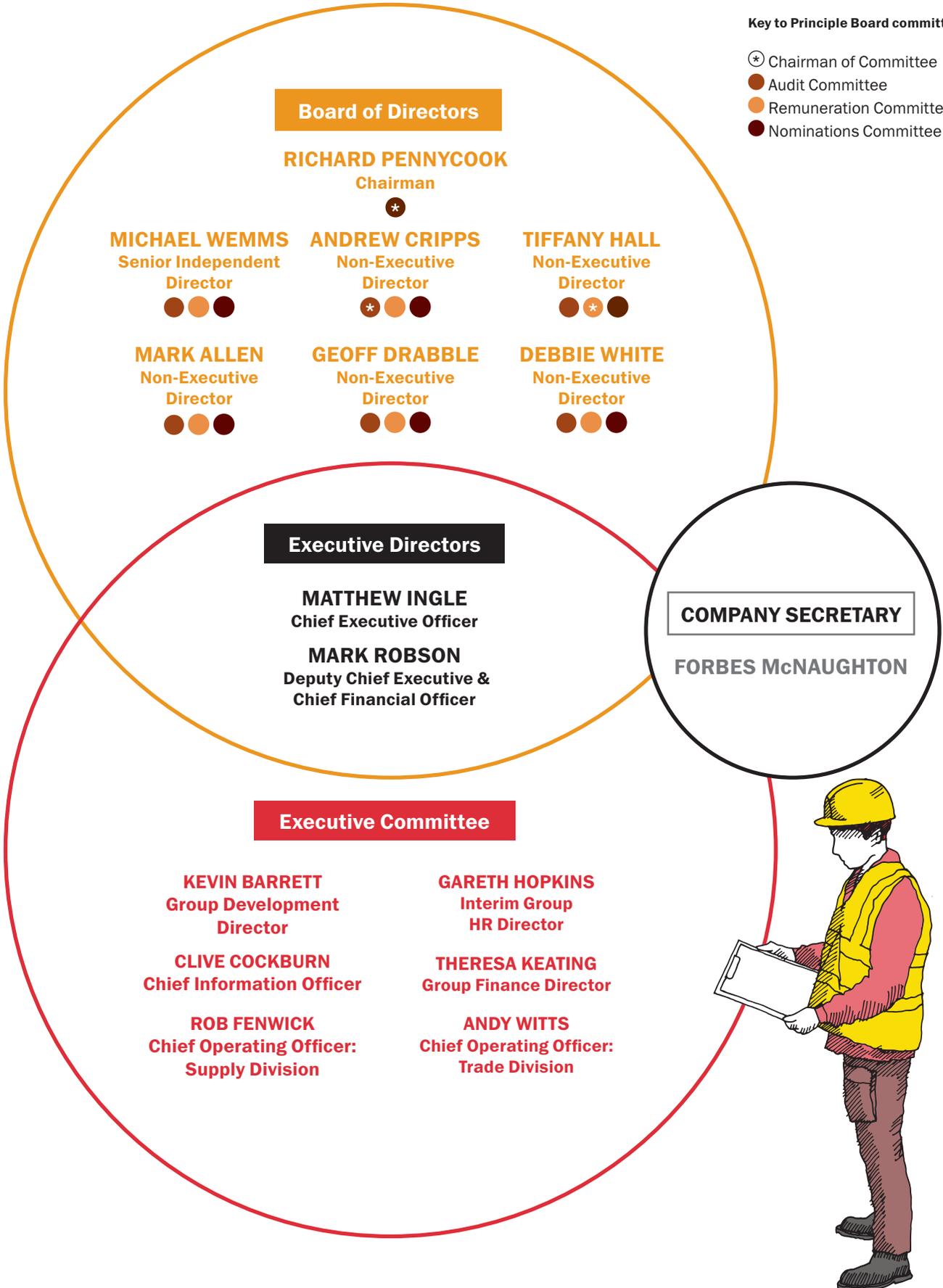


CORPORATE GOVERNANCE FRAMEWORK

Key to Principle Board committees

- ⊛ Chairman of Committee
- Audit Committee
- Remuneration Committee
- Nominations Committee



Corporate Governance Report continued

CORPORATE GOVERNANCE FRAMEWORK

THE ROLE OF THE BOARD

The business of the Company is managed by the Board who may exercise all the powers of the Company subject to the provisions of the Articles of Association, the Companies Act and any ordinary resolution of the Company.

The Board has responsibility for the overall management and performance of the Group. They are collectively responsible for challenging and assisting in the development of strategy and ensuring that there are sufficient resources in place to meet the strategic objectives which have been set.

