Strategic Report

Performance in 2023

Financial highlights

"The Group delivered a resilient performance in 2023, against record prior year comparatives and in, as we anticipated, a more challenging marketplace.

Sales and profits met expectations and we progressed our investment programme, which is focused on our key capabilities and gives us, end to end, a stronger business.

Net cash at year end

£283m

2023	£283m
2022	£308m
2021	£515m
2020	£431m
2019	£267m

Revenue

£2.3bn

2023	£2.3bn
2022	£2.3bn
2021	£2.1bn
2020	£1.5bn
2019	£1.6bn

Operating profit

£340m

2023	£340m
2022	£415m
2021	£402m
2020	£196m
2019	£260m

Profit before tax

£328m

2023	£328m
2022	£406m
2021	£390m
2020	£185m
2019	£261m

Dividends paid in year

£114.1m

2023	£114.1m
2022	£115.0m
2021*	£133.6m
2020	£0.0m
2019	£70.6m

* 2021 included a special dividend of £54.1m.

Gross margin

60.8%

2023	60.8%
2022	60.9%
2021	61.6%
2020	60.1%
2019	62.3%

Earnings per share

46.5p

2023	46.5p
2022	65.8p
2021	53.2p
2020	25.0p
2019	35.0p

2023 FY dividend

21.0p

2023	21.0p
2022	20.6p
2021	19.5p
2020	18.2p
2019	3.9p

Share buybacks

£50m

2023	£50m
2022	£250m
2021	£50m
2020	£10m
2019	£126m

Operational highlights

32 new UK depots

5 new depots in France

5 new depots in Republic of Ireland

23 new kitchen ranges

Near-term Science-based Net Zero targets approved

Making more products in our own UK factories

Continuing to strengthen our digital offering

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Howdens at a glance

The UK's largest specialist trade-only kitchen supplier

At Howdens, we aim to be the best at what we do - the supply of kitchens, joinery products and related services to tradespeople.

We do this by having a single-minded focus on our trade customers with all our operations designed and structured around making life easier for them, so that by trading with us they can get their jobs done right first time for their customers.

Global sourcing

Resources and relationships

- Global supply chain expertise
- Trusted supplier relationships, and the scale of our operations, give us access to the latest products at the best prices
- Responsible purchasing practices

UK manufacturing & distribution

Resources and relationships

- Skilled and motivated workforce
- UK's largest kitchen supplier - economies of scale
- Our own factories - the choice to make or buy
- Our own warehousing and distribution network

Nationwide depot network

Resources and relationships

- Decentralised business model
- Empowered local depot managers, close to the trade
- Trusted customer relationships with around half a million builders
- Local depot network with a nationwide reach
- The right product. In stock in local depots at best local price

Supporting the builder

Resources and relationships

- Trade-only, with excellent service
- Helping our trade customers to succeed in selling to their customers:
  - Trade accounts support the builder's cashflow
  - Design and planning services
  - Home visits for end-users
  - Marketing materials
  - The right product. In-stock in local depots
- Competitive confidential pricing
- Digital tools to help the trade and end-users

Worthwhile for all concerned

Outcomes

- Happy builders and end-users
- Sustainable profit growth, sector-leading margins and strong cash generation
- Returns to shareholders

  - our employees
  - new depots
  - new product
  - new manufacturing and logistics
  - digital
- Giving back to local communities
- Science-based Net Zero targets in place

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How we create value

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Our purpose-driven approach

Our purpose

To help our trade customers achieve exceptional results for their customers and to profit from doing so. When our customers succeed, we succeed and our stakeholders succeed.

See page 10

Our purpose drives our business model and shapes our strategic decisions

Strategy

Reach more builders. Offer them the best product, pricing, service and support. Generate profits for reinvestment and shareholder returns.

See page 13

Business model

Trade-only. In stock from local depots at best local price. Entrepreneurial depots supported by UK manufacturing and efficient sourcing and distribution.

See page 14

We respond to external opportunities and mitigate threats

Markets

Competing at all price points. Gaining market share.

See page 12

Risks

Effective risk monitoring and mitigation.

See page 36

Culture & values

Worthwhile for all concerned.

See page 11

Culture is aligned with purpose, values and strategy

Sustainability

Focus on climate resilience and Net Zero.

See page 42

Sustainable behaviour preserves our culture, maintains focus on our business model, mitigates our risks and addresses the needs of our stakeholders

Governance

A clear governance framework. Operating with integrity.

See page 72

Our governance framework guides all decisions and outcomes

Our business model and strategy generate value for a range of stakeholders

Long-term value for our stakeholders

Long-term, sustainable growth and value for all stakeholders. Worthwhile for all concerned.

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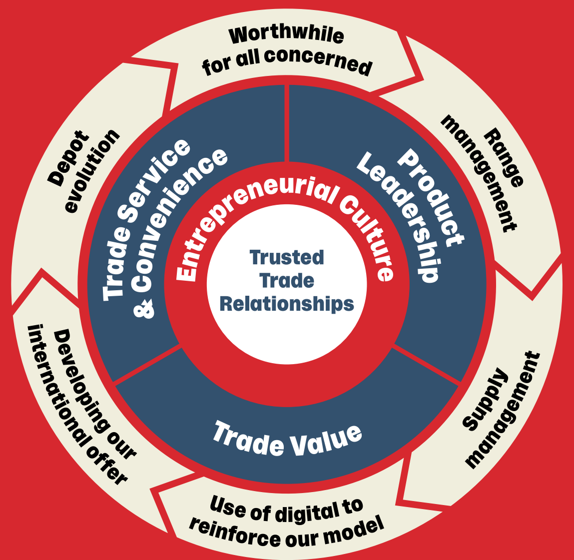
Our purpose

To help our trade customers achieve exceptional results for their customers and to profit from it.

When our customers succeed, we succeed.



Howdens' focus on serving our trade customers is at the heart of everything we do. We believe the best way to source and install a kitchen is to work with your local tradesperson, and we are clear that the purpose and future success of our business lies in serving the trade market to the highest standards.

Our relationship with our trade customers has three key facets, each supported by our entrepreneurial culture.

Trade service and convenience

Depots located where our customers need them; monthly account facilities; product in-stock to get the job done - including appliances, joinery, doors, flooring, hardware and bedrooms. A free design service to help customers and end-users choose and plan their kitchens.

Product leadership

Product design and testing facilities ensure that we offer the right product styles that are attractive to consumers, designed to be trade quality and easy for builders to fit, giving them more time.

Trade value

Best local trade prices enabled by in-house manufacturing, long-term key supplier agreements and a low-cost depot operating model.

Our culture and values

Howdens was founded on the principle that the business should be worthwhile for all concerned – customers, homeowners, tenants, local communities, our suppliers, our investors, our staff and their families.

This founding principle has shaped our business model and our strategic decisions since 1995, and it continues to be at the heart of what we do.

Worthwhile for our trade customers

- Profitability, convenience, service, support.
- Great product range for them to offer to their customers.
- Outstanding service.
- Trusted personal relationships - we do what we say.
- Trade accounts and confidential discounts.
- Design, planning and marketing support.

Worthwhile for our staff

- A good wage, plus local profit-sharing and incentives, excellent rewards and recognition for outstanding performance.
- An entrepreneurial culture, with central support.
- A growing company with opportunities to develop and progress. Structured career development programmes.

Worthwhile for our suppliers

- Strong and enduring relationships based on trust.
- Working together to develop new products and deliver best service.
- Scale - good opportunities for suppliers to build a profitable business by working with us.

Worthwhile for our other stakeholders

- Delivering consistent long-term value for shareholders with a growing dividend and return of surplus cash through share buybacks.
- Helping end-users at each stage of their buying decision.
- Important local employer in over 900 communities.
- Giving back to charities and local communities.
- Responsible purchasing and environmental policies.

Strategic Report

Our market

The kitchen market

- 28 million households in the UK; 18 million owned and 10 million rented.
- UK kitchen and joinery market of £12bn[1].
- 'Do It For Me' and the Trade market continue to be strong.
- Howdens sells to Trade customers who work flexibly across a broad range of markets, including owner-occupied homes, private rentals and social housing.
- Our Contracts division supports the increasing demands of the new build market.

Structural drivers

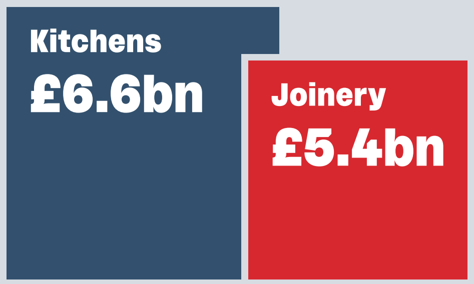
- Population growth: by 2030 UK population will grow by 3% and will have 2m new citizens[2].
- Ageing UK housing stock will drive renovation. Average age of UK housing stock is around 70 years[2].
- Entrepreneurial builders are well placed to win kitchens, joinery and bedroom work as part of wider home refurbishment projects. They are supported by Howdens' business model.
- Builders have remained optimistic in 2023 and workloads have remained relatively strong[1].

Recent trends

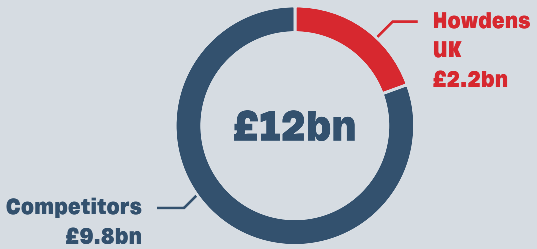
- 15% increase in adult children living with parents over last 10 years[2], together with hybrid working, mean the kitchen has to work harder.
- Consumers are more focused on design and use of kitchen space to maximise flexibility[1].
- An ageing population with significant purchasing power choosing to age in place. Baby boomers own nearly half, £2tn, of all British housing equity.

UK Kitchens and joinery market is valued at £12bn[1]

2023 Market Value[1]

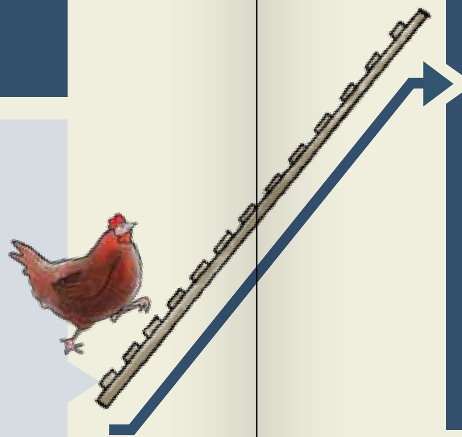


Total UK kitchens & joinery market[1]



Significant room to grow market share

1 Howdens estimates based on proprietary data/builder 'Customer Pulse' surveys.
2 Office of National Statistics.



Our strategy

Our purpose

To help our trade customers achieve exceptional results for their customers and to profit from doing so.

Achieved through:

Our long-term strategic objectives

Reach more builders

Grow market share.
Increase trade convenience.

Operational excellence

Increase customer service, efficiency, trade value and profitability.

Product innovation

The right amount of the best product, at the best price.

Prudent financial management

Giving us the tools to do the job.

Measured by:

KPIs page 28

- Sales growth
- Profit before tax
- Cash
- Depot openings
- Health & Safety
- FSC® or PEFC certified raw materials
- Waste recycling

Supported by:

Our medium-term strategic initiatives page 25

- Evolving our depot model
- Improving our product range and supply management
- Developing our digital platforms
- Expanding our international operations

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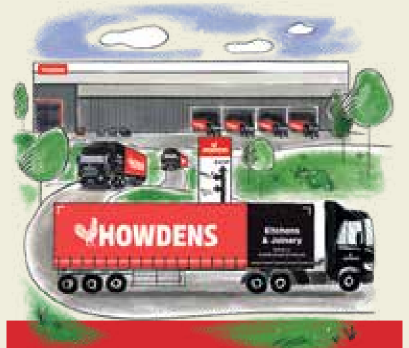
Our resilient business model

The UK's leading specialist kitchen supplier, selling only through trade customers.

What we do



1. Product manufacturing and sourcing

- Our manufacturing and sourcing experts ensure that we offer attractive products that are trade quality and easy to fit.
- We design and manufacture all of our own cabinets, as well as some cabinet frontals, worktops and skirting boards. We're agile and we keep the make vs. buy decision under review.
- We make what it makes sense for us to make in our UK factories and we buy other product in from our suppliers.
- We buy in thousands of different products from hundreds of trusted suppliers around the world, including appliances, joinery, flooring and hardware. We offer everything necessary to complete any kitchen.

2. Distribution

- Our in-house distribution operation delivers from our factories and central warehouses to our network of over 900 depots.
- No two deliveries are alike, and each one must be correct, complete and on time. We can guarantee this because we control our own distribution.

3. Depots designed for our trade customers

- Our business depends on entrepreneurial depot managers and the relationships between our highly motivated and incentivised depot teams and their local builders.
- A typical Howdens depot is in an edge-of-town location – more convenient for trade customers, and cheaper to rent. Around 85% of our UK customers live within 5 miles of a Howdens depot.
- Our in-stock model means that builders can get the products they need at short notice, even when plans change part way through a job.
- We offer the builder quality products, excellent levels of service and trade accounts that allow them up to eight weeks to pay. We focus on helping our customers succeed. When they make money, we make money.

4. Consumers/ Homemakers

- Our 2,100 specialist kitchen designers support the builder by visiting the end-user's home, or work with them remotely using our free virtual design service, and helping them choose, plan and design their dream kitchens.

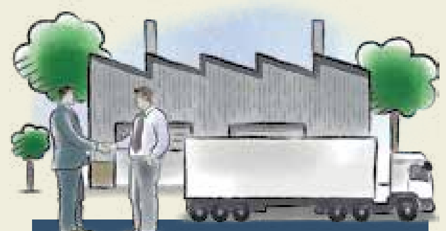
The value we create

1. Customers

- Save time and money with Howdens. Trade quality, full product range for the complete kitchen, available from stock at competitive, confidential prices.
- Trusted personal relationships providing outstanding service, from kitchen design to delivery and aftersales support.
- Trade accounts allow the builder to finish their project and get paid by their customer before they need to pay us. Online account management and anytime ordering tools help the busy builder.

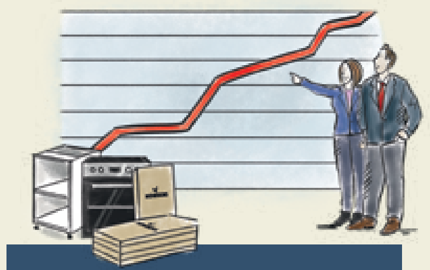
2. Staff

- A growing company with opportunities for training, development and career progression.
- A safe working environment, good salary, pension and benefits, with local profit-sharing and incentives.



3. Suppliers

- Strong and enduring relationships based on trust.
- Co-operative engagement on new products and the scale necessary to support suppliers' businesses and their investment plans.



4. Investors

- Long-term value creation, generating cash for further profitable investment in the business and to support a growing dividend.
- Surplus cash after investment and dividends is returned to shareholders through share buybacks.

5. Communities and environment

- Employment opportunities and good neighbour in over 900 communities.
- Supporting local and national charities.
- Responsible ESG practices and policies.
- See our Sustainability report on page 42.

Strategic Report

Chairman's statement

Another year of strong progress

Peter Ventress
Chairman

"I am pleased to report the Company delivered another year of strong progress supporting our trade customers with an outstanding product line up, industry-leading stock availability and, as always, a first-class service from our depot teams.

Another year of strong progress

Despite a challenging macroeconomic environment, I am pleased to report the Company delivered another year of strong progress supporting our trade customers with an outstanding product line up, industry-leading stock availability and, as always, a first-class service from our depot teams.

During the year we continued to invest in our strategic initiatives at pace. Our strategy is working well and I am confident that Howdens' in-stock, trade-only, local business model is the best way of supporting the day to day needs of our customers. This is evidenced by further above market revenue growth this year. In fact, since the pandemic, Howdens has grown revenues by over 45% while continuing to expand the number of customer accounts every year.

Central to our success as always has been the extraordinary talent and unwavering commitment of our people, whose entrepreneurial spirit and dedication to our customers make the business what it is. On behalf of the Board, I'd like to thank them sincerely for all that they do.

Financial performance

Overall in 2023, revenue was in line with last year's record performance, in very challenging kitchen and joinery markets. We continued to operate the business with sector leading gross margins of 60.8% (2022: 60.9%) made possible by our vertically integrated approach and market leading distribution and supply chain network, which are key differentiators of the Howdens 'in-stock' model. Given the challenging market environment we remained cautious on the cost base throughout the year, offsetting inflationary and energy cost increases with productivity and efficiency benefits. This protected over £50m of investments in our strategic initiatives to support future growth. As expected, profit before tax was lower than the prior year, and earnings per share for the year were 46.5p per ordinary share (2022: 65.8p).

Strong cash generation remains one of the great hallmarks of this business. Despite continued capital investments in our growth initiatives, running with additional safety stock to protect our customers and returning over £164m of cash to shareholders in dividends and share buybacks we ended the year with cash of £282.8m.

Strategic initiatives

Our kitchen and joinery markets are large and fragmented which presents an attractive long-term growth opportunity for Howdens. We believe our addressable kitchen and joinery markets in the UK are around £12 billion compared with the Company's UK revenue of around £2.3bn. We are investing commensurately in our consistent and proven growth strategy which is now well established under the leadership of Andrew Livingston and his team.

Our priorities are to invest in deeper vertical integration, depot expansion in the UK, product innovation and digital expansion. We are also investing in our international businesses in France, Belgium and more recently the Republic of Ireland which all present further growth opportunities. You can read more about our progress on many fronts this year in a Q&A with Andrew, starting on page 19.

A milestone year for ESG

The opportunity to have a positive impact on our environment, while creating a culture at Howdens where employees from all walks of life can thrive, underpinned by an appropriate governance framework to set the right tone, remain important areas of oversight for the Board. At Howdens we articulate this as being 'worthwhile for all concerned' which means doing the right thing for our people, our customers, our suppliers, the environment and the communities we work in.

2023 was a milestone year in Howdens' efforts to lower its carbon emissions with our near term Net Zero targets to 2030 being approved by the Science Based Targets Initiative (SBTi). This solidifies our route-map with appropriate targets so we can measure our progress. It commits us to reducing our Scope 1 and 2 emissions by 42% and our Scope 3 supply chain emissions by 25% by 2030 against a baseline year of 2021. The business has been on this journey already for many years but the targets underline our intent to go even further to reduce emissions and achieve Net Zero by 2050. Over 95% of our total emissions ultimately come from our supply chain so we are working in partnership with our major suppliers to share decarbonisation priorities and plans.

