external search for a new Chairman². The Committee requested that a diverse long-list of candidates, in respect of gender, ethnicity and background, be produced.

Following the long-list process, a short-list has been agreed which includes female candidates. Candidates will meet with members of the Nominations Committee and the CEO. Following these meetings, the Nominations Committee will propose an appointment to the Board.

On 18 February 2022, noting that the succession process was at an advanced stage, the Company announced that Richard Pennycook had indicated his intention to retire from the Board with effect from 17 September 2022 and that an announcement regarding the appointment of his successor would be made in due course.

² The Committee confirms that Russell Reynolds has no other connection with the Company or its Directors other than in relation to the recruitment of members of the Board.

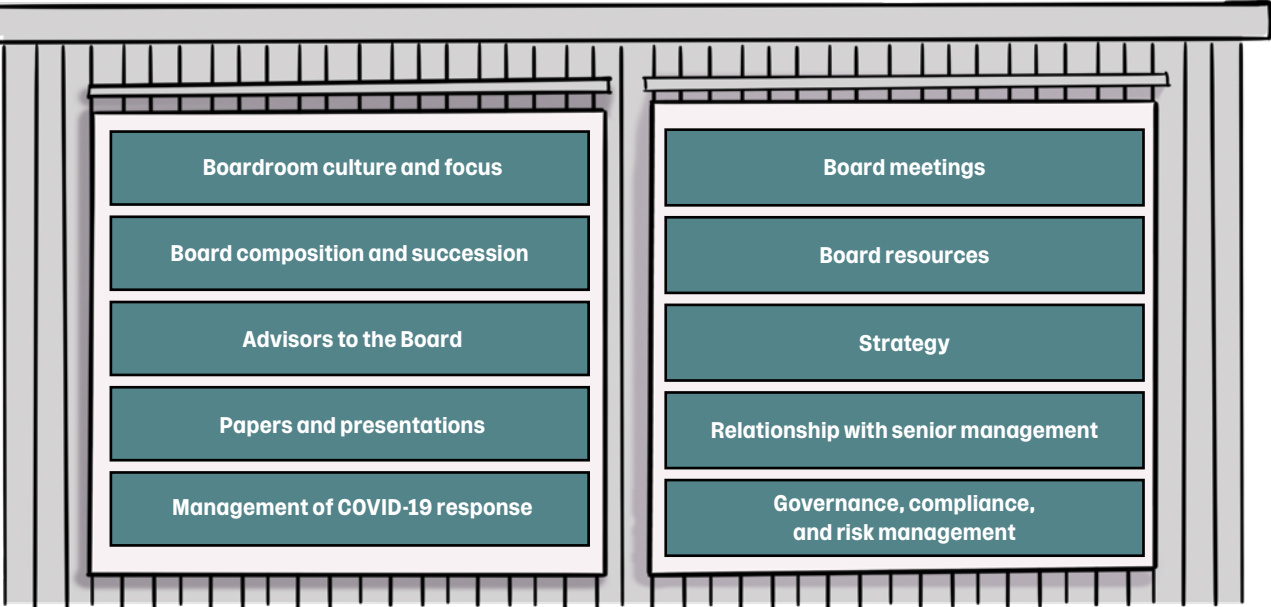


Nominations Committee report continued

Evaluation

In line with the Board’s policy to undertake an external board effectiveness review every three years, and following the evaluation conducted by Independent Board Evaluation (IBE) in 2019, the 2021 review was undertaken by the Senior Independent Director with support from the Company Secretary, and focused on the following areas:

Evaluation areas of focus



Methodology

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

There were no changes to the membership of the Board since the previous review.

The process is outlined below:

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

Conclusions and recommendations

Non-Executive and Executive Directors were unanimous in their appraisal that the Board had continued to operate effectively during 2021.

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

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

Contributors praised management's performance during the year and it was noted that any issues raised during the process were improvements to an organisation that was already performing well and would seek to further strengthen it.

It was further noted that the evaluation would provide a good introduction to the Board for an incoming Chair, particularly around the recommendations for further effectiveness improvements.

Highlighted strengths

- Board and Committee processes continued to ensure high corporate governance standards were maintained throughout the year. The external audit tender process was especially regarded as being a significant success.
- Improved financial reporting outside of Board and Committee meetings (following feedback in the 2020 evaluation process).
- Continued focus on stakeholder safety and wellbeing.

Recommended areas for development and actions going forward

- Developing the focus on long-term, strategic matters in Board meetings in 2022.
- Continuation of the focus on Non-Executive Director succession planning, paying regard to the recommendations of the Parker and FTSE Women Leaders Reviews.
- Further development of informal methods of communication outside of Board and Committee meetings.

Influence on Board composition

Members of the Board discussed the recommendations of the Parker and FTSE Women Leaders Reviews. In 2022, the Nominations Committee will continue its focus on succession planning and will ensure that when it looks to recommend new appointments, that the process has been inclusive of not only a broad range of mindsets, but also a variety of backgrounds, including race and ethnicity.

Nominations Committee evaluation

The feedback gathered indicated that the Nominations Committee had engaged well over the year and had actively participated in discussions regarding senior management succession.

Following feedback in the 2020 Board evaluation, the Committee also proposed to the Board in 2021 the establishment of the Sustainability Committee, a new sub-committee of the Board. While it was noted that the additional focus on sustainability matters was both important and welcomed, the members of the Nominations Committee were clear that environmental and social matters are inextricably linked to the business, and this link should not be diluted by the establishment of the new Sustainability Committee.

By order of the Board

Richard Pennycook
Nomination Committee Chairman

23 February 2022