Matters reserved for consideration by the Board are detailed in a schedule which is reviewed annually and was last reviewed and approved in January 2017. These key matters include setting the Group's values and standards as well as decisions about strategy, acquisition and disposals, risk management and internal control, capital projects over a defined level, annual budgets, Group

borrowing facilities and consideration of significant financial and operational matters. The Board also considers legislative, environmental, health & safety, governance and employment issues.

The Board is also responsible for determining the nature and extent of significant risks and maintaining sound risk management and internal control procedures throughout the Group.

The Board reviews the performance of and provides counsel to the senior management in their day-to-day running of the business, and is ultimately responsible for the safeguarding of shareholders' interests and ensuring its own effectiveness.

The Board is also responsible for protecting the culture and values of the business, a role particularly pertinent to Howdens where integrity, respect and recognition are fundamental tenets of the business.

THE ROLE OF NON-EXECUTIVE DIRECTORS

The Non-Executive Directors have been selected for the diversity of their backgrounds as well as their personal attributes and experience. The current Board members bring a relevant range of skills and experience and all actively contribute in discussion. Non-Executive Directors have the same general legal responsibilities to the Company as any other director. The Board as a whole is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. In addition to these requirements of all Directors, the role of the Non-Executive has the following key elements:

Strategy: Non-Executive Directors should constructively challenge and contribute to the development of strategy;

Performance: Non-Executive Directors should scrutinise the performance of management against agreed goals and objectives;

Risk: Non-Executive Directors should satisfy themselves that financial information is accurate and that financial controls and systems of risk management are robust and defensible; and

People: Non-Executive Directors are responsible for determining appropriate levels of remuneration of executive directors and have a primary role in appointing, and where necessary removing, senior management and in succession planning.

THE ROLE OF EXECUTIVE DIRECTORS

As well as their duties as Directors of the Company, the day-to-day running of the Group is delegated to the Chief Executive Officer and the Deputy Chief Executive and Chief Financial Officer by the Board. In May 2014, Mark Robson was appointed Deputy Chief Executive and is responsible for day-to-day management of the business, whilst the Chief Executive Officer focuses on the

Company's continuing development and the implementation of the strategy, which the Board has formulated and approved. The Chief Executive Officer also has a particular focus on maintaining and further developing our strong and distinctive culture, which has served the Company well throughout the years and continues to ensure our success for the future.

THE ROLE OF THE COMPANY SECRETARY

The Company Secretary provides the Board with guidance on various governance matters, under the direction of the Chairman, and ensures that effective and timely information flows between the Board and the Senior Management as well as within the Board and between the Board's Committees.

In addition, working with the Chairman, the Company Secretary is responsible for ensuring that Board procedures are followed and that all Directors have access to his advice and services.

All of the Directors have direct and unfettered access to the Company Secretary.

THE ROLE OF ADVISORS

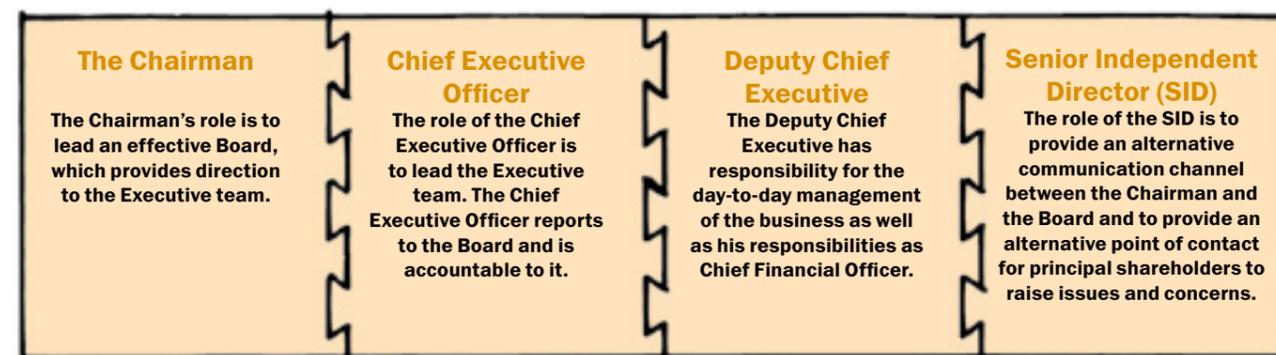
External advisors provide a range of services to the Board and its Committees including banking, brokerage, legal, audit, actuarial, PR and Executive remuneration, as well as other consulting services. Both the Executive Committee and the Board rely on such advisors to provide counsel and opine on specialist matters where necessary. The Non-Executive Directors can engage with

advisors at the Company's expense independent of management where appropriate.

The competency, value, length of tenure and independence of advisors is reviewed by the Board on an annual basis. A list of principal advisors to the Company can be found on page 135.