Our social agenda also continues to gain momentum as we seek to put our people at the heart of who we are and what we do. Our aim is to provide a culture in which our people thrive and feel valued for who they are and what they bring to Howdens. They drive the business forward and make Howdens a great place to work.

We continued our involvement in the local communities in which we serve. Our 'local first' approach saw us give every depot a £1,000 charity fund, over which they have absolute discretion. We continue to support our existing charity partners such as Leonard Cheshire Disability, Queen Elizabeth Scholarship Trust (QEST) and the Donmar Warehouse, a West-End theatre where we fund outreach activities support to develop skills for young people in their local communities.

The Howdens Worthwhile Foundation also launched two significant new partnerships in 2023. The 'Game Changer' programme, run in partnership with the Football Associations of England, Scotland and Northern Ireland provides £1m worth of kitchens and joinery products to grassroots football clubs every year for three years. During November, Howdens employees were also involved in fundraising activities for Movember, our newest charity partner.

Movember's focus on men's health issues, particularly mental health in the construction industry, is particularly appropriate for Howdens and we look forward to working with them further during the year ahead.

You can read about some of our considerable progress this year in our Sustainability report starting on page 42.

Governance and Board changes

As your Chair, one of my key responsibilities is to ensure good governance (see pages 72 to 145), and I continue to be well supported by my fellow Board members. This year we have continued to refresh the Board by rotation, ensuring we have the right balance of diverse backgrounds, skills and experience in the team to complement the talents of our executive team. I thank all those directors who have stepped down this year for their valuable contributions and I welcome our new directors to the Board. The team will continue to maintain rigorous oversight of the strategic, operational and compliance risks across the Group, refine our path to success and uphold the high standards expected of us.

In May, Geoff Drabble stepped down from the Board after nearly eight years of service, in particular as Senior Independent Director (SID). Andrew Cripps succeeded Geoff as the SID in addition to his other responsibilities. At the same time, we announced the appointment of Louis Eperjesi as a Non-Executive Director with effect from 1 June 2023. Louis is an experienced executive with a long and distinguished career in the building materials sector, most recently serving as CEO of Tyman Plc, a leading International supplier of engineered components and access solutions to the construction industry.

In July we announced that Debbie White, Non-Executive Director, informed the Board of her intention to retire in December 2023 to take up a new position as a Non-Executive Director and Chair of the Co-operative Group. More recently, in November we announced that Karen Caddick, Non-Executive Director and Remuneration Committee Chair, will step down from the Howdens Board at the end of the Annual General Meeting on 2 May 2024. We were pleased to announce the appointment of Vanda Murray as independent Non-Executive Director who joined the Board in February and will succeed Karen as Remuneration Committee Chair from 2 May 2024. Vanda has over 20 years of senior management experience across a range of sectors, including manufacturing, industrial, and support services in Europe, the USA, and Asia. We are planning to recruit more non-executives over time to ensure we retain a positive gender and ethnic diversity on the Board.

More details of all of these changes can be found in the Nomination Committee Report, starting on page 98.

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Chairman's statement continued

Capital allocation and returns to shareholders

The Board recognises the importance of shareholder returns and has been rewarding investors through progressive dividends and share buybacks in recent years. Our approach to capital allocation is unchanged. We focus on achieving sustainable profit growth by investing in and developing our business. We also want to maintain and grow our ordinary dividend in line with earnings to reward shareholders with an attractive ongoing income stream. After allowing for these uses of cash, Howdens remains committed to returning any surplus capital to shareholders.

Taking into account the Group's prospects and strong financial position, in July 2023 the Board declared an interim dividend of 4.8p per ordinary share (2022: 4.7p per ordinary share). The Board is recommending a final dividend for 2023 of 16.2p per ordinary share (2022: 15.9p per ordinary share), resulting in a total dividend of 21.0p per ordinary share (2022: 20.6p per ordinary share). The total dividend represents a year-over-year increase of 1.9% and if approved by shareholders at the AGM in May the final dividend will be paid on 24 May 2024 to shareholders on the register on 11 April 2024.

Looking ahead

The Group has delivered another year of strong progress and while the macroeconomic and geopolitical environment is uncertain, our business model is resilient, and we start the new financial year in a position of strength. Looking ahead, we remain excited about the significant structural growth opportunities in our markets and our ability to generate further sustainable long-term value for our stakeholders. Our priorities in 2024 will be to continue to drive above market organic revenue growth, while investing behind the Company's differentiated business model. I remain confident our approach is the right one, and the Board looks forward to the year ahead with confidence.

Peter Ventress
Chairman

28 February 2024

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See our Board of Directors	76

Chief Executive Officer's review

Our results demonstrate the strengths of our local, trade only, in-stock business model

Andrew Livingston
Chief Executive Officer

"In the UK we believe we gained market share by volume in 2023, which helped us mitigate a decline in the overall size of the kitchen market.

Q&A With Andrew Livingston, Chief Executive Officer

The Group delivered a resilient performance in 2023, against record prior year comparatives and in, as we anticipated, a more challenging marketplace. Sales and profits met our expectations and we progressed our investment programme, which is focused on our key capabilities and gives us, end to end, a stronger business.

All the questions in this section have been asked by institutional investors this year.

Q

Given the external challenges of 2023 how do you think Howdens has done this year?

A

I'm pleased with how we have delivered as a business this year. Our results demonstrate the strengths of our local, trade only, in-stock business model and we delivered in a more challenging marketplace this year. Group sales were in line with those achieved in 2022, and were up 46% on 2019, being the year prior to the onset of the pandemic. In the UK, we gained market share by volume in 2023, which helped us mitigate the impact of a decline in the overall size of the kitchen market.

We maintained our industry leading gross margin with gross profit at around the same level as last year, as we balanced recovery of significant input cost rises with our commitment to provide competitive pricing across the board for our customers. Excluding investment in our strategic initiatives, we actively contained our operating costs and kept these to 2022 levels, despite ongoing inflationary pressures.

Profit before tax was lower than in 2022, and in line with market expectations. It was 26% higher than in 2019. Our builders remained busy, and we made good progress on our strategic plans for the UK business and sales at our international operations continued to increase.

The business delivered strong operating cashflow and we maintained a robust balance sheet. This gave us the flexibility to continue to invest in future growth and provide shareholders with enhanced cash returns in the form of an increased dividend payout for 2023. We also completed a £50m share buyback programme during the year.

Strategic Report

Chief Executive Officer's review continued

Q

You've made some major strides this year in sustainability, where have you focused your efforts?

A

Yes, we have moved our 'ESG' agenda forward significantly. Most notably we achieved a major milestone this year with our near term Net Zero plan to 2030, which we submitted 12 months ahead of schedule last year, which has now been approved by SBTi. We have also committed to set long-term emissions targets to reach net zero by 2050. Our factories achieved zero waste to landfill again in 2023 and zero waste to landfill across our UK depots reached 99.7%.

External suppliers represent most of our total emissions and aligning the supply base with our reduction targets is a key priority. Our suppliers will, progressively from 2024 onwards be contractually obliged to have Net Zero targets in place and sustainability now forms a key part of our product design process, both for internally-generated products and those that we source. We are making good progress and in 2023 modifications to our best-selling Greenwich Matt kitchen frontals mean that they are now 100% recyclable. We have also launched a plastic pledge initiative looking across all products to remove reduce or replace plastic packaging where possible.

Q

How resilient is the business to current economic conditions?

A

Resilience is a key strength of our local, trade only in stock model and we believe we increased our market share by volume this year, consolidating the gains made in 2022. The foundation for this is our strong product line-up, high stock availability, industry leading service levels and our entrepreneurial depot teams who serve a trade customer with a similar mindset. In a challenging year, where market volumes fell significantly, we held our revenues to 2022 levels with average customer spend matching the previous year and we had a record number of customer accounts as at year-end. We also increased some prices, which helped us defray most of the impact of significant rises in annualised input costs, and to sharpen our pricing elsewhere.

As well as maintaining an industry leading gross margin, the business continued to deliver volumes on our core products, which in aggregate were well ahead of pre-pandemic times.

Our model is hard to replicate and we have initiatives in place to make it more so, in markets with significant longer-term growth opportunities for us. We continue to prioritise investment in the business on this basis.

Q

Are you running out of opportunities for your UK kitchen and joinery business?

A

Quite the opposite, our own research shows that the UK kitchen and joinery markets are large and fragmented with a significant opportunity for Howdens to continue to grow its market share. Our findings indicate the value of the kitchen market last year was around £6.6bn. The UK joinery market is also large and very fragmented at around £5.4bn across the four segments that Howdens supplies; joinery, doors, flooring and hardware. Consequently, we believe Howdens' addressable market for kitchens and joinery is around £12bn compared with Howdens' UK revenue of £2.2bn last year. We also entered the fitted bedroom market in 2023, which we think has an addressable market of over £1.2bn so we still have a huge opportunity to generate profitable growth in the UK for many years to come.

Q

Turning to growth, how are the UK depot openings and refits going? Are you hitting your financial hurdles in terms of the financial returns?

A

High service levels, including local proximity and immediate availability are very important to our customers and we continue to see profitable opportunities to open depots. We are using our updated format for all depot openings. Deployed in several forms, the format enables us to provide the best depot environment in which to work and conduct business, and to make space utilisation and productivity gains in a cost-effective way by using vertical racking in the warehouse section of the depot. We opened 33 new depots in 2023 with a total of 840 trading at the end of 2023. Overall, we continue to believe there is scope for around 1,000 depots in the UK and we plan to open around a further 30 depots in 2024.

These will include some more in the smaller sized format using our next day 'XDC' delivery service to supplement in-depot stock holdings. The smaller version enables us to open a depot in places lacking suitable properties to accommodate the standard one, or open an infill depot to provide a more local service in less densely populated areas.

We have progressed our revamp programme for existing depots. This continues to receive very positive feedback from depot staff and customers alike and providing such an attractive trading and working environment is important to our competitive position. In 2023 we planned to complete around 80 depots and in fact achieved a further 89 by the end of December bringing the total revamped to 274. The revamps are budgeted to pay back costs in less than four years and depot P&Ls are charged a reformat cost which ensures depot teams are motivated to deliver incremental sales. As we revamp more of our estate, we are modifying the scale and scope of the revamp at depots with relatively lower catchment areas so as to maintain incremental returns.

In 2024 we plan to revamp around 85 more depots which means by the end of 2024 we expect to have revamped around 54% of the 670 depots which opened in the old format and expect to have around 64% of all UK depots trading in the updated one.

Q

Over the past couple of years there has been a great deal of emphasis on new product introductions. Why is it so important?

A

We are committed to providing market leading and competitively priced product for our customers to sell to theirs. In 2023 we introduced 23 new kitchen ranges, which was on a par with 2022, and we want to lead the market with the latest trends that keep us front of mind for both builders and their customers.

Sales of new products continue to make a significant contribution to our performance. Sales of new product introduced ('NPI') in 2023 and 2022 represented around 22% of total UK product sales. Sales of NPI during 2022 alone increased by some 34% in 2023 and as in 2022, higher priced kitchens continued to contribute more to our kitchen mix by volume than previously, which has a positive impact on our average kitchen invoice value. So it has become very important to us for these reasons.

Managing our portfolio of kitchen ranges efficiently is crucial for both best availability, which is highly valued by our customers, and for profitability. In recent years we have reorganised our range architecture, removing duplications, and improved the balance between new kitchen introductions and timely discontinuations. We have also introduced a more efficient way of testing new kitchen colours and finishes which we call 'Find the Gap', which enables us to bring more proven new kitchen styles to market more quickly and our new paint to order service is also informing our from stock ranging decisions. At the end of 2023, around 60% of the kitchens available from stock comprised ranges brought to market between 2021 and 2023, and for 2024 we have a lower number of new kitchen introductions but fewer retirements than in recent times.

Price featured prominently in 2023, and given prevailing pressures on household budgets, we expect it to do so again in 2024. Our offering as enhanced by our 2024 NPI programme is well positioned to take advantage of this. With an emphasis on value for money and choice at all price-points, our NPI for 2024 includes nine new kitchen ranges aimed at the entry and mid-market segments and we have also introduced clearer and more delineated pricing within ranges and across families. We are innovating in other product categories and are adding bedrooms to our all depot offering. In 2023 we brought to market seven new entry level kitchen ranges, adding new frontal (door) options, and this year we are adding two more.

In 2023, we also continued to develop our higher priced kitchen portfolio, which is a large segment of the market, representing 30% plus of total market sales, where we are under-represented. The paint to order service for customers buying our Chilcomb and Elmbridge ranges, which we started offering in the second half of 2023, has been very favourably received by customers and depots alike.

Strategic Report
Governance
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Additional Information

Chief Executive Officer's review continued

Q

Solid work surfaces was a new adjacency last year. How has it developed in 2023 and how has this helped Howdens address the higher price kitchen market?

A

The premium worksurfaces business has performed very strongly in 2023 and it's been a priority for us to develop a market-leading supply and fit capability as we have moved into the higher priced kitchen segment. Following the acquisition of the Sheridan worktop business two years ago and other investments, our in-house manufacturing capacity is now amongst the largest in the UK. The number of solid surface worktop orders taken by depots increased significantly in 2023 as we continued to improve our offer.

Last year we added six more 'entry level' decors to our solid surface 'Template and Fit' service and with the integration of Sheridan largely complete, we also reduced the time between template and fit to an industry leading five days in the second half of the year. For 2024 we have a comprehensive offering of 48 decors to suit all budgets.

Q

You are continuing to invest in manufacturing, what's the ultimate goal in terms of what products you make versus what you buy in?

A

We make all of our kitchen cabinets and some of the other kitchen products we sell, which is a significant source of competitive advantage for us in several ways. We keep under review what we believe is best to make or buy, balancing cost and overall supply chain availability, resilience and flexibility. We have recently invested in new lines at our Howden site, which are amongst the most advanced of their type in Europe. These give us the ability to make a wide variety of kitchen furniture, principally frontals (doors) and panels, for more of our ranges, at the same quality as we can source externally but at a lower cost and at a reduced lead time to delivery.

Production on the new lines totalled around 600,000 pieces in 2023 with a full year capacity of around 2 million pieces going forward. Separately we have also invested in two lines to facilitate our paint to order initiative. Located in a purpose-built facility near our Howden site, the lines give us an industry leading production capability in this area. Lastly our second architrave and skirting line became operational this year, enabling us to service in-house more of the substantial increase in demand we have seen for these products and for which we are extending our offering in 2024. We continue to see good opportunities to extend what we manufacture in-house over time.

Q

Being in stock is very important for Howdens' trade customers, how are you continuing to improve your service to them?

A

It's critical, we're an in-stock business and the trade tell us that a high level of stock availability is one of the key reasons they buy from us. In 2023, facilitated by our new stock management system, we rolled-out our 'Daily Traders' initiative to all UK depots. Daily Traders is a means to improve customer service levels and increase sales by optimising in-depot stock holdings of best-selling SKUs and associated 'range completers'.

Sales of these are outperforming those of non-Daily Trader SKUs and we have seen improvements to other key metrics including a reduction in customer back-orders and a higher proportion of stock being replenished via a depot's core weekly delivery order. This gives us efficiencies as it reduces utilisation of our XDC cross docking service introduced last year.

Building on this, we have recently improved stock replenishment by supplementing the depots core weekly delivery order with investment in a next day service via a regional cross docking centre (or 'XDC') combined with a rebalancing of where we hold stock. XDC is now a key enabler to delivering the levels of high service and availability which differentiate our offer. The improvements to stock replenishment enable depots to hold deeper stocks of faster selling lines, for example Daily Traders and makes it simpler and more efficient for them to deliver superior service levels and availability, backed by certainty over lead time to delivery for items not held at depot level.

Q

What are the advantages of digital for the business and how are they likely to evolve?

A

We use digital to reinforce our model of strong local relationships between depots and their customers by raising brand awareness, to support the business model with new services and ways to trade with us, and to deliver productivity benefits and more leads for our depot teams and our customers.

In 2023, use of our online account facilities, which provide efficiencies and benefits for customers and depots alike, has continued to increase. New registrations totalled some 75,000 and around 48% of customers had an online account at the year end. Following a substantial increase in 2022, total users viewing our trade platform increased by 7%, with around 75% of users regularly looking at their confidential prices.

Website visits to howdens.com, at 19.6 million, exceeded those of four key competitors. We continued to have the highest number of fitted kitchen site visits, and the time spent viewing pages and the number of pages viewed per visit were at consistently high levels. Across social media platforms, our follower base at around 554,000 was up 16%, with around 5.4 million monthly engagements. As our digital presence has grown, awareness of Howdens amongst end-consumers has increased. In 2023, our unprompted brand awareness amongst end-consumers at 31%, was approaching three times what it was across 2019, and we continue to push harder to improve brand awareness.

In 2023 we added new features to our trade platform which collectively improve stock and account knowledge, promote frequency and ease of trading and reduce time consuming manual tasks in depots, including stock allocation. This year we tested a digitised in-depot stock management system to record and pick deliveries, check allocations, and determine depot stock levels, which is now being installed in all UK depots. The stock surety this and other initiatives provides, has enabled us to upgrade significantly the 'click and collect' service we offer to customers or 'Live Stock' as we call it.

By mid-2024, the online account customers of all our depots will be able to check real time availability of stock on a depot-by-depot basis and make multiple purchases of products in the same family simultaneously. In addition, they will be able to place orders for collection at a time of their choosing, and in two clicks elect to pay either when placing their orders or on their normal terms see product reviews and special deals on product which may be of interest.

Q

Can the Howdens model work in other countries and how are your fledgling businesses in France and the Republic of Ireland (ROI) shaping up?

A

Yes, there's certainly potential to apply Howden's vertically integrated in stock, local business model to other geographies. In both France and ROI where we have established businesses the response we are getting from trade customers when they start to use Howdens is very encouraging. We are proceeding cautiously to ensure we establish the Howdens model in the right way particularly as we train and develop new entrepreneurial depot managers and their teams, which is critical to the success of the business.

In 2023, our operations based in France returned increased sales in a market at least as challenging as the one in the UK. By the end of 2022 we had doubled the depots trading in France and Belgium to 60 in a two-year period and opened a further five at the end of 2023. Consequently, when compared with their UK counterparts, many of our depot managers in France are less experienced in nurturing trusted trade relationships and for 2024 we are focussing on depot team development to foster these, and so we expect to open around 5 new depots this year. Alongside team development, we are investing in the business through enhanced offerings of 'footfall promoting' products and 2024 will see a regular schedule of 'trade days' at all depots with aligned promotional activity and more supplier support.

We commenced trading in the Republic of Ireland in 2022, using a similar depot location strategy to that in France, with the depot teams there supported by our UK infrastructure and our digital platform. During 2022 we opened five depots clustered around Dublin and our arrival in the Irish market attracted much attention locally. We opened five depots in 2023, of which three are around Dublin and two serve the Cork area, taking the total trading to ten at the year-end. We are encouraged by depot sales to date and in 2024, we plan to open around five more depots, taking the total trading to 15.

Strategic Report

Chief Executive Officer's review continued

Q

What are your expectations for Howdens in 2024?

A

We're confident of building on the strong foundations we have laid in recent years. We are well planned on our strategic initiatives, which are aimed at increasing our market share profitably, as we deliver value to customers across all price points. High stock availability is a major contributor to our performance and in 2024 we will continue with our safety stock policies at the more normalised levels by volume we deployed in 2023.

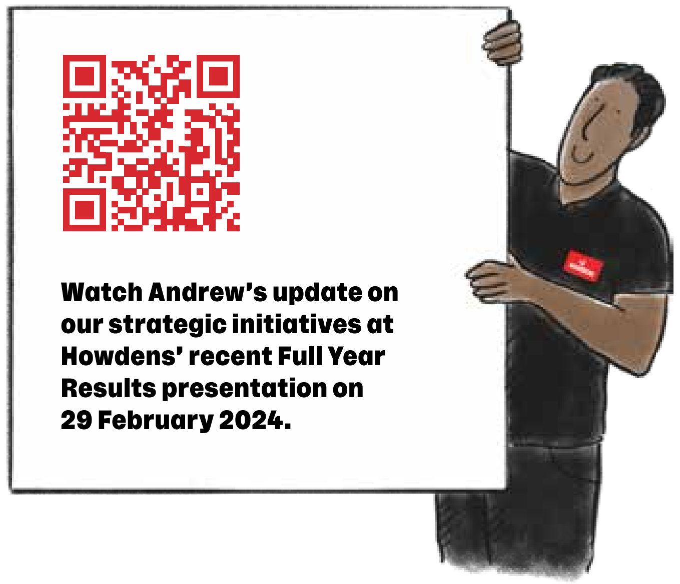
All of our confirmed new kitchen ranges for 2024 will be in-stock by the end of June, well ahead of peak Autumn trading, with an emphasis on entry and mid-price ranges together with our very competitively priced premium kitchen offering. We have a programme of 'Rooster Deals' promotions in place to keep Howdens at the front of the trade's mind, together with other price initiatives.

We will continue to make improvements to service and availability including by utilising XDCs efficiently and through our Daily Traders and Live Stock initiatives. We are increasing the range of services and functionality we offer online to the benefit of our depot teams, customers and end-users alike.

We will be making more in the UK, as our new lines at Howden move up towards full scale production, our solid surface business grows, and bedroom volumes increase. During 2024 we plan to open around 30 depots in the UK and refurbish around another 85 existing depots in the updated format. In France and Belgium we plan to have around 70 depots trading in 2024, with around 15 trading in the Republic of Ireland by the end of 2024.

We have made an encouraging start to 2024 in market conditions unchanged from 2023 and we are on track to meet our expectations for the business in 2024. We aim to retain a profitable balance between margin and volume, as we continue to maintain competitive pricing whilst aligning operating costs and working with suppliers to keep product and input costs controlled.

We are confident that our business model is the right one to address the opportunities our markets present. We are well placed to outperform our competitors in 2024 as we continue to invest in our key capabilities and growth opportunities which are pivotal to the longer-term development of the business.



Our strategic initiatives

We have made further progress on our medium-term strategic initiatives, and we expect to deliver profitable growth and market share gains over the medium term. The four strategic initiatives are:

1. **Evolve our depot model**
2. **Improve our range and supply management**
3. **Develop our digital capabilities and services**
4. **Expand our international operations**

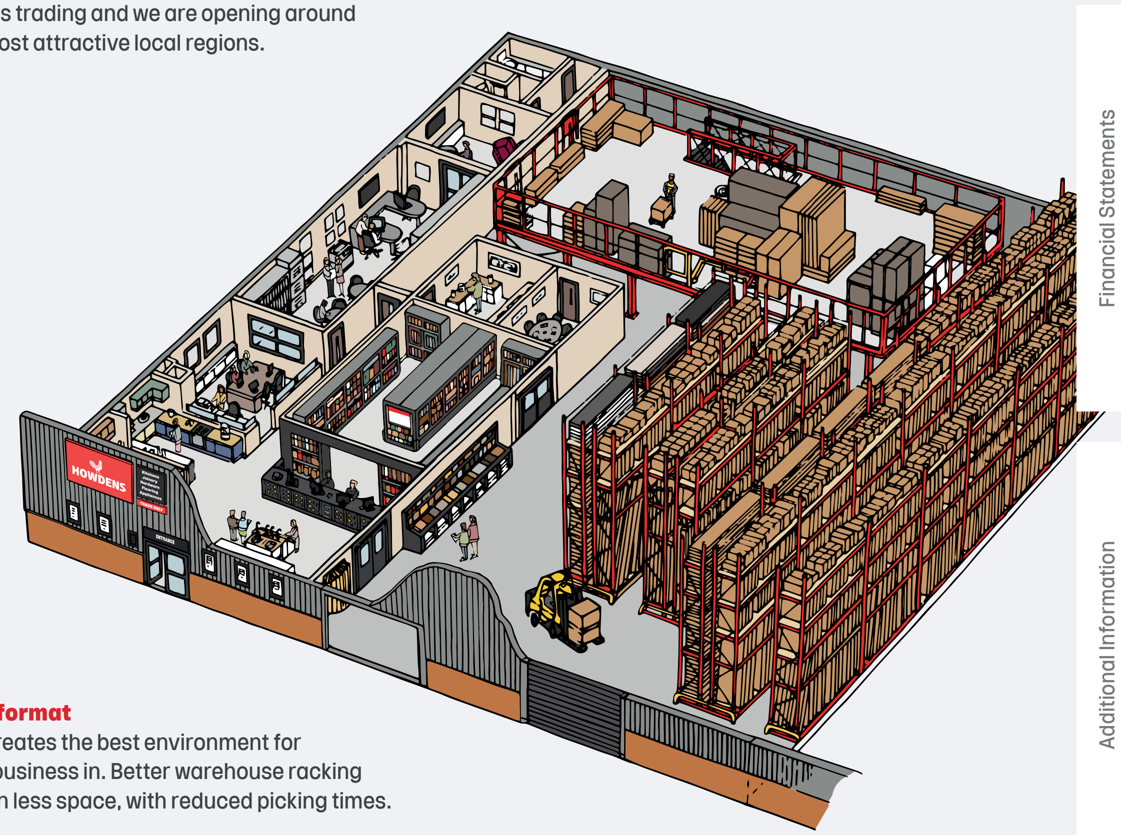
1

Evolve our depot model - we want to improve our depot network over time to ensure we use space more efficiently, and to provide the best environment for our customers to do business in.

High service levels, including local proximity and immediate availability are very important to our customers and we have continued to extend our depot footprint to support growth.

Overall, we believe that there is an opportunity to open around 1,000 depots in the UK over time. At the end of 2023 there were 840 depots trading and we are opening around 25-30 a year in the most attractive local regions.

In 2018 we developed an updated depot format and have been rolling it out across our depot estate. It provides an attractive space for us to do business with our Trade customers, a place for them to bring their customers to see our product range and to work with our kitchen designers, and an improved warehouse space that makes space utilisation and productivity gains in a cost-effective way, by using vertical racking. The reformats are budgeted to pay back costs in less than four years. Depot P&Ls are charged a reformat cost which ensures depot teams are motivated to deliver incremental sales.



The updated depot format
Updated front area creates the best environment for our customers to do business in. Better warehouse racking delivers more stock, in less space, with reduced picking times.

Chief Executive Officer's review continued

Our strategic initiatives continued

2

Improving our range and supply management - to help customers' buying decisions, to improve service and to enhance productivity in our manufacturing, sourcing and supply chain activities.

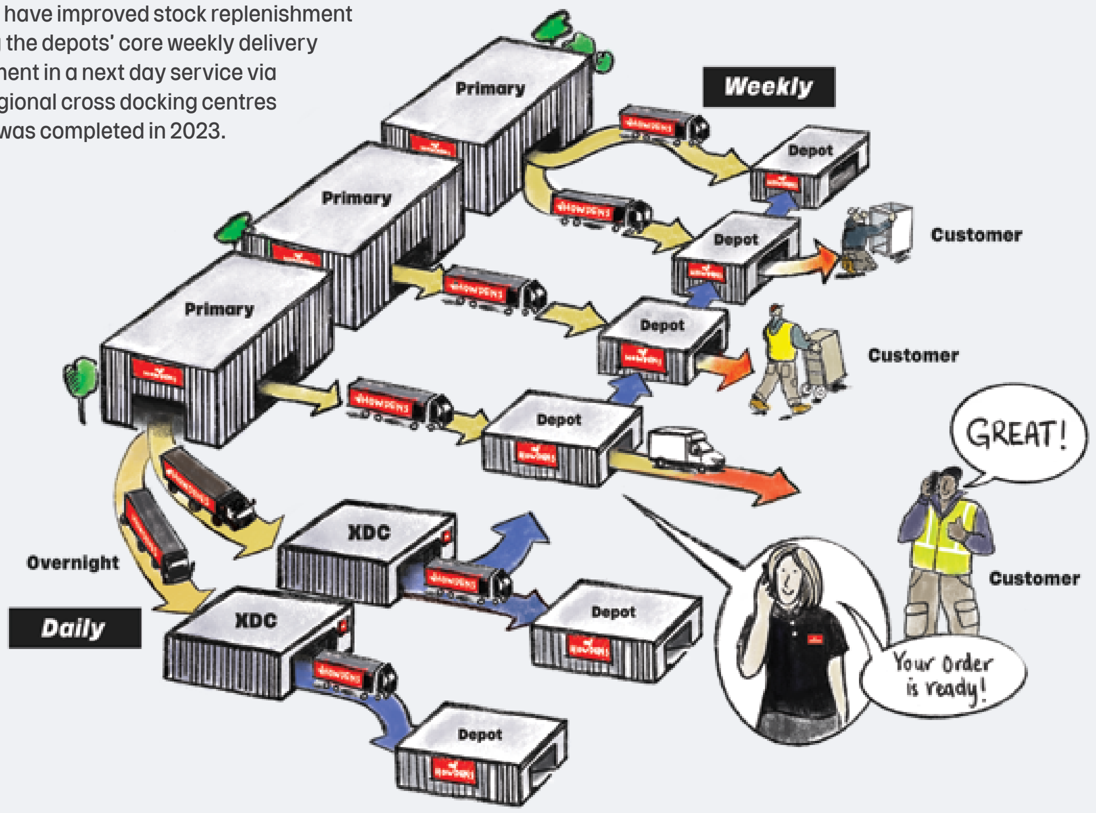
As product lifecycles shorten, managing the number of kitchen ranges efficiently is crucial for both our customers, who want best availability, and for profitability. We are managing range introductions and clearances so that we are offering the right number of range families, designed to fit all budgets. More recently we have placed more emphasis on building out our share of higher priced kitchens where we have been historically under-represented. This has included expanding our offering to encompass template to fit solid worksurfaces, a wider range of appliances (including own label) and premium services such as paint to order. We are also innovating in other product categories to expand our share of attractive niche markets in joinery.

Howdens is an in-stock business and the trade tell us that a high level of stock availability is one of the key reasons they buy from us.

We protect stock availability in several ways, which helps us deal with supply chain disruption and maintain our service levels. We have improved stock replenishment by supplementing the depots' core weekly delivery order with investment in a next day service via a network of 12 regional cross docking centres (or 'XDCs') which was completed in 2023.

XDC's are a key enabler to delivering the levels of high service and availability which differentiate our offer. The improvements to stock replenishment enable depots to hold deeper stocks of faster selling lines and makes it simpler and more efficient for them to deliver superior service levels and availability, backed by certainty over lead time to delivery for items not held at depot level.

We make all the kitchen cabinets and some of the other kitchen products we sell, which is the source of competitive advantage for us in several ways. We keep under review what we believe is best to make or buy, balancing cost and overall supply chain availability, resilience and flexibility. We have invested in new furniture lines at our Howden site, which are amongst the most advanced of their type in Europe, with a full year capacity of around 2 million pieces going forward. These give us the ability to make a variety of kitchen furniture, principally frontals and panels, but also skirting and architraves, for more of our ranges, at the same quality as we can source externally but at a lower cost and at a reduced lead time to delivery. We have also invested in two lines to facilitate our 'Paint to Order' initiative. Located in a purpose-built facility near our Howden site, the lines give us an industry leading production capability.



3

Digital - we are developing our digital platforms to raise brand awareness, support the business model and to deliver productivity gains and leads for depots and customers.

Our digital strategy reinforces our model of strong local relationships between depots and their customers by raising brand awareness and further supports the business model with new services and ways to trade. It also frees up time for depot staff and customers to use more productively.

Our online account facilities provide benefits for both customers and depots. Use continues to increase. Customers with an online account have, on average, continued to trade with us more frequently, spent significantly more, and bought across more product categories.

As our digital presence has grown, awareness of Howdens amongst end-consumers has increased. We have added new features to our trade platform which improve stock and account knowledge, promote frequency and ease of trading and reduce time consuming manual tasks in depots. The stock surety this and other initiatives such as Daily Traders provide, now enable us to upgrade significantly the 'click and collect' service we offer.

We have also invested in capabilities which help end users interact with Howdens online at each stage of their buying decision. As our digital presence has grown, awareness of Howdens amongst end-consumers has increased. We ended the year with 540,000 followers across the major social media channels with a significant rise in the number of engagements.

4

International - Expanding our presence in attractive kitchen and joinery markets outside the UK.

While the UK market for kitchens and joinery is large, fragmented and attractive, we believe that there is an opportunity to take Howdens' highly differentiated in-stock, trade only local business models to other markets outside the UK. For example, the company has established 65 depots in France and Belgium and in 2022 we also opened for business in the Republic of Ireland where we now have 10 depots.

A good example is France, where we believe the kitchen market is worth around €3.9 billion, excluding appliances, with most kitchens purchased through kitchen specialists and DIY stores. Currently there is limited choice locally for builders to be served by a dedicated supplier where products are available from stock either same day or next day. We have tested our ability to access this sizeable market in several ways before adopting 'a city-based' approach, serving solely trade customers, led and staffed by people who embrace the Howdens way of doing business. Alongside team development, we are also investing in the business through enhanced offerings of 'footfall-promoting' products and a regular schedule of 'trade days' at all depots with aligned promotional activity and more supplier support. Our current strategy is to establish profitable businesses in these regions which deliver attractive returns for our shareholders.

Strategic Report

Key performance indicators

Links to: Strategy Risk Remuneration

Financial

Sales

Why we measure it

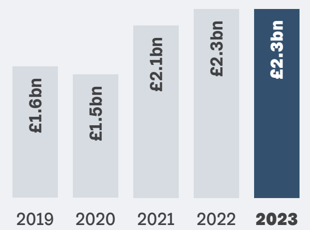
We believe that there are considerable opportunities to grow sales. As sales grow, we believe there are economies of scale which will also allow us to grow long-term profitability.

Links to strategy, risks and remuneration

Reach more builders | Failure to maximise growth potential | Depot staff bonuses are directly linked to their depot's sales

Progress

Total Group sales of £2.3bn in 2023, in line with market expectations.



Profit before tax

Why we measure it

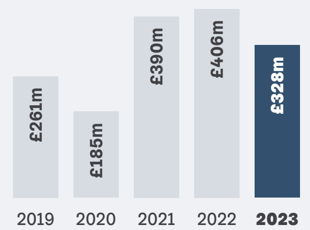
Profit before tax is a simple and widely understood measure. We consider that it gives a complete picture of our performance as it includes all of our operating, selling and distribution, admin and financing expenses.

Links to strategy, risks and remuneration

Operational excellence | Prudent financial management | Failure to maximise growth potential | Deterioration of model & culture | Executive Committee and senior management bonuses are directly linked to PBT

Progress

Profit before tax of £328m in 2023.



Cash

Why we measure it

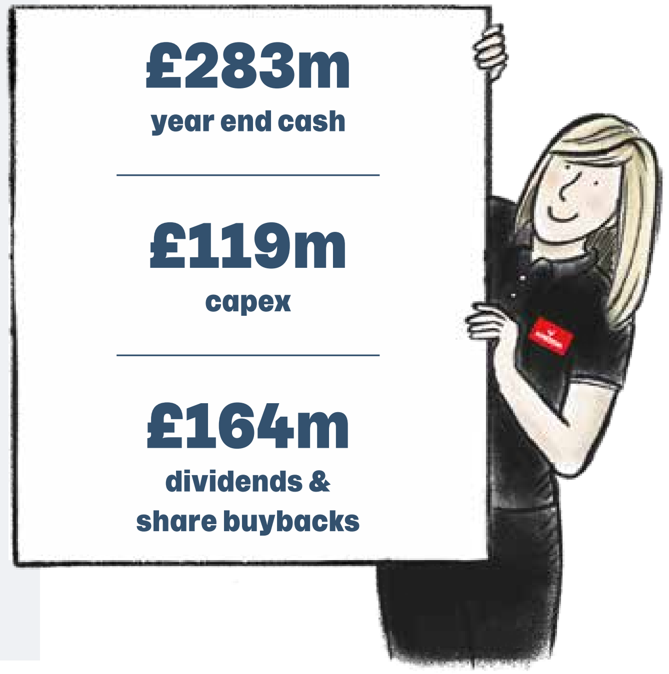
We aim to cover our investment needs, to retain at least one year's working capital requirement, to pay a progressive dividendand to return surplus cash to shareholders (see page 33 for details of our capital allocation model).

Links to strategy, risks and remuneration

Prudent financial management | Invest in our strategic priorities | Return surplus cash to shareholders | Executive Committee and senior management bonuses are directly linked to cash generation targets

Progress

We have invested £119m in capital expenditure for future growth and have also returned £164m in dividends and buybacks, ending the year with £283m cash.



Non-Financial

Depot openings

Why we measure it

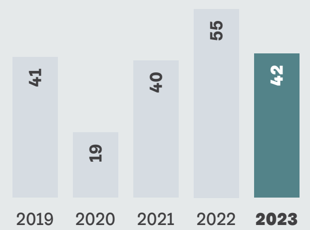
We believe that there is some way to go before the UK market is saturated. We continue to identify possible sites for new depots whilst at the same time keeping our model flexible, and allowing us to take account of economic conditions and phase the speed of our growth accordingly. We plan to expand our depot network in the UK, France and the Republic of Ireland in 2024.