DIVISION OF RESPONSIBILITIES

The roles of Chairman and Chief Executive Officer are separate and clearly defined. The Chairman is primarily responsible for leadership of the Board and has a pivotal role in creating the conditions for individual Director and Board effectiveness including ensuring a culture of openness and debate in the boardroom. The Chairman is responsible for setting the Board's agenda and works closely with the Company Secretary in this regard. He ensures that adequate time for discussion is afforded to all agenda items at meetings. It is also the responsibility of the Chairman to ensure effective communication with the shareholders. The Executive Directors are responsible for satisfactory execution of the policies and strategy agreed by the Board.



HOW THE BOARD PERFORMED DURING 2016

Board meetings in 2016 were structured to address the Board's collective responsibilities in relation to strategy, performance and governance.

Despite the strength of the business model and the clarity of the UK strategy, the constituent parts of this strategy were evaluated at each Board meeting, with particular emphasis on first principles and individual tenets of the model. These discussions are underpinned by consideration of the culture and values of the business.

Outside of Board meetings, the Board were provided with performance updates every four weeks and weekly updates were provided during peak trading. This was intended to complement the more detailed operational and finance reports that were provided at each meeting during 2016. In addition to the Executive Directors, the Divisional Chief Operating Officers, the Group Finance Director, the Interim Group HR Director and the Company Secretary were present at all Board meetings to take questions from the Non-Executive Directors. The Board regularly discussed the Group's people agenda with specific regard to organisational development. Health & Safety updates for each division were provided at every meeting.

The Board considered a wide range of governance matters during the year which included but were not limited to the Group risk register, legal and regulatory updates and Group policies. Bespoke training was provided on directors' duties and the updated Market Abuse Regulations. In July the Board agreed a CSR statement of intent in order to provide the divisions with a framework upon which to build specific targets and KPIs.

Board Evaluation

In the previous two financial years, the Board evaluation has been undertaken internally by the Senior Independent Director, with support from the Company Secretary. In keeping with the guidance provided under the UK Corporate Governance Code, the 2016 Board evaluation was externally facilitated by Independent Board Evaluation (IBE). IBE does not have any other business relationship with the Company or with any member of the Board. More information on the 2016 Board evaluation can be found in the Nominations Committee Report on page 58.

Pensions

In 2011 the Board delegated authority to a Pensions Sub-Committee in order to consider all matters relating to the Company defined benefit pension scheme. This was a reaction to the risk that the pension deficit posed to the future viability of the Group at that time. In 2016 the Board recognised that, whilst still an ongoing risk which required careful monitoring and management, the strength of the Group covenant meant that matters in relation to the defined benefit scheme could revert to being considered by the Board as a whole and therefore the Pensions Sub-Committee was disbanded. A separate Funding and Investment Strategy Committee consisting of members of the Executive Committee was established to provide a vehicle for communication with the Pension Trustees on routine funding and investment matters and this Committee, in conjunction with the Company's actuaries, report to the Board on such matters at least twice annually.

Corporate Governance Report continued

Risk and Internal Control

The Board is responsible for the Group's systems of internal control and for reviewing its effectiveness, whilst the role of management is to implement Board policies on risk and control.

Such a system is, however, designed to manage rather than eliminate the risks of failure to achieve business objectives. In pursuing these objectives, internal controls can only provide reasonable assurance against misstatement or loss. The UK Corporate Governance Code recommends that the Board reviews the effectiveness of the Group's system of internal controls at least annually, including financial, operational and compliance controls, and risk management.

The Board has conducted reviews of the effectiveness of the system of internal controls through the processes described within the principal risks and uncertainties section of the Strategic Report on pages 22 and 23 and are satisfied that it accords both with the UK Corporate Governance Code and with the Turnbull Guidance. The Board has not identified or been advised of any failings or weaknesses which it has determined to be significant.

Risk management

The Group's risk assessment process and the way in which significant business risks are managed is a key area of focus for the Board. The Group's assessment of the principal risks and uncertainties, as described within the Strategic Report on pages 22 to 23, outlines the ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The Board can confirm that it has conducted a robust assessment of the principal risks and identified one additional risk that they consider to be principal. These have therefore been disclosed as part of the principal risks disclosure in line with the UK Corporate Governance Code.