Links to strategy, risks and remuneration

Reach more builders | Failure to maximise growth potential | Deterioration of model & culture

Progress

We ended 2023 with 32 more depots in the UK, 5 more in France and an additional 5 in the Republic of Ireland. We plan to continue to expand our network in 2024.



Health & Safety

Why we measure it

We have over 12,000 employees working in our factories, our logistics operation, our support sites and our depots and we need to keep them all safe at work.

Links to strategy, risks and remuneration

Operational excellence | Health & Safety

Progress

Our rate of RIDDOR-reportable injuries has remained low and is also significantly below the HSE all-industry average for the year. See page 56 for more detail.

Use of FSC® or PEFC certified materials

Why we measure it

We use almost a third of a million cubic metres of chipboard and MDF in our factories. FSC® and PEFC are the two main certification bodies. Ensuring that all our MDF and chipboard is certified by them gives us assurance over their provenance. See page 50 for more details.

Links to strategy, risks and remuneration

Product innovation | Product relevance | Continuity of supply

All of chipboard & MDF used in our manufacturing processes is from FSC® or PEFC certified sources

Zero to landfill

Why we measure it

One of the pillars of our business model is our efficient production, which gives us a significant cost advantage. Reusing, recovering or recycling as much of our waste as we can benefits stakeholders as it reduces our both our emissions and our costs.

Links to strategy, risks and remuneration

Operational excellence | Prudent financial management

Progress

At the end of 2022 we were zero to landfill across our manufacturing and warehouse operations. We are pleased to announce that in 2023 we are now zero to landfill across our whole UK operations. See page 57 for more details.

Strategic Report

Financial review

- Maintained sector leading margins in higher inflationary environment
- Continued investment in strategic initiatives
- 21.0p 2023 full year dividend

Paul Hayes
Chief Financial Officer

"Tight cost control enables us to protect our investments in strategic growth initiatives.

Financial results for 2023[1]

Revenue

Group revenue of £2,310.9m was in line with last year (2022: £2,319.0m) and 45.9% ahead of the same period in 2019. UK depot revenue of £2,241.1m (2022: £2,256.1m) was broadly consistent with last year's record performance and 1.7% lower on a same depot basis.

Revenue in the international depots was 11.0% ahead of the prior year at £69.8m (2022: £62.9m) and included sales in the Republic of Ireland, where we opened depots last year, for the first time. We continued to expand our international depot network with ten openings in the year, bringing the total to 75.

Gross profit

We maintained our sector leading margins by appropriately balancing pricing and volumes in an environment of high inflation. Gross profit was broadly similar to last year at £1,403.9m (2022: £1,411.2m).

The slightly lower gross margin percentage of 60.8% (2022: 60.9%) reflected the dilutive impact of a higher mix of everyday joinery products and growth of our solid work surfaces offering which performed strongly in its first full year of trading. Solid work surfaces, often associated with sales of higher priced kitchens, make an attractive cash margin contribution but have a lower gross margin percentage than most of Howdens kitchen products. During the year we also delivered a number of productivity improvements in our manufacturing operations which partially offset increases in commodities, wage inflation and energy costs.

Operating profit and profit before tax

Operating profit was below last year at £340.2m (2022: £415.2m) given the continued investment in the strategic initiatives and £17m of additional costs arising from an additional 53rd week. It was, however, 30.8% ahead of pre-COVID profit levels in 2019 of £260.0m.

Operating expenses increased by £67.7m to £1,063.7m (2022: £996.0m) with productivity and efficiency actions taken throughout the year more than offsetting cost increases of around £50m relating to inflation. This tight cost control enabled us to protect our ongoing investments in our strategic growth initiatives across the business. The £53m of strategic investments this year included £16m on new UK depots opened in 2022 and 2023 and £12m on international depots opened in the period and prior year.

1 The information presented relates to the 53 weeks to 30 December 2023 and the 52 weeks to 24 December 2022 unless otherwise stated.
2 Same depot basis for any year excludes depots opened in that year and the prior year.

Revenue[1] £m	2023	No. of depots	2022[5]
Group:	2,310.9	915	2,319.0
UK depots - same depot basis[2,4]	2,195.3	777	2,232.8
UK depots opened in previous two years	45.8	63	23.3[3]
Howden Joinery UK depots - total sales	2,241.1	840	2,256.1
International depots	68.8	75	62.9
Revenue €m			
International - same depot basis[2]	58.4	35	66.8
Depots opened in previous two years	21.9	40	6.9
Total - international depots	80.3	75	73.7

1 The information presented relates to the 53 weeks to 30 December 2023 and the 52 weeks to 24 December 2022 unless otherwise stated.
2 Same depot basis for any year excludes depots opened in that year and the prior year.
3 2022 includes additional 3rd party sales generated by the Sheridans solid work surface business acquired in the period.
4 One depot was closed in the UK at the end of 2023.
5 During 2022, 25 depots were opened and 5 depots were closed in France.

We also invested £25m in warehouse and transportation initiatives including the full year impact of our investment in our regional cross docking facilities (XDCs).

The net interest charge was £12.6m (2022: £9.4m). Profit before tax of £327.6m was £78.2m below the prior year (2022: £405.8m) and 25.7% ahead of 2019 (2019: £260.7m).

Tax, profit after tax and basic earnings per share

The tax charge on profit before tax was £73.0m (2022: £31.6m) and represented an effective tax rate of 22.3% (2022: 7.8%). This includes a higher corporation tax rate for businesses introduced in the UK from April 2023. The lower tax rate in the prior year reflected the previously announced backdated tax credit relating to the patent box claim which was included in Howdens' financial statements last year. While always subject to review by HMRC, as previously indicated, the Group expects an ongoing reduction of around 3% to Howdens effective tax rate, assuming current marginal tax rates.

Profit after tax was £254.6m (2022: £374.2m). Reflecting the above and the benefit of the reduced share count following the share buyback, basic earnings per share were lower at 46.5p (2022: 65.8p).

Cash

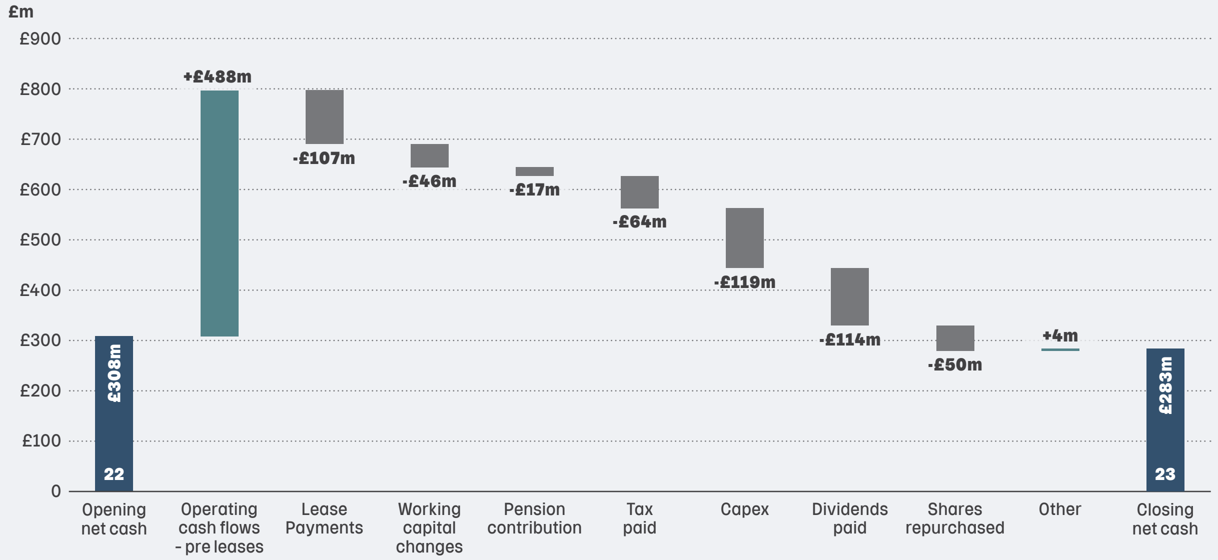
The net cash inflow from operating activities was £470.8m (2022: £548.5m). Overall working capital increased by £35.0m with stock £10m higher, mainly as a result of inflation. Debtors at the end of the period were £39m lower than at the end of the previous period with ageing in good shape and benefitting from the later timing of the year end. Creditors were £64.3m lower. Capital expenditure net cash payments were below the prior year at £118.9m (2022: £140.8m). Corporation tax payments were £63.5m (2022: £101.5m), and dividends amounted to £114.1m (2022: £115.0m). Share buy backs totalled £50.0m (2022: £250.5m). The interest and principal paid on lease liabilities totalled £121.8m (2022: £79.2m).

Reflecting the above, there was a net cash outflow of £23.1m (2022: outflow of £207.3m), leaving the Group with cash at the year end of £282.8m (2022: £308.0m).

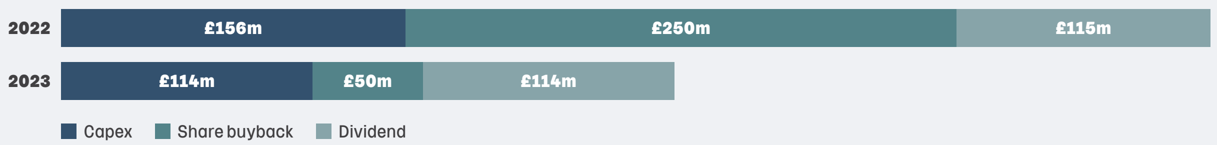
Financial review continued

How we make cash and how we spend it

Cash generation and use



Uses of cash



Capital allocation and returns to shareholders

We have a well-established policy for capital allocation. We focus on achieving sustainable profit growth by investing in and developing our business. We also want to maintain and grow our ordinary dividend in line with earnings to reward shareholders with an attractive ongoing income stream. After allowing for these uses of cash, Howdens remains committed to returning any surplus capital to shareholders.

Within its definition of surplus capital, the Board's objective is for the Group to be able to operate through the annual working capital cycle without incurring bank debt, noting that there is seasonality in working capital balances through the year, particularly in advance of our peak trading period in the second half. We also take into account that the Group has a significant property lease exposure for the depot network, and a large defined benefit pension scheme. Our policy remains that when period-end cash is in excess of £250m we expect to return surplus cash to shareholders. This provides sufficient headroom to support organic growth, our seasonal working capital requirements and ongoing investments in our strategic initiatives, while maintaining a strong balance sheet.

Considering the Group's prospects and strong financial position, in July 2023 the Board declared an interim dividend of 4.8p per ordinary share (2022: 4.7p per ordinary share).

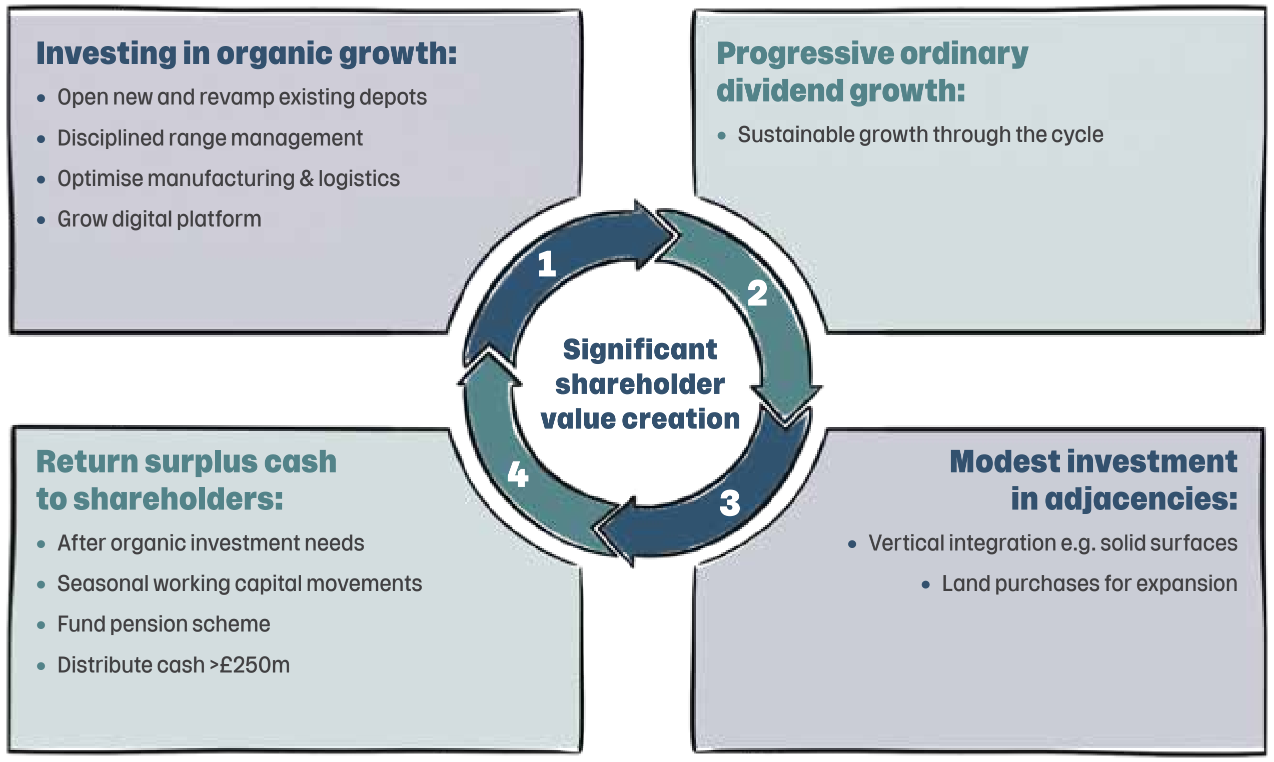
The Board is recommending a final dividend for 2023 of 16.2p per ordinary share (2022: 15.9p per ordinary share), resulting in a total dividend of 21.0p per ordinary share (2022: 20.6p per ordinary share). The total dividend represents a year-over-year increase of 1.9% and if approved by shareholders at the AGM in May the final dividend will be paid on 24 May 2024 to shareholders on the register on 12 April 2024.

Pensions

At 30 December 2023, the defined benefit pension scheme was in a deficit position of £12.6m on an IAS 19 basis compared to a deficit of £41.5m on 24 December 2022. The scheme is closed for future accrual.

The triennial actuarial valuation of the scheme was conducted as at 31 March 2023 and the scheme was in a surplus position on a technical provisions basis. The Company and Trustee agreed a new recovery plan in November 2023, should the scheme move into a technical deficit, and this agreement will run until 31 May 2026. This recognises the improvement in the pension scheme funding since it was last set in 2020. Under this agreement deficit contributions of £1m a month will be made if there is a deficit, on a technical provisions basis for more than two consecutive months. This compares to the previous rate of rate of £2.5m per month. In the year to 30 December 2023 deficit payments totalled £19m.

Howdens' approach to capital structure



Technical guidance for 2024

Income statement

- Continued operating expense investment to support our strategic initiatives including new depots, manufacturing and supply chain and digital investments.
- Given the current Red Sea situation, we are rerouting a significant proportion of our Far East freight and we anticipate additional costs of around £5m at current pricing.
- Foreign exchange sensitivity on COGS of Euro: +/ - €0.01 = £1.8m; US Dollar: +/ - $0.01 = £0.8m.
- Patent box impact on the Group's effective tax rate 3% lower to around 23%.

Cashflow

- Year-end receivables are expected to increase in 2024 due to the later timing of Period 12 end with a proportion of peak trading customer payments not being due until after the year end.
- Capital expenditure anticipated at c.£125m including investments to support our strategic initiatives.
- Following triennial valuation in 2023, reduced cash contribution to the Group pension scheme to £1m per month should the scheme be in deficit for more than two consecutive months.

Strategic Report

Financial review continued

Use and management of financial instruments, and exposure to financial risk

The Group holds financial instruments for one principal purpose: to finance its operations. The Group does not currently use derivative financial instruments to reduce its exposure to interest or exchange rate movements.

The Group finances its operations by using cash flows from operations, and it has access to a £150m revolving credit facility if additional financing is required. Treasury operations are managed within policies and procedures approved by the Board. The main potential risks arising from the Group's financial instruments are foreign currency risk, counterparty risk, funding and liquidity risk and interest rate risk, which are discussed below.

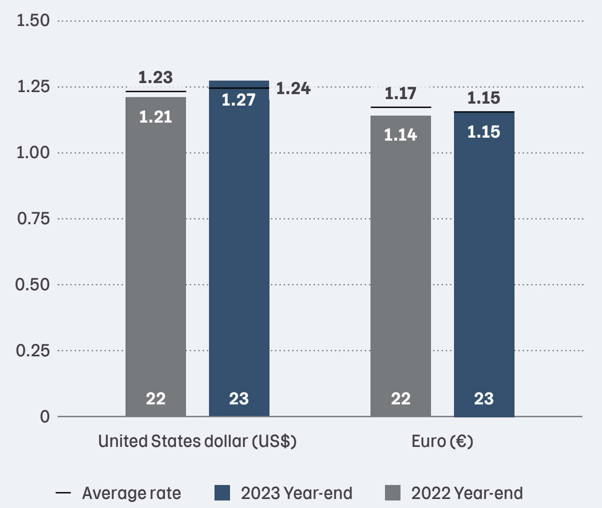
No speculative use of derivatives, currency or other instruments is permitted. The Treasury function does not operate as a profit centre and transacts only in relation to the underlying business requirements.

Foreign currency risk

The most significant currencies for the Group are the US dollar and the euro. It is the Group's current policy that routine transactional conversion between currencies is completed at the relevant spot exchange rate. This policy is reviewed on a regular basis.

The net adverse impact of exchange rates on currency transactions in the year was £8.2m. The principal exchange rates affecting the profits of the Group are set out in the following table.

Principal exchange rates versus UK pound (£)



Counterparty risk

Group Treasury policy on investment restricts counterparties to those with a short-term credit rating at least equivalent to Standard and Poor's A-1 or Moody's P-1. It also places limits on the maximum amount which can be invested with a single counterparty. The Group continuously reviews the credit quality of counterparties, the limits placed on individual credit exposures and categories of investments.

Funding and liquidity

The Group's objective with respect to managing capital is to maintain a balance sheet structure that is both efficient in terms of providing long-term returns to shareholders and safeguards the Group's ability to continue as a going concern. As appropriate, the Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, the returns of capital to shareholders, the level of capital expenditure, or by issuing new shares.

The Group has a committed, multi-currency, revolving credit facility which allows borrowing of up to a maximum of £150m. The facility was not used at any point during 2023 and is in place until September 2027. More details of this facility are given in note 19 to the financial statements.