Internal control

The Group has an established framework of internal controls, which includes the following key elements:

- The Board reviews Group strategy, and the executive management are accountable for performance within the agreed strategy.
- The Group and its subsidiaries operate control procedures designed to ensure complete and accurate accounting of financial transactions and to limit exposure to loss of assets or fraud.
- The Audit Committee meets regularly and its responsibilities are set out in the Audit Committee Report. It receives reports from the Internal Audit function on the results of work carried out under an annually agreed audit programme. The Audit Committee has full and unfettered access to the internal and external auditors.
- The Internal Audit function facilitates a process whereby operating entities provide certified statements of compliance with specified and appropriate key financial controls. These controls are then cyclically tested by Internal Audit to ensure they remain effective, and are being consistently applied.
- The Audit Committee will annually assess the effectiveness of the assurance provided by the internal and external auditors. Every five years, an external assessment is undertaken with regard to the assurance provided by the Internal Audit department. A review was last undertaken by PwC in 2012, and therefore an external assessment of the Internal Audit department will be undertaken during 2017.

Conflicts of Interest

The Companies Act 2006 places a duty upon Directors to ensure that they do not, without the Company's prior consent, place themselves in a position where there is a conflict, or possible conflict, between the duties they owe the Company and either their personal interests or other duties they owe to a third party.

If any Director becomes aware that they, or any party connected to them, have an interest in an existing or proposed transaction with the Company, they must notify the Board as soon as practicable. The Board has the authority to authorise a conflict if it is determined that to do so would be in the best interests of the Company.

SHAREHOLDERS AND SHARE CAPITAL

Relations with shareholders

The Board considers its relationship with both institutional and private investors to be important and readily enters into dialogue with investors. On behalf of the Board, the Company has consulted extensively with its principal shareholders during the course of 2016 in relation to the ongoing progress of the Company and also in relation to identifying appropriate executive incentive arrangements. The Company is aware of the stewardship obligations of institutional investors as set out in the UK Stewardship Code and will continue to work with its institutional investors to ensure that they are able to satisfy these requirements.

Both of the Executive Directors, the Chairman, the Remuneration Committee Chairman and a number of Non-Executive Directors met with shareholders during the year and all of the Directors make themselves available for meetings with shareholders as required.

The Company's corporate website, www.howdenjoinerygroupplc.com, includes a dedicated investor relations section and provides an effective channel for communication with existing and potential investors. The Board receives regular reports from the Deputy Chief Executive and Chief Financial Officer with regard to relations with the major shareholders and developments and changes in their shareholdings. The Board also commissions regular feedback reports from the Company's joint brokers, UBS and Numis.

Substantial shareholdings

As at 22 February 2017, the Company had been notified in accordance with Rule 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company:

Substantial Shareholder	% of total voting rights	Date of last notification
Standard Life Investments Limited	5.76%	Oct 2016
FMR LLC (Fidelity)	Below 5%	Jan 2017
BlackRock, Inc	Below 5%	Apr 2016
Legal and General Group Plc	Below 3%	July 2016

The percentage interest is as stated by the shareholder at the time of notification and current interests may vary.

Annual General Meeting

The 2017 Annual General Meeting (AGM) is to be held at UBS, 5 Broadgate London, EC2M 2QS on 2 May 2017 at 11:00am.

The AGM provides shareholders with an opportunity to discuss the Group's progress and operations directly with the Board. At the AGM, the Company proposes separate resolutions on each substantially separate issue and the numbers of proxy votes cast for and against each resolution are made available to shareholders when voting has been completed. The notice of the AGM is sent to shareholders at least 21 clear days before the meeting.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming AGM. Details of when the Company will next re-tender the audit can be found on page 65 of the Audit Committee Report.

Share capital

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year, are shown in note 21. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. There are no specific restrictions on the size of a holding nor on the transfer of shares, both of which are governed by the general provisions of the Articles of Association and prevailing legislation. The Articles may be amended by special resolution of the shareholders. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 24. Shares held by the Howden Joinery Group Plc Employee Share Trust abstain from voting. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

During 2016 the Company repurchased 17,467,000 ordinary shares, with a nominal value of £1,746,700, which equated to 2.72% of the called up share capital of the Company at the beginning of the period, excluding Treasury shares. As at 24 December 2016, the Company held 10,828,842 ordinary shares in Treasury following the commencement of the on-market share repurchase programme in 2015. These shares have no voting rights and will be used solely for the satisfaction of employee share awards.

There are a number of agreements that take effect, alter or terminate upon a change of control such as commercial contracts, bank loan agreements and employee share plans. The only one of these which is considered to be significant in terms of likely impact on the business of the Group as a whole is the bank facility (as described in note 18), which requires majority lender consent for any change of control.

Should such consent not be forthcoming, a change of control would trigger a mandatory repayment of the entire facility. The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Acquisition of the Company's own shares

As at 24 December 2016, the Directors had authority under the shareholders' resolutions of 5 May 2016 to purchase through the market 63,727,882 of the Company's ordinary shares at prices ranging between 10p and the higher of (a) 105% of the average middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System. The authority expires at the conclusion of the next AGM or within 15 months from the date of passing.