The Group's latest forecasts and projections have been stress-tested for reasonably possible adverse variations in trading performance and show that the Group will operate within the terms of its borrowing facility and covenants for the foreseeable future as part of our going concern assessment, which is further detailed beginning at page 69.

At the 2023 year end, the Group had £283m of net cash and £150m of funds available to borrow under the committed borrowing facility.

1 Same depot basis for any year excludes depots opened in that year and the prior year.
2 As previously indicated FY2023 has an additional 53rd week in December representing around £17m of additional operating costs with no incremental sales.

Interest rate risk

The Group has not had any borrowings during 2023 and does not consider interest rate risk to be significant at present.

New accounting standards

None of the new accounting standards that came into effect during 2023 had a material implication for the Group.

Cautionary statement

Certain statements in this Annual Report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

By order of the Board

Paul Hayes
Chief Financial Officer

28 February 2024

Section 172(1) statement

The Board reviews all matters and decisions through the consideration and discussion of reports which are sent in advance of each of their meetings and through presentations to the Board. When the Directors discharge their duty as set out in section 172 of the Companies Act 2006 ('section 172' or 's.172'), they have regard to the other factors set out on page 82 and they also consider the interests and views of other stakeholders, including our pensioners, regulators and the government, and the customers of our trade customers.

The Directors are required to include a statement of how they have had regard to stakeholders and the other factors set out in section 172(1)(a) to (f) when performing their duty. The full s.172(1) statement may be found on pages 82 and 83. On pages 84 to 91, we have set out examples of how the Directors have had regard to the matters in s.172(1)(a) to (f) when discharging their section 172 duty.

Non-financial and sustainability information

In order to consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006 in respect of Non-Financial Reporting, the table on page 145 shows where in this Annual Report and Accounts to find each of the disclosure requirements.

Risk management

Our approach to risk, and emerging risks

Our approach to risk

When we look at risks, we specifically think about internal and external drivers of operational, hazard, financial and strategic risk areas over short, medium and long-term timescales. We consider the effects they could have on our business model, our culture and our strategy which we set out starting at page 8, and which we encourage you to refer to as you read this section.

Risk appetite

'Risk appetite' describes the amount of risk we are willing to tolerate, accept or seek. Our risk appetite is determined by the nature of the risk and how that risk could affect us.

Low	Higher	Balanced
If the risk presents a hazard to our operations or strategy	If the risk presents us with a sale or service improvement opportunity	For all other risks we carefully balance the risk and our mitigation efforts with the potential reward

Emerging risks

We consider emerging risks as part of our routine risk management process. We discuss emerging risks regularly within the management team and, where appropriate, with the Board.

We conduct periodic 'horizon scans' of emerging risks with the Executive Committee to gain insight on what our long-term risk profile looks like. Conducting this process enables us to consider risk over three timescales:

Short term

Those risks that are strategically and/or operationally important to us now and into the near future. They are typically visible, understood and already covered well in our operational risk register.

Medium term

Risks that are tactically important to achievement of our longer-term objectives, development and growth plans.

Long term

Longer term trends that could impact on the development of our strategic objectives. The output of this process is discussed with the Executive Committee and the Board.

If a specific emerging risk requires a more immediate response, we discuss it with the Business Continuity and/or Executive Committee as appropriate. Examples of emerging risks we are currently considering are:

- The governance of Artificial Intelligence technology and its use in Howdens.
- The changing geopolitical situation in the Middle East, Eastern Europe and China, and its potential impact on our supply base and on the UK economy.

Climate-related risk

Climate-related risk is an emerging risk, but is not a principal risk for us. We handle climate risk in the same way as our other risks, albeit that time horizons may be longer. We have continued to develop our climate risk approach during 2023, and more detail on this can be found in our TCFD report at page 60. In 2023 our key climate risk developments include:

Risk identification

We have continued to engage with some of our key stakeholders, including our insurers and suppliers, to understand how their focus on climate risk is likely to change going forward and the impact it will have on us.

Risk management

We have refined our risk assessment approach, that is modelled on the British Standard (BS EN IS014091) and tailored to meet our needs, so that it enables robust prioritisation of risk exposures for treatment.

Integration into our risk management framework

We have integrated climate risks into our operational risk registers which benefit from clear ownership and formal review as part of our regular risk process.

We consider tax risks and our tax strategy as part of our operational risk management. We operate a specific tax risk register with risks owned by senior staff members and with Executive oversight. We do not consider taxation as a principal risk to Howdens. Our Group UK tax strategy may be found at www.howdenjoinerygroupplc.com/governance/group-uk-tax-strategy

The risk management process

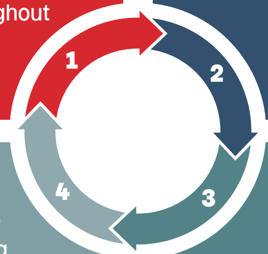
The main steps in the process are set out below:

1 Identification

Functional management and leaders formally identify risks twice a year providing both a bottom-up and a top-down perspective. We record these in functional risk registers for each area of our business. We also conduct ad hoc reviews of new and emerging risks throughout the year as they arise.

2 Assessment

We assess risks using a Group-wide scoring mechanism that considers both the likelihood of occurrence and the potential impact. We prioritise them by their risk score and an assessment of the level of exposure against our risk appetite is conducted. Risks that exceed our appetite may require additional risk response.



4 Monitoring and reporting

We provide a consolidated key risks report to the Executive Committee and Board for review, using escalation criteria previously set by them. Mitigation plans and the progress against them are also reported. The Board considers and agrees the key risks, appetites and mitigation strategies which are fed back to risk owners. We conduct this exercise twice yearly and it is used to determine the Group's principal risks.

3 Response

Risks that require a response have additional mitigation strategies agreed and a future action plan drawn up together with a timeframe. We assign responsibility for implementation of action plans.

Risk governance

Key activities

Risk monitoring and reporting

- We determine our principal risks from the key risk report and agree them with Executive Committee and Board.
- Executive Committee and Board challenge and agree the Group's key risks, appetites and mitigation strategies twice yearly.
- Key risks, assessments and responses are consolidated into a key risk report (see page 79).

Risk response

- Where risks exceed our appetite, mitigation plans are drawn up by functional leaders and agreed with the Executive Committee.

Risk assessment

- Risks are prioritised using a Group-wide scoring mechanism and are compared to our risk appetite.

Risk identification

- We conduct operational risk register reviews regularly to monitor current and emerging risks.
- We review internal/external emerging issues prior to each register review.

People responsible

Top-down

Board

Executive Committee

Audit Committee

Risk team

Functional leaders

Operational management

Risk team

Bottom-up

Reports/documents

Principal risks

We consolidate the principal risks from the key risk report. These are those risks that we consider could have a potentially material impact on our operations and/or achievement of our strategic objectives.

Key risk report

We consolidate our key risk report from the risk registers. This report outlines the highest scoring risks, emerging risk issues, the biggest influences to our risk profile and changes to the risks reported. The key risk report also provides a Group-wide perspective on risks escalated.

Risk register

We record risk registers for each functional area, aligned with the operating model of the business. The register includes all of the information required to accurately capture the risk and is maintained on our risk management information system. We identify an owner for each risk register responsible for its maintenance as well as the risks it contains.

Principal risks and uncertainties

2023 Principal risks

The arrows alongside each risk show the year on year change

1. Market conditions

R O P F

Risk and impact

We sell our products to small builders who install them in different types of housing. Our sales depend on the demand for repair, maintenance, and improvement services. If activity falls in these areas, it can affect our sales.

Mitigating factors

- We have proven expertise in managing selling prices and costs. Data on competitors, depot activity and pricing is discussed by the Executive Committee at each meeting.
- We use insights from our depot network, our builders' forums and other channels. This is reviewed regularly by the Executive Committee and the Board.
- We use our good relationships with our suppliers to alert us of any changes. Our suppliers update us on their assessment of trading and market performance through regular reviews with our leadership team. We also gather insights from supplier visits and our Supplier Conference.

Risk appetite

We have a low appetite for market conditions risks and we maintain close relationships with our customers and suppliers to identify movements early to enable appropriate action to be taken.

2. Supply chain

R O P F

Over 2023 this risk has decreased as our supply base continues to improve and return to a more pre-pandemic environment.

Risk and impact

Disruption to our relationship with key suppliers, manufacturing and distribution operations could affect our ability to service our customers' needs. If this happened, we could lose customers and sales.

Mitigating factors

- We maintain strong relationships with our suppliers. We use long-term contracts and multiple sourcing to safeguard the supply of key products.
- We have invested in our supply chain and distribution to secure capacity and agility when it is required. We have optimised our stock levels.
- Supplier reviews are discussed regularly with the Executive Committee. In addition, a sub-committee monitors governance of supplier risk and considers potential issues.

Risk appetite

We have a very low appetite for supply chain risks and put considerable effort into identifying them early to enable us to prevent stock issues at our depots.

3. Maximising growth

R O P F

Risk and impact

Failure to recognise, innovate and exploit opportunities could impact on growth, we must align our business model, risk appetite, structures, and skills with opportunities to maximise our growth potential.

Mitigating factors

- We continue to invest in our depot environment, people, services, and systems, and our manufacturing and distribution capabilities to equip them for growth.
- Growth activities are reviewed in the light of our risk appetite, values, business model and culture. Our strategic priorities are actively discussed at the senior leadership, Executive Committee and Board level. The Board is updated on the strategic plan regularly, and there is a regular programme of 'Spotlight' sessions which examine specific areas of the strategy.

Risk appetite

We have a balanced appetite for risk when it comes to growth, we are willing to accept some risk where we see opportunity but carefully balance that risk with the potential reward presented.

Links to strategy

R Reach more builders O Operational excellence P Product innovation F Prudent financial management

4. People

R O P F

Risk and impact

Our business could be adversely affected if we were unable to attract, retain and develop our staff, or if we lost a key member of our team.

Mitigating factors

- We continue to invest in our employee value proposition, striving to provide the best possible working environment and growth opportunities for our employees.
- The Executive Committee and senior leadership team assess succession plans for key roles regularly to ensure that appropriate continuity in place.
- The Remuneration Committee and Board are regularly updated on key people activity such as our internal projects to improve diversity as well as key programmes such as employee financial education.
- We continue to support a wide variety of apprenticeships, accreditations and development programmes across all areas of our business.

Risk appetite

We have a low appetite for people risk and work hard in ensuring that they feel valued, rewarded appropriately, and have opportunities to develop and progress in their Howdens career.

5. Health and safety

R O P F

Risk and impact

We have a larger estate which employ various activities that could cause harm to our staff, our customers, their customers and the communities around us.

Mitigating factors

- We have invested in safe ways of working. We have developed dedicated health and safety teams and formalised systems that help us stay safe.
- We monitor, review, and update our practices to take account of changes in our environment or operations and in line with best practice and changing legislation.
- We make sure we keep talking about health and safety at every level of the business, led by the Executive Committee.

Risk appetite

We put a great deal of effort into identifying and managing health & safety issues before they occur and have a very low appetite for Health & Safety risks.

Strategic Report

Principal risks and uncertainties continued

2023 Principal risks continued

The arrows alongside each risk show the year on year change

6. Cyber security

R O P F

Risk and impact

A major cyber security breach could result in systems being unavailable, causing operational difficulties, and/or sensitive data to be unavailable or compromised.

Mitigating factors

- We place continuous focus on training our people in cyber security, as we recognise that these risks are dynamic, not always technical and awareness is our first point of mitigation.
- We employ industry standard IT security controls and regularly engage external specialists to validate the effectiveness of our controls against best practice.
- We have robust disaster recovery and business continuity plans that are tested regularly.
- We adopt a continuous improvement approach to IT security and continue to invest in the security of our systems.

Risk appetite

We have a very low appetite for cyber security risk and manage IT security closely to secure the confidentiality, integrity and availability of these systems.

7. Business model & culture

R O P F

Risk and impact

If we lose sight of our values, model, or culture we will not successfully service the needs of the local small builder and their customers, and our long-term profitability may suffer.

Mitigating factors

- Our values, business model and culture are at the centre of our activities and decision-making processes, and they are led by the actions of the Board, Executive Committee, and senior management.
- The Board and Executive Committee regularly visit our depots and factories, our logistics and support locations and hold events to reinforce the importance of our values, model, and culture.
- Regular 'Town Hall' meetings are held to bring together teams and discuss our successes and challenges ahead.

Risk appetite

We have a very low appetite for risks that can adversely impact on our business model and culture and put great emphasis on identifying issues and addressing them early.

Links to strategy

R Reach more builders O Operational excellence P Product innovation F Prudent financial management

8. Product

R O P F

Risk and impact

If we do not support the builder with products that they and their customers want, we could lose their loyalty and sales could diminish.

Mitigating factors

- Our product team regularly refresh our offerings to meet builders' and end-users' expectations for design, price, quality, availability and sustainability.
- We work with our suppliers, external design and brand specialists and attend product design fairs to monitor likely future trends.
- Our local depot staff have close relationships with their customers and end-users, and we actively gather feedback from them about changes in trends.

Risk appetite

We have a balanced appetite for product risk and are willing to take some calculated risks when selecting new products to continue to meet the need of our customers.

9. Business continuity & resilience

R O P F

Risk and impact

We have some key business operations and locations in our infrastructure that are critical to the continuity of our business operations.

Mitigating factors

- We maintain and regularly review our understanding of what our critical operations are.
- We ensure resilience by design, building high levels of protection into key operations and spreading risk across multiple sites where possible.
- We ensure appropriate business continuity plans are in place for these and have a Group wide incident management team and procedures established.
- We regularly review our continuity plans covering our sourcing and logistics approaches to support peak trading.

Risk appetite

We have a very low appetite for Business Continuity risk, ensuring that critical functions are resilient and appropriate business continuity plans are in place to protect them.

Sustainability matters

Worthwhile for all concerned

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HOWDENS

Why Sustainability matters to us

Sustainability generates long-term value

Sustainable behaviour helps Howdens to grow in a way that preserves our culture, supports our business model, increases business resilience, mitigates our risks and addresses the material needs of our stakeholders.

Sustainability is part of our culture

The Howdens culture is to be 'worthwhile for all concerned'. Our business needs to be worthwhile for our staff, our customers, our suppliers, the environment and the communities we work in.

Sustainability supports our business model

Sustainable behaviour gives us a competitive advantage and builds business resilience.

Lowest cost production in our own UK factories leads naturally to minimising waste, energy and raw materials.

Being trusted partners to our suppliers and customers means that our relationships need to be worthwhile for all parties over the long term.

We have over 900 depots in the UK and Europe. Each one of them relies on strong local relationships to trade profitably, so we need to be a good neighbour in each of those communities.

Sustainability mitigates our risks

We discuss our principal risks beginning on page 38. Sustainable behaviour helps us to address some of those risks.

For example, we invest in keeping our people safe, developing their skills, and offering them a great place to work. We do this because it's the right thing to do, but it also mitigates our 'Health & Safety' and 'Loss of key personnel' risks.

Developing and maintaining sustainable supplier relationships mitigates our 'Interruption to continuity of supply' risk. Energy-efficient, safe and durable product, where sustainability considerations are built in as a pillar of the design process, mitigates our 'Product design relevance' risk.

Our material sustainability areas and our ESG strategy

We previously carried out an assessment of our material sustainability areas in 2020. During 2023 we refreshed this by commissioning an independent review with third party specialists, consulting both external and internal stakeholders.

We present the findings of the materiality assessment and show how the material topics are aligned to the strategic pillars and foundation principles of our ESG strategy at page 48. Our ESG strategy is summarised on the next page.

Our sustainability KPIs, Our Net Zero SBTi targets, ESG and remuneration

Our sustainability KPIs cover safety, use of wood from certified sources, and avoiding sending waste to landfill. You can find them on pages 50, 56 and 57.

Our SBTi Net Zero targets were submitted in the first half of 2023 and were approved in January 2024. We present these targets on page 46 and will be tracking progress against their first 6-year phase in future reports.

Our PSP share plan includes ESG-related vesting targets which are aligned with our Net Zero goal. Please see page 130 for details of the targets.

ESG strategic highlights of 2023

Road to Net Zero

- Science-based targets submitted and approved (pages 46 and 47).
- Extensive supplier engagement - linked to our SBTs (page 49).
- Reporting our Scope 3 data for first time (page 68).

Climate resilience

- Physical risk assessment (pages 49, 66).

Materiality

- Materiality assessment reperformed (page 48).
- Interviews with internal and external stakeholders.

Charities and communities

Our work in these two important areas is covered in the Chairman's statement on page 17.

The Board and Executive Committee lead our commitment to sustainability

The importance of sustainable behaviour is recognised right through the business. You can see the Board's Statements of Intent on Health & Safety and Sustainability at: www.howdenjoinerygroupplc.com/sustainability/group-health-safety-and-sustainability-policies. The Board's Sustainability Committee met regularly throughout the year and their report begins on page 140.

Our ESG strategy

Our vision

UK's leading responsible kitchen business	A unique and sustainable culture	Leader in risk and resilience governance
A sustainable product offering, responsibly manufactured or sourced, that meets the needs of the builder and the end-consumer.	Maintaining and building on our culture of being worthwhile for all concerned. Continuing to grow a sustainable business that appeals to current and future stakeholders.	An agile and resilient business, proactively managing ESG risks, with transparent high-quality stakeholder reporting.

Our strategy

Strategic Objectives	Net Zero			Climate Resilience	
Strategic Pillars	Renewable energy /sustainable operations See page 50	Supply chain emissions See page 49	Decarbonise the fleet See page 51	Sustainable product offer & innovation See page 52	Supply chain risk mapping & resilience See pages 49 & 66
Foundations	EDI: Strategic priorities & wellbeing — See pages 54 & 55				
	Behavioural health & safety: Maintain & next steps — See page 56				
	Effective waste management: Zero to landfill — See page 57				
	Emissions reductions: Carbon neutral — See page 56				
Governance	Effective reporting & disclosure				

Our material SDGs

SDG	UN SDG description and relevant targets under each SDG
8 Decent work and economic growth	'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all' SDG targets: 8.4, 8.5, 8.6, 8.7, 8.8.
12 Responsible consumption and production	'Ensure sustainable consumption and production patterns' SDG targets: 12.2, 12.5, 12.6, 12.7.
13 Climate action	'Take urgent action to combat climate change and its impacts' SDG targets: 13.1, 13.2.
15 Life on land	'Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests... and halt biodiversity loss' SDG targets: 15.1, 15.2.

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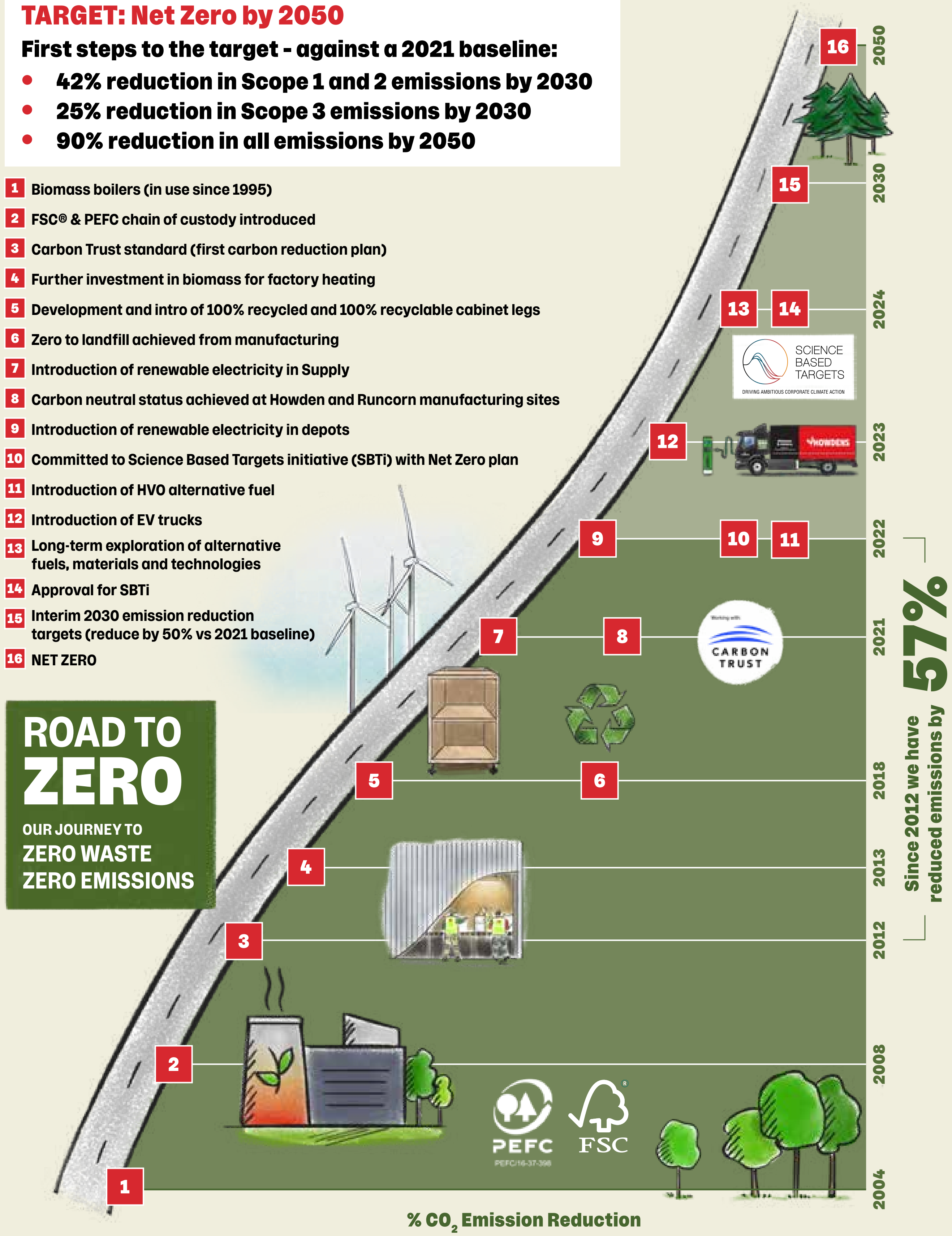
Our Net Zero commitment and targets

TARGET: Net Zero by 2050

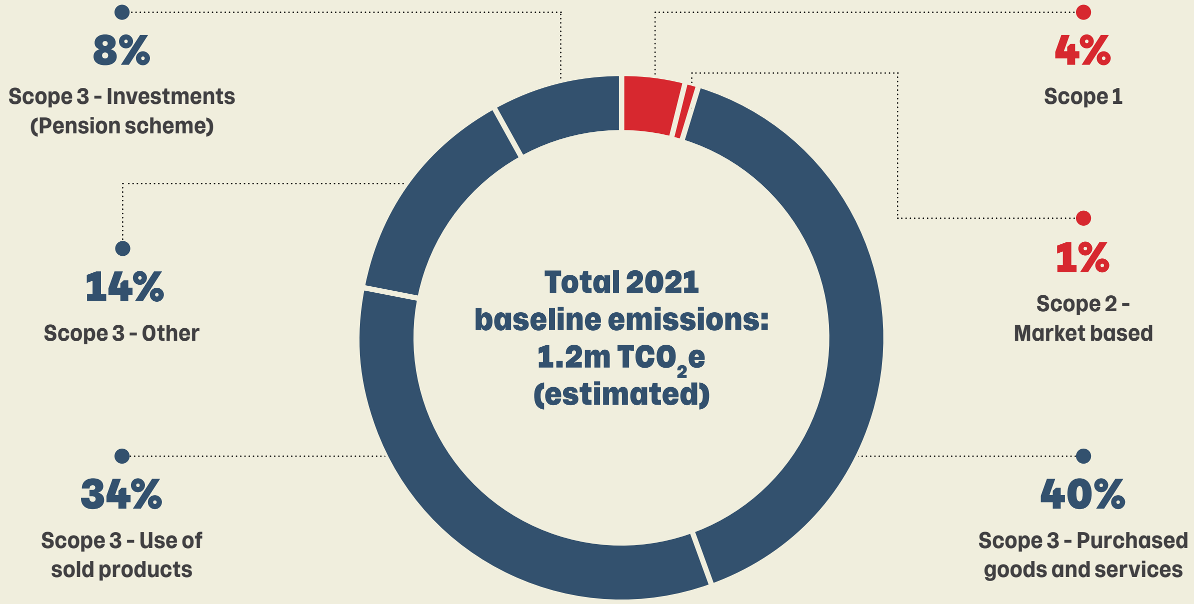
First steps to the target - against a 2021 baseline:

- **42% reduction in Scope 1 and 2 emissions by 2030**
- **25% reduction in Scope 3 emissions by 2030**
- **90% reduction in all emissions by 2050**

1 Biomass boilers (in use since 1995)
2 FSC® & PEFC chain of custody introduced
3 Carbon Trust standard (first carbon reduction plan)
4 Further investment in biomass for factory heating
5 Development and intro of 100% recycled and 100% recyclable cabinet legs
6 Zero to landfill achieved from manufacturing
7 Introduction of renewable electricity in Supply
8 Carbon neutral status achieved at Howden and Runcorn manufacturing sites
9 Introduction of renewable electricity in depots
10 Committed to Science Based Targets initiative (SBTi) with Net Zero plan
11 Introduction of HVO alternative fuel
12 Introduction of EV trucks
13 Long-term exploration of alternative fuels, materials and technologies
14 Approval for SBTi
15 Interim 2030 emission reduction targets (reduce by 50% vs 2021 baseline)
16 NET ZERO



Our emissions and how we plan to reduce them



"We are developing the options to meet our SBTi targets"

Scope 1 & 2		Scope 3
A - Distribution LNG trials and HVO usage underway Electric vehicles where feasible - test and develop business case Engaging logistics providers for solutions	**B - Renewable energy** All sites to switch 100% renewable energy. Invest in solar generation **C - Electric fleet** Company car transition to 100% electric/PHEV	**D - Supply chain** Initial focus on top 6 suppliers then roll out our findings across supply base (page 49) Capture emissions data Establish reduction plans and metrics Identify risks and opportunities

Costs of change

1) Minimal cost of change so far - including moving depots to renewable energy tariff in 2022. No material financial impact of meeting our SBTi targets in short or medium term (page 60)
2) Driving energy efficiency is an opportunity to tackle escalating costs in an inflationary environment
3) Increasing confidence that suppliers will be able to achieve 2030 targets without significant adverse cost impact

Our material sustainability issues

Refreshing our ESG materiality assessment in 2023

We last carried out an ESG materiality assessment in 2020 as part of a wider ESG Strategic Review. One of our priorities in 2023 was to refresh the assessment by commissioning an independent specialist review and carrying out interviews with both internal and external stakeholders.

Methodology and results of the materiality assessment and stakeholder engagement:

1. Desktop analysis and issue identification

Research into our initial internal views and communications around material issues. Identifying issues which external stakeholders and peer companies, sector guidance and frameworks commonly identify as being material.

Identifying a list of possible material topics for stakeholder interviews.

2. Stakeholder engagement

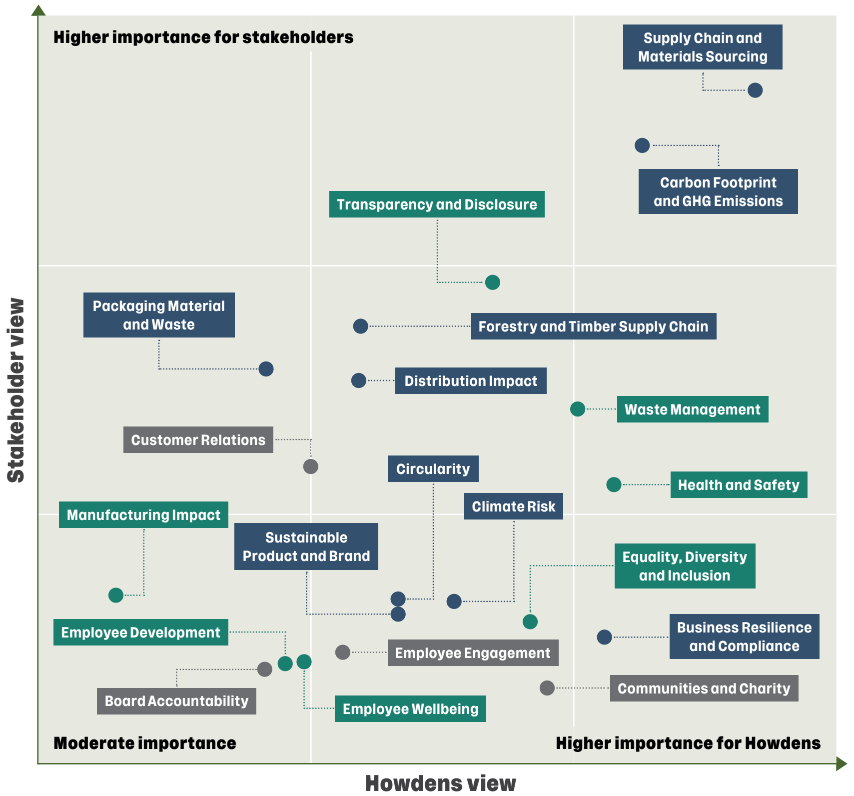
Interviews with key stakeholders to discuss the possible material issues identified in step 1, and to get their views on any other issues which they considered to be material.

This involved interviews with investors, suppliers, depot managers, other employees, and members of the senior leadership team.

3. Refinement and consolidation of issues

The findings from all the stakeholder group interviews were examined and consolidated into the matrix below.

We then compared them with our existing ESG strategic pillars and foundation values. Whilst there were variations in some of the terminology used, we were encouraged to see that the issues identified were the issues we were already focusing on.



Link to our ESG strategic pillars
Link to our ESG foundation values
Link to wider business strategy and governance

Stakeholder view

Gathered from interviews with depot managers, employees, suppliers and investors.

Howdens View

Gathered from interviews with the senior leadership team.

Correlation of material topics with our ESG strategy

As well as showing the relative importance of each of the topics that arose in our stakeholder interviews, the diagram above shows how they link to our ESG strategic pillars and foundation values, set out at page 45, or in some cases, how they link with our wider business strategy and our governance.

Supplier engagement - addressing Scope 3 emissions together

Why supplier engagement is important

95% of our baseline total emissions are Scope 3. 76% of these relate to goods purchased from our suppliers and the use of products that we source from our suppliers.

We can only achieve our Net Zero SBTi targets by collaborating with our key suppliers.

Engaging with our top suppliers in 2023

During the first part of 2023, we engaged with our top 28 suppliers. It then became clear that we were likely to learn more by narrowing this down and concentrating in depth on our top six suppliers, who account for 25% of our total supplier emissions.

Whilst these six were the largest suppliers by spend, and the most critical to our business, they also covered a variety of business structures, product types, and geographies.

Engagement in action: supplier ESG summits

In July, we co-hosted our first ESG supplier collaboration summit in Venice in partnership with one of our largest cabinet frontal suppliers, Friul. Together we gathered Friul's key suppliers from around the world to share decarbonisation activities and to discuss solutions for future emissions reductions and other ESG priorities.

Our joint aim for the conference was to send a strong message to the Tier 2 and further upstream suppliers and focus on shared ESG objectives that will give mutual benefit. Main outcomes were:

- Giving a strong demonstration of industry leadership and a message to our wider supply chain.
- Confirming that all the suppliers are active on ESG, from emissions reduction to sustainable material innovation.
- Discussing and sharing Initiatives which are already underway, including: MDF recycling; renewable energy; Net Zero targets, and product circularity.
- Encouraging future investments in resource, technology and data verification.

In November we applied this successful format for a collaboration summit in Turkey, with appliance supplier BEKO and their parent company. Seven of their main material suppliers shared their ambitions and decarbonisation plans with us and we discussed how their own Net Zero plans could work alongside ours, for our mutual benefit.

Engagement in action: Net Zero commitments strengthen bonds with long-term supply partners

Our sustainability strategy hinges on working with engaged and proactive suppliers. Many have been working on improving efficiencies and adding value for some time, however, understanding the investments required to gather the data and turn it into meaningful sustainable actions remains a challenge.

Our biggest chipboard supplier, Egger, has always placed sustainability at the heart of its operations, in line with its founder's belief that 'wood is far too valuable to just throw it away'. As a result Egger has defined emissions targets, aiming to achieve Net Zero by 2050, with near term 2030 targets, many of which were initiated to support and align to our SBTi targets. Egger has committed significant investments to ensure delivery of its, and our, Net Zero plan.

Engagement in action: ESG objectives included in standard supplier terms of business

Initial ESG objectives were introduced into our Supplier Code of Conduct in 2022. Throughout this year we have worked to increase our understanding of the complexities around gathering and sharing good quality data, particularly around Scope 3, and how this effects the way we do business.

In 2024 we will be introducing clauses into our standard supplier terms and conditions making it clear that we expect our suppliers to comply with Net Zero obligations and carbon data reporting.

Agenda for the future

Key points for the future agenda on supplier engagement will be:

- Improving accuracy of supply chain emissions data to ensure a robust emissions figure.
- Working with our main suppliers to capture real emissions data from the value chain, supported by science-based targets.
- Continuing to lead and work with our supply partners to encourage actions that support our Net Zero emissions reduction targets.

Supply chain risk mapping and resilience to climate change

As we describe in our TCFD report (page 66), we are currently in Phase 2 of our physical climate risk assessment work, that involves using a specialist climate diagnostic tool to assess current and future potential supply chain exposures. Physical climate-related risks are captured across multiple scenarios including extreme winds, flooding, heat stress, sea level rise, etc. We have started by analysing exposure of our key suppliers and expect to have finished and reviewed this analysis in H1 2024.

Renewable energy & sustainable operations

KPI

All of chipboard & MDF used in our manufacturing processes is from FSC® or PEFC certified sources

KPI - FSC®/PEFC

We used 270,000 cubic metres of chipboard and 60,000 cubic metres of MDF in our factories in 2023 - enough to fill the Albert Hall more than 3 times - so it's natural that we have a long-standing KPI requiring all wood to be from certified sources.

FSC® or PEFC certification means that the wood comes from responsibly-managed forests and that we have independent documented evidence of an unbroken chain of ownership all the way from the forest to us - via the mill, the importer and our suppliers.

Emissions reduction developments in 2023

Waste heat recovery

As part of our Net Zero strategy towards a 42% reduction in our emissions by 2030, we have started a project at our manufacturing site at Howden which recovers heat from our generators and uses it to heat another part of the factory. This will reduce our reliance on gas and reduce our emissions by 600 TCO_2e/year. The project will be operational in 2024.

Energy monitoring

Energy-efficient production has always been part of our business model, so over the years we've already identified and implemented several large-scale energy-saving opportunities.

In 2023 we've started to install energy monitors at a process level. This gives our engineering and operations teams the ability to see the energy consumption at an individual process level. In the first phase of this project we've identified emission reductions of over 300 TCO_2e/year.

Solar energy investment approved

Solar panel investment has been approved in 2023 at our manufacturing site in Howden. The first phase will see PV panels installed on our main warehouse roof, covering an area of 350,000 ft². The work will begin in 2024 and we expect to see the benefit fully in 2025. Whilst dependent on the sun, the emissions reduction is calculated to be 1,000 TCO_2e/year and an 8% reduction in purchased energy.

Sustainable sourcing

PEFC
FSC www.fsc.org FSC® C019676
The mark of responsible forestry
Responsible Purchaser
Timber Development UK
building a better world with wood

We are members of Timber Development UK and are recognised by them as a 'Responsible Purchaser', which means that we have third-party assurance on our timber purchasing due diligence systems.

All of our buyers and our compliance team have taken and passed the Chartered Institute of Procurement and Supply's Ethical Procurement & Supply training, and we have a rolling programme of refresher training on Modern Slavery, Anti-Bribery and the SEDEX RADAR tool.

Recognising that our highest exposure to modern slavery is through our supply chain, we have taken a robust approach to ethical and sustainable procurement. We continue our partnership with SEDEX (Supplier Ethical Data Exchange); and over 90% of our current suppliers are registered and completed their self-assessments on the platform. The remaining suppliers share their ethical data with us by different means, including SAP Ariba.

During 2023 we continued to risk rate all our suppliers by using the SEDEX RADAR tool. We have onboarded 55 new sites and currently 324 supplier sites share their ethical data with us. One third of suppliers sites have had a SEDEX Members Ethical Trade Audit ('SMETA', an audit designed to help protect workers from unsafe conditions, overwork, discrimination, low pay, and forced labour) in the last 3 years.

Using SEDEX insight, we are continuing to work with suppliers to deliver improvements in working practices across our supply chain.

Since last year we have successfully implemented SAP Ariba SLP (Supplier Lifecycle and Performance) to enhance supplier onboarding and requalification to align with anti-corruption, human rights and sustainability goals, as well as the Group's code of ethics.

Our modern slavery statement can be found on our website here: www.howdenjoinerygroupplc.com/governance/modern-slavery-statement.

Whilst we have always taken a zero tolerance approach to any infraction on human rights we have introduced a more comprehensive Human Rights Policy, which was approved by the Board in 2023 and which is on our website: https://investorcom.sitefinity.cloud/docs/librariesprovider25/archives/governance/human-rights-policy.pdf

Decarbonising the distribution fleet

Strategic importance and current position

We operate our own transport fleet, and it accounts for around a third of our Scope 1 baseline CO_2 emissions, so it's a clear ESG strategic priority area for us.

All of our trucks comply with the latest emissions standards, and we've fitted refinements to the standard build to increase efficiency and reduce emissions even further. With existing technology, the scope for step changes in a fleet that's already operating at a high level of efficiency is small but given the size of our distribution operation our fleet drove around 18m miles in 2023, every incremental gain is worthwhile.

Adopting new technologies where available

Where possible, we are trialling new technologies. In 2022 we began using Hydrotreated Vegetable Oil ('HVO') as part of our fleet fuel mix. HVO is a sustainably sourced second-generation biofuel. It is plant-based and can replace diesel without requiring engine modifications. It reduces CO_2 by 90% compared to diesel, and also has lower nitrogen oxide and particulate emissions. We continued to use HVO in 2023, and we have committed to double our 2023 usage in 2024.

We have also begun to trial trucks which run on Bio-LNG, a fuel produced by anaerobic digestion of organic waste, manure and sewage which produces 80% less CO_2 than diesel. We have six LNG vehicles in the fleet at the end of 2023 and we plan to add to that number in 2024.

Sharing ideas and aims with our partners

With current technology, there isn't a viable electric vehicle option that has the range to replace our long-haul fleet. Our XDC network (described at page 26), involves shorter-range deliveries and is operated on our behalf by third party logistics partners. In 2023 we engaged with one of our partners and came to an agreement whereby they are operating two electric vehicles to deliver on our behalf. Plans are in place to increase the use of electric vehicles in 2024.

We have been engaging and collaborating with our sub-contractors to understand what they are doing to reduce carbon emissions. For instance, in 2023 we shared an idea with our XDC partners around adjusting the layout of their vehicles' cargo area, which allows them to increase the volume of product on each delivery and reduce the total miles travelled.

Efficiency and safety through driver training and route planning

We invest in safety and energy-efficiency training for our drivers. We combine this with the latest in-cab telemetry and a system of daily debriefs where driver behaviour is assessed against energy-efficiency and safety targets. We reward drivers who reach the highest standards, and we work with any drivers who need help to improve. In recent years, we have invested in training our own new drivers via a driving apprenticeship scheme. This helps to encourage our high standards from the beginning of a driver's career. We have had an improvement in driver telematic scores of 5% year on year, delivering increased efficiency and safety.

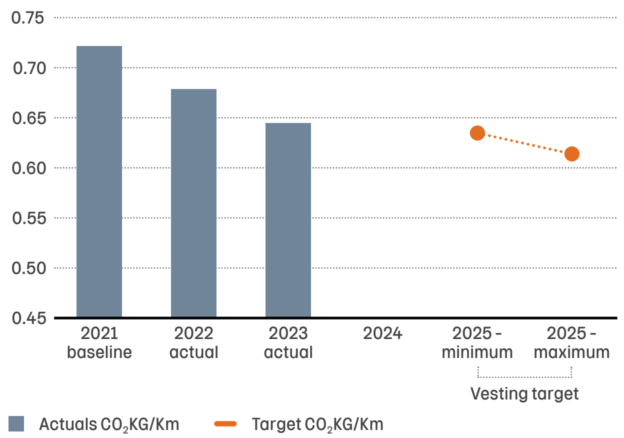
As our depot network has expanded over the years, we plan to reassess our delivery schedule in 2024 with the aim of driving down the distance we travel.

Metrics and targets

Our fleet is in the process of developing a 2030 emissions reduction plan, aligned with our SBTi Net Zero commitments.

The first step of this is the emissions reduction targets which are built into our PSP share awards (page 127) and are aligned with the first 5-year targets in our SBTs, giving minimum vesting at a total cumulative reduction from our 2021 baseline of 12%,and a maximum payout at 15%.

Progress against these targets is show below:



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Sustainable product offer and product innovation

Our ambition is to create sustainable products that we're proud of. We make almost 5 million cabinets a year in our own UK factories, so this is a product where our choices can make a real difference. We buy our chipboard from sustainably managed UK forests. For every acre of trees used, an acre or more is planted.

When the cabinet has come to the end of its life in the home it can be recycled and broken down to produce more chipboard, which can be used to make more cabinets in the future.

We don't only want to do things to an incredibly high standard - we want them to be sustainable too. Sustainability is built into our product design process and is one of our five standard pillars that we base new product design and sourcing decisions on, sitting alongside quality, design, cost and availability.

Some recent examples of building sustainable considerations into new product are shown below.

1 Cabinet guarantees and recycling

The product that sits at the heart of our business, all our cabinets come with a 25-year guarantee. We can offer that because we know quality and longevity are built into the design. We hold the furniture industry (FIRA) gold award for product excellence for our rigid cabinets. They are also 90% recyclable at end of life.

The chipboard in our cabinets is made using 35% recycled content. The cabinet feet are made of 100% recycled plastic and are 100% recyclable at end of life.

2 Recycled laminate worktops

Our own-manufactured laminate worktops are now made using 75% recycled content.

3 New developments

We are always looking for ways to improve the environmental impact of our products. Notable developments in 2023 are:

- Our new Halesworth frontals are made using 50% less plastic, resulting in 50% less CO_2 emissions.
- Our bestselling Greenwich Matt frontals are now 100% recyclable.

4 Plastic pledge

Our 'Plastic pledge' is an initiative looking across all the products we sell, and aiming to reduce, remove, and replace plastic in our packaging wherever possible.

Finding plastic-free replacements for some elements of packaging can be difficult because the product has to be protected all the way through the supply chain from manufacture to end-user.

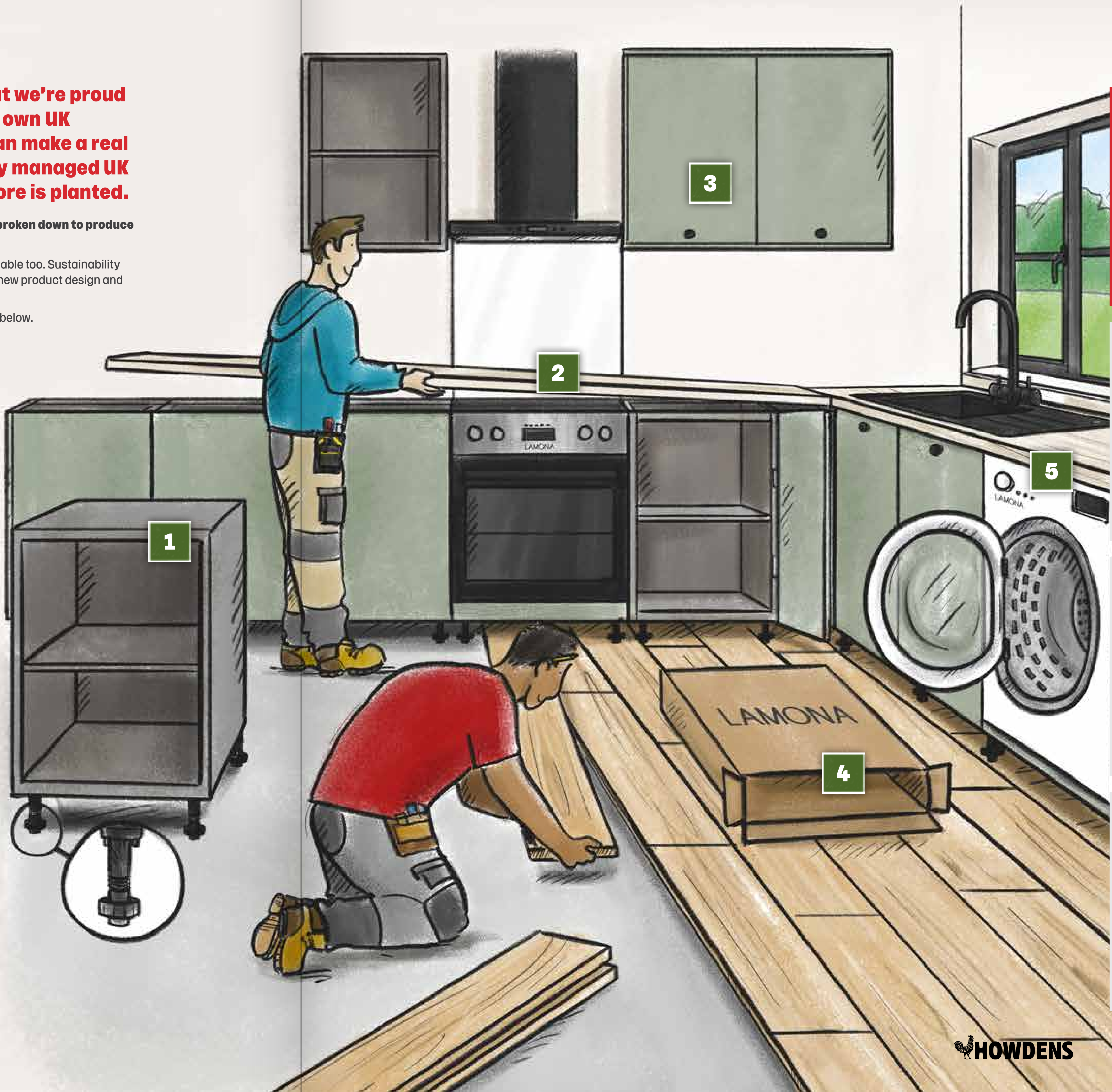
We are very pleased to have launched our first Lamona own-brand appliances with polystyrene-free packaging. Polystyrene is not commonly recyclable in domestic waste collections, and where it is recycled it takes a lot of energy to break it down. We've managed to find a solution which replaces the polystyrene with cardboard but which still offers the protection that our customers need.

In 2023 we removed approximately 300k pieces of polystyrene from the products we sold. Our aim is to increase this figure as we find more wins across the product range.

5 Eco washing machines

On Lamona washing machines, we worked with our third-party manufacturer to make the eco setting the default setting for the wash programme. This is not the case on all other brands.

We work hard to build reliability into all our own-brand Lamona appliances and we're proud to back that up with a 3-year warranty as standard. Where we have warranty claims we encourage end-users to accept our offer of sending an engineer to repair their appliance rather than replace it under the terms of the warranty. This happens in over 90% of claims.



EDI & wellbeing

Rewarding careers, opportunities to develop and thrive

"I want Howdens to always be a 'home from home' place to work, where you are valued for who you are and where you can give the best of yourself, make meaningful contributions and build life-long friendships."

Andrew Livingston - CEO

At Howdens, we pride ourselves on being a place where every individual is actively encouraged to succeed, both for their personal growth and for the benefit of the business. This ethos is deeply rooted in our inclusive culture, which respects and values diverse backgrounds.

Our Inclusion Strategy

We have structured our inclusion strategy around three key areas:

1

Worthwhile for ALL

Clarifying and demonstrating our dedication to inclusion. Making a tangible difference, ensuring that everyone feels valued and supported.

2

Support for ALL

Empowering our managers. By providing them with the right tools and knowledge, they can foster an inclusive environment and get the best out of all their team members.

3

Accessible for ALL

Broadening our reach. By attracting diverse talent, we're not just filling positions; we're enriching our workplace with a variety of perspectives and experiences.

These values are at the heart of our workplace culture, where we want every employee to feel an integral part of the Howdens family. Our diversity priorities - Gender, Ethnicity and Disability - provide a framework for locally driven activities, led by our Executive Committee-sponsored employee working groups.

Worthwhile for ALL

This year we've taken further tangible steps forward. Employees can share their own career success stories via a dedicated space on our intranet so that we can encourage others to progress themselves too. A highlight was the launch of a powerful social mobility video featuring employees sharing their personal journeys.

We're also enhancing our approach to diversity data. Our aim is to have a more comprehensive data set in 2024, which will help us tailor our efforts more effectively.

Support for ALL

The role of managers in creating an inclusive workplace is critical. That's why we launched a development programme for managers, including modules on Actively Supporting Your Team and Creating an Environment of Trust and Openness.

We've also continued to deliver specific Equality, Diversity, and Inclusion ('EDI') awareness training for managers and their teams. We've refreshed our e-learning resources and launched new manager toolkits to reinforce practical learning and provide support when needed.

Case study

Women in Manufacturing and Engineering (WIME)

Our partnership with Longcroft School in Yorkshire is a good example of our outreach. This collaboration, part of the WIME initiative, showcases STEM careers to young female students.

During an event at the school, some of our female operations managers spoke about their careers. Later, we hosted the students at our Howden site for a factory tour and team activities, giving them a taste of the wide range of career opportunities that Howdens can offer.

The feedback from the event was very positive.

Thanks for a really great day! The students got a lot out of it and felt really welcome... a huge thank you to you and your teams for arranging and supporting our visit.

Teacher at Longcroft School

Accessible for ALL

Our goal is for everyone who works with us to feel that Howdens is somewhere they are welcomed and supported to thrive. Part of this is our commitment to social mobility. We help career progression through apprentice programmes and in-house training. We're creating new learning pathways, especially for critical roles. An example is our new programme to train Kitchen Sales Designers.

Our commitment to nurturing 'homegrown' talent continues. In 2023, we recruited 362 new apprentices across the business.

We also launched a Chartered Management Degree Apprentice Scheme, providing work experience across different operational areas along with a degree qualification and real opportunities for career progression.

We remain committed to transferring 20% of our apprenticeship levy to fund construction apprenticeships in small businesses across the UK, directly addressing a skills gap relevant to our customer base. To date we have committed more than £880,000.

disability confident COMMITTED

Committed to being a menopause friendly employer PROUD to display the BADGE

2023 Update on Our EDI priorities

Our Executive Committee sponsors continue to lead employee working groups focusing on gender, disability, and ethnicity.

Gender

An International Women's Day event in March 2023 was a highlight, featuring inspiring stories and interactive sessions.

The Gender group has also organised events and educational sessions on the Menopause, developed toolkits for managers and employees, and introduced wellbeing baskets in restrooms. An e-learning module for managers is part of our journey towards Menopause-friendly accreditation.

Ethnicity

This year we've published an EDI Toolkit for managers which includes guidelines for considering the diversity of local communities in recruitment and learning resources on different religions and cultures.

We launched awareness communications on festivals such as Ramadan and Diwali. We held a listening session with ethnic minority employees in Birmingham. The focus was on understanding their lived experiences and how we can be more inclusive. More sessions are planned for 2024.

Disability

We've achieved Disability Committed status, the first stage of the Disability Confident Government scheme.

Update on our wellbeing strategy

In 2023, we delivered a series of events on the key aspects of our wellbeing strategy: physical, mental, and financial wellbeing.

Financial Wellbeing

We held sessions during National Pensions Week, attended by hundreds of employees. We also introduced a new workplace ISA and a Cycle to Work scheme. A new retail discount platform provides savings for all employees.

Mental wellbeing

We've partnered with Retail Trust for our Employee Assistance Programme (EAP). A Mental Health toolkit for managers was launched, and events like 'Walk this May' encouraged walking for mental health benefits.

Physical wellbeing

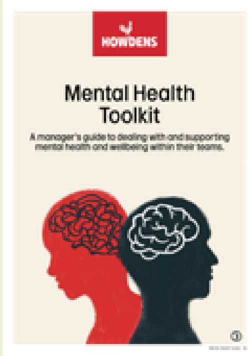
As well as our focus on the Menopause, mentioned above, we hosted webinars on various health topics for everyone including 'Know your numbers' - blood pressure and resting heart rate checks - and CPR/Defibrillation sessions as part of National Heart Month.

We have continued promoting our health benefits, including more accessible discounted gym memberships and we have trained more Employee Wellbeing Representatives.

Case study

Counter Talk podcast

Our Counter Talk podcast, featuring employees telling their own mental health stories and support strategies, was a significant step in promoting open conversations about mental health. It highlighted the supportive culture at Howdens.



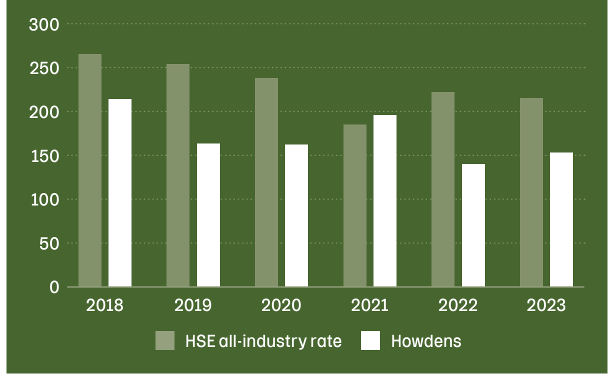
I've been with a lot of companies where I've known I needed to keep it to myself, because it's going to cause a problem, but with Howdens you know that if you open up there is going to be a whole load of support.

Quote from an employee who shared their experiences.

Health & safety, carbon neutral, renewable energy and waste

Keeping our people safe and healthy

KPI **Reportable injuries/100k employees -** Reportable injury rates remain low



Our safety KPI has remained low at 153 RIDDOR reportable injuries per 100,000 employees in 2023. This is 29% below the 2022/2023 HSE All-Industry rate of 215.

Our accident severity rate has also remained low at 33.4 hours lost to accidents per 100,000 hours worked.

Our network of over 850 depots in the UK and Republic of Ireland was awarded the ISO 45001 certification in early 2022. This was achieved by implementing simple and visual safety management systems and actively encouraging the participation of all staff to help continuously improve Health & Safety (H&S) performance. We had already held ISO 45001 certification across our manufacturing and distribution network since 2009.

We have developed our construction-based H&S systems for our Solid Work Surface Installations and Contracts operations, which are rapidly expanding areas of growth.

Across the business we continue to work hard to embed the cultural value that safe operations is our way of doing things. In 2023 we introduced H&S recognition initiatives, such as the 'Safety Good Spot' and 'Local Safety Hero' Awards, celebrating the positive impacts of employee participation and proactive behaviour.

To maintain momentum on our safety culture improvement plan we have partnered with the Centre for Human Factors (CFHF) at the University of Hull. In 2024, the CFHF will be working with us to get a deeper understanding, through engagement, of the human factors and cultural elements that we can foster and, where necessary, improve on to embed and mature our safety culture.

Carbon Neutral certification changes to Route to Net Zero Standard

Manufacturing accounts for a significant proportion of our total Scope 1 and 2 emissions, and is entirely under our control, so it always made sense for us to start our emissions reduction efforts there. It also has a direct benefit to our profitability as it reduces input costs.

We previously had a commitment to achieve carbon neutral manufacturing at our Howden and Runcorn sites by 2021, which we achieved and which we had certified by the Carbon Trust, a global climate consultancy (with evidence provided in accordance with PAS 2060:2014 - Specification for the demonstration of carbon neutrality).

Our approach was to reduce emissions as much as possible with current technology or renewable energy, and then to offset residual emissions with Gold Standard carbon offsets (shown on the independent GSF Registry here: https://registry.goldstandard.org/projects/details/583). We committed to annual recertification which we successfully received in 2022.

From 2023 the Carbon Trust is no longer offering Carbon Neutral verification at a site level and is transitioning to a more demanding certification - the Route to Net Zero Standard. This standard aims to ensure transparency and clarity of environmental claims with an expectation of high ambition. It has a greater emphasis on reduction, more rigorous and ambitious requirements and a focus on language to enhance clarity of meaning. The scope of the Net Zero Standard is wider than the previous Carbon Neutral certification as it will cover the whole Group's operations.

We consider achieving the Route to Net Zero Standard as the next step in our Net Zero journey and a way to demonstrate our commitment to climate leadership, moving on from the achievement of Carbon Neutrality. The standard is aligned with our science-based carbon reduction targets with SBTi and, if achieved, will provide assurance that we are on track to achieve our targets and adopting sustainability best practices. We have begun working with the Carbon Trust with the aim of achieving the standard and will report on our progress and targets as they develop.

Working with: CARBON TRUST

Reducing waste

KPI **Zero to landfill across all UK operations**

Maintaining zero to landfill in 2023 in our manufacturing and logistics operations. We were very pleased to achieve this in 2020 through our approach of removing or minimising the use of resources in the first instance, and then maximising the amounts of waste that we can reuse, recycle and recover. Rather than sending our waste offsite to be burnt for energy recovery, we took the more difficult but more responsible method of using the principles of the 'Waste Hierarchy' and maximising the amount that we can reuse, recycle or recover. We have maintained this performance in 2021, 2022 and 2023, and this is our target for the future.

All UK depots zero to landfill at the end of 2023. It's a lot more challenging to achieve zero waste to landfill in our network of over 800 UK depots. From a baseline of 60% of depot waste avoiding landfill in 2019, we set the target of getting to over 95% by the end of 2022. We exceeded that target in 2021, and made further progress in 2022. In 2023 we have found a partner who can service our UK depot network with waste collection that offers 'cradle to grave' due diligence and tracing which means that by the end of 2023 all of our depots are now zero to landfill. We intend to maintain this performance in the future.

ISO 14001. Our manufacturing, warehousing and transport are certified to ISO 14001 Environmental Management System. This assures us that we have sustainable processes in place and encourages us to look for improvements.

Sawdust-to-heat. In 2023 we converted over 10,000 tonnes of sawdust into energy in biomass boilers at our Runcorn and Howden factories. This is enough sawdust to fill 13 Olympic swimming pools, and it would otherwise have to have been transported elsewhere to be reused. Using it to heat our factories also saves us money. The energy generated by our biomass boilers was equivalent to the average electricity consumption of almost 9,000 households.

Use of renewable energy sources

Our commitment to renewable energy use expanded in 2022 to include substantially all our depot and office estate. Our manufacturing, distribution and depot network now use grid electricity from renewable sources backed by Renewable Energy Guarantees or Origin ('REGOs'), and by the end of 2023 96% of all UK energy was coming from renewable sources.

Each year, this will avoid around 10,000 tonnes of indirect carbon emissions. The impact of this can be seen in our market-based emissions reporting figures.

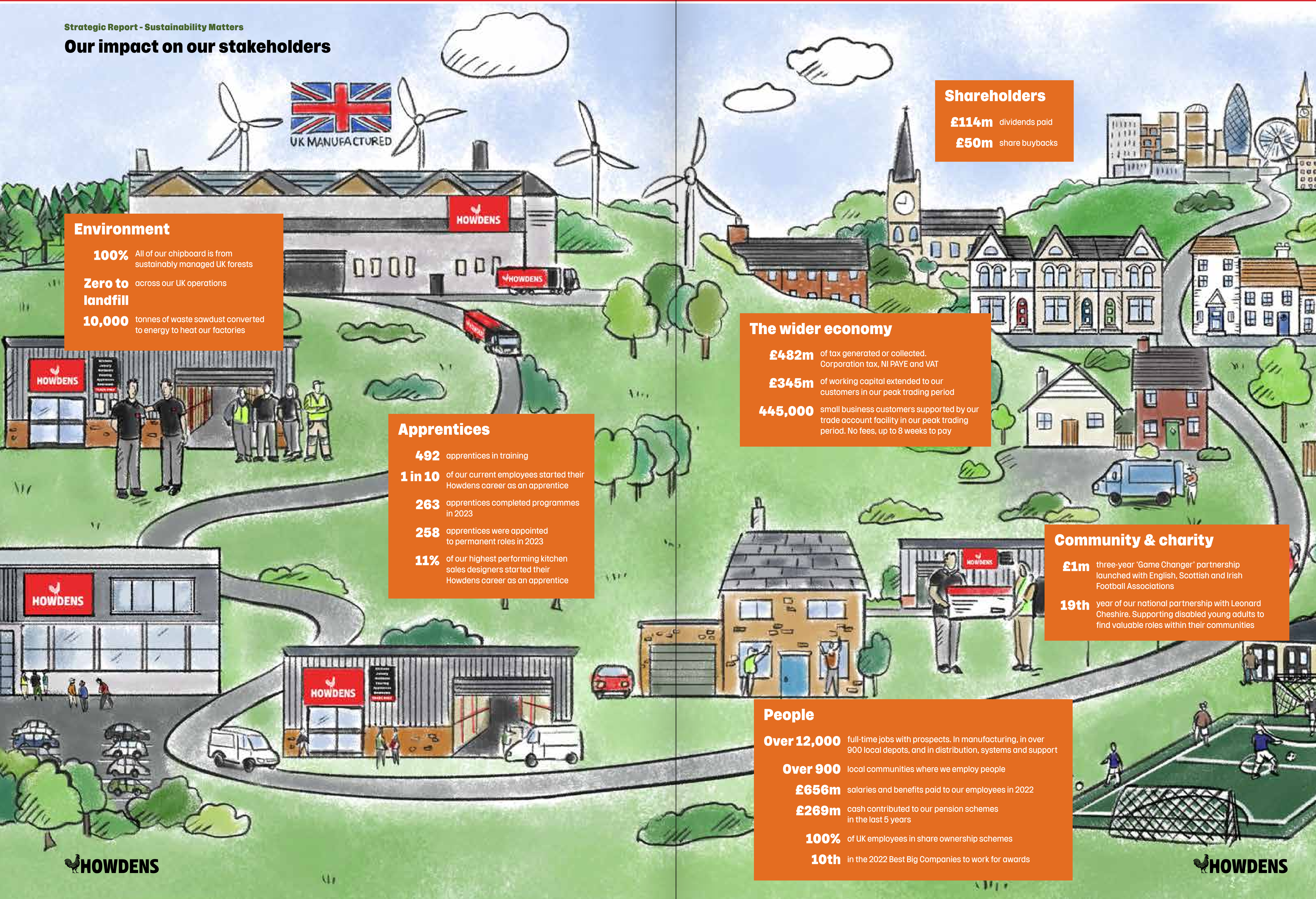
Biomass heat generation has been a feature of our Howden and Runcorn sites for almost 25 years with a combined heat output of 46,000MWh pa, we can heat 1m sq ft of manufacturing space with 98% less carbon emissions.

During 2023 we have approved investment in solar panels at our manufacturing site in Howden, which will come online in 2024 and which we discuss further at page 50.

We also use alternative, plant-based, HVO fuel in our lorry fleet, as we discuss further on page 51.

Strategic Report - Sustainability Matters

Our impact on our stakeholders



Environment

100%	All of our chipboard is from sustainably managed UK forests
Zero to landfill	across our UK operations
10,000	tonnes of waste sawdust converted to energy to heat our factories

Apprentices

492	apprentices in training
1 in 10	of our current employees started their Howdens career as an apprentice
263	apprentices completed programmes in 2023
258	apprentices were appointed to permanent roles in 2023
11%	of our highest performing kitchen sales designers started their Howdens career as an apprentice

Shareholders

£114m	dividends paid
£50m	share buybacks

The wider economy

£482m	of tax generated or collected. Corporation tax, NI PAYE and VAT
£345m	of working capital extended to our customers in our peak trading period
445,000	small business customers supported by our trade account facility in our peak trading period. No fees, up to 8 weeks to pay

Community & charity

£1m	three-year 'Game Changer' partnership launched with English, Scottish and Irish Football Associations
19th	year of our national partnership with Leonard Cheshire. Supporting disabled young adults to find valuable roles within their communities

People

Over 12,000	full-time jobs with prospects. In manufacturing, in over 900 local depots, and in distribution, systems and support
Over 900	local communities where we employ people
£656m	salaries and benefits paid to our employees in 2022
£269m	cash contributed to our pension schemes in the last 5 years
100%	of UK employees in share ownership schemes
10th	in the 2022 Best Big Companies to work for awards

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Task Force on Climate-Related Financial Disclosures - building climate resilience

Our approach to TCFD

We see TCFD as a useful framework to help us assess our climate resilience. We use it to talk about our climate risks and opportunities, to build them into our strategy and to measure our progress.

We have made good progress in 2023. We are using specialised technology to collect both physical and transition climate risk and opportunity data across our value chain. We've started to connect this technology with our key suppliers so we can access and challenge this data more easily and use it to build a collective picture of the challenges and solutions together.

We committed to SBTi Net Zero in 2022 and have had our targets approved in January 2024. We have started to collect real Scope 3 emissions data through our value chain. This is a complex exercise, and still involves some estimations, but we are making progress (page 68).

No identified short or medium-term material climate-related risks

The results of our scenario modelling agreed with the results of our existing business risk management process (described starting on page 36), in that they did not identify any material climate-related risks in the short or medium term.

We are reviewing our supply chain in greater depth and are not currently aware of any material physical risks. We evaluate physical risks for time horizons to 2050.

No identified material financial impact of meeting our SBTi targets in the short or medium-terms

We have examined the estimated incremental costs of meeting our SBTi targets over the next three years, and neither the incremental capex requirement nor the net annual effect on operating profit is material.

Compliance with the TCFD recommendations

The following pages set out the 11 TCFD recommended disclosures, showing where we are now, the progress we've made this year, and our main areas of focus for the future.

We consider that we're fully complaint with Listing Rule 9.8.6R, i.e. that we are fully compliant with all 11 of the TCFD recommendations, and that we have taken into account all relevant and material elements of the recommended TCFD disclosures - including the TCFD's all-sector guidance and, where appropriate, the supplemental guidance for non-financial groups, as well as the climate-related financial disclosures required by section 414CB(A1) and (2A) of the Companies Act 2006.

TCFD recommended disclosure	Our disclosure and developments in 2023	Focus areas for 2024 and beyond
GOVERNANCE		
A **Describe the Board's oversight of climate-related risks and opportunities.**	• This process is led by the Board's Sustainability Committee, whose report is at page 140. • The Sustainability Committee met three times during 2023. The Director of ESG* reported to the Sustainability Committee at each meeting and provided updates on the climate-related risks and opportunities. • The Board considers climate risks together with other risks as part of its overall risk review processes described in detail starting at page 36. • When considering any material investment proposition, the Board considers the likely climate-related consequences.	• The Sustainability Committee will meet regularly in 2024 and will make recommendations to the Board as appropriate. • The Director of ESG will provide regular progress updates. • The Board incorporated environmental measures for 2023 executive share plan. The Remuneration Committee regularly monitor progress against each of these measures. Updated environmental measures are in place for the 2024 plan see page 130.

* The Director of ESG is a management role and is not a Director of the Board of Howden Joinery Group Plc.

TCFD recommended disclosure	Our disclosure and developments in 2023	Focus areas for 2024 and beyond
GOVERNANCE CONTINUED		
B **Describe management's role in assessing and managing climate-related risks and opportunities.**	• It is the Executive Committee's (ExCo) responsibility to execute Group strategy and to manage and mitigate climate risks and take advantage of opportunities. The role of the ExCo is set out on pages 75, 80 and 81 . • The ExCo are responsible for delivering the climate-related targets determined by the Board. • The Director of ESG advises both Board and ExCo on progress against targets and other initiatives. He presented at all of the Sustainability meetings in 2023. • ExCo reviewed the TCFD materiality impact assessments and scenario analysis in 2023. • The Director of ESG worked with ExCo during the year to develop strategies to manage risks and pursue opportunities. • Our supplier engagement activities in 2023 (pages 49, 88 and 89) demonstrated industry leadership and provided clear messaging that our suppliers need to be active on emissions reductions.	• ExCo members have been assigned key responsibilities on managing climate risks and opportunities. • Management will continue to engage with our supply chain in 2024.
STRATEGY		
A **Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.**	• Our climate risk assessment identified no significant short or medium-term climate-related risks. • We give more detail on the potential risks and opportunities starting at page 64.	• Continuing to engage with our supply chain to obtain further data, which may also give additional information on ESG risks and opportunities as they evolve.
B **Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.**	• We did a physical climate risk assessment over various timeframes in 2021, and we have built on this by doing additional physical climate risk assessment in 2023. No significant short or medium-term risks were identified. • We have continued to explore ways of building potential risks and opportunities into strategic and financial planning. • We give more detail on possible impacts starting on page 64. • We discuss our Net Zero commitment on page 46.	• Climate-related risk screening is being incorporated into the due diligence process for major capital expenditure decisions. • Further collaboration with our top 30 suppliers should give us additional data on specific climate risks and opportunities that may inform our strategy and financial planning.

TCFD - building climate resilience continued

TCFD recommended disclosure	Our disclosure and developments in 2023	Focus areas for 2024 and beyond
STRATEGY CONTINUED		
C **Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.**	• We constructed draft climate impact scenarios in 2021, including a scenario aligned with below 2°C. These are described on page 64. They did not identify any material challenges to strategy in the short or medium-term. • We tested the scenario results with management, ExCo and Board in 2022. • In 2023, we established a TCFD working group to review the Net Zero strategy. No significant short or medium-term implications for our strategy were identified.	• We will refresh our scenario analysis in 2024. • We will continue to review various options for decarbonisation, including new technology, as and when it becomes available, and to consider whether there are any emerging implications for our future strategy.
RISK MANAGEMENT		
A **Describe the organisation's processes for identifying and assessing climate-related risks.**	• We use the same approach as for other risks (see pages 36 - 37), combined with horizon scanning to improve identification of medium and longer-term climate transitional and physical risks. • We use an approach modelled on British Standards, based on risk impact and our adaptive capacity. • We have built the outputs of our climate risk assessment into operational risk registers. • In 2023 we have improved our identification process for climate physical risks by using a modelling tool, covering all operations over a short, medium and long term. • We have engaged with our stakeholders, including our insurers, to understand how their focus on climate risk is likely to develop.	• Continue to improve our risk identification process, incorporating more data streams and trends. • Continue to assess key metrics and targets, and the operational plans to meet them. • Review the external environment for changes in climate risks and new mitigation strategies (e.g. through our brokers, insurers external professional bodies and forums). • Board will formalise a risk appetite for climate-related risk.
B **Describe the organisation's processes for managing climate-related risks.**	• We manage climate-related risks in the same way as our other risks (see pages 36 - 37), albeit that time horizons may be longer. • A member of the ExCo owns each risk and leads the relevant operational teams as they control day-to-day risk management and mitigation.	• Challenge the business on the effectiveness and accuracy of mitigation plans, including evidence of progress. • We continue to view climate risks as emerging risks see page 36.
C **Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.**	• We use the same approach as for other risks (see pages 36 - 37). We record them in our risk registers alongside our other operational, financial and strategic risks, albeit that we typically use longer time horizons when looking at climate risks. • We review and update them twice a year. • We have an emerging risk identification and management approach, with dedicated reporting to Exec and Board.	• Continue with specific climate-focused risk register reviews. • Continue to develop reporting to Exec and Board.

TCFD recommended disclosure	Our disclosure and developments in 2023	Focus areas for 2024 and beyond
METRICS AND TARGETS		
A **Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.**	• Our emissions reporting starts at page 67. This is central to our SBTi targets, which were approved in January 2024 and which will be key metrics for the future. • We have long-standing KPIs on use of FSC® and PEFC raw materials and on production waste recycling - we report on these on pages 50 and 57.	• We are in the process of amending our standard contract terms with our long-term suppliers to make it clear that we expect them to work with us to reduce carbon emissions in the supply chain. The aim is that this will eventually lead to mutually agreed targets. • As we continue with supplier engagement, we will collect further supply chain emissions data, which will allow us to encourage suppliers to set SBTi targets.
B **Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.**	• See our emissions reporting, starting on page 68. We have disclosed estimated Scope 3 emissions for the first time in 2023. • We consider the risks relating to emissions as part of our overall climate risk reporting, summarised above.	• We will continue to work with our supply chain to gather additional data to inform our Scope 3 emissions reporting.
C **Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.**	• Performance against non-financial KPIs is shown on pages 29, 50, 56 and 57. • Our SBTi Net Zero targets are shown at page 46. • We incorporated environmental targets, aligned with our SBTi Net Zero targets, into our share plans for the first time in 2022. More details are given at pages 127 and 130.	• Continue to monitor performance against targets including assessing the industry specific metrics and targets introduced by latest frameworks and standards such as TPT (Transition Plan Taskforce) and ISSB.

TCFD - building climate resilience continued

Main risks and opportunities from our scenario modelling so far

Details of the scenarios and time horizons

We began our work on climate scenario planning in 2021. We looked at both physical and transition risks and held a series of workshops with stakeholders from across the business to identify and discuss potential significant risks and opportunities. Our discussions concentrated on the time period to 2030 for transition risks and opportunities, which we further split into time horizons, which we classify below as short term (to 2024), medium term (to 2026) and long term (to 2030). Physical risks are assessed using longer time horizons to 2050 and beyond (for chronic risks such as sea-level rise).

We have chosen the long-term horizon as it aligns with our first major milestone in our Net Zero plans (see page 46). We have chosen the duration of the short and medium terms because they align with the Group's strategic business and financial planning cycles. We plan to refresh our scenario analysis during 2024, an exercise which will include reviewing the time horizons.

We developed three scenarios to frame our discussions of potential climate risks and opportunities. These scenarios were based on the well-regarded and widely-used scenarios developed by Inevitable Policy Response, and were then enhanced to include additional factors specific to Howdens. The scenarios are:

1) Less than 2°C scenario: Where governments and regulators act quickly and take the lead with a series of measures aimed at achieving the Paris Agreement targets. This scenario envisages swift action, a high level of legislation and emphasis on mechanisms such as carbon pricing and financial incentives for decarbonisation.
2) Where lack of agreement between governments leads to an initially slow pace of change, but where a series of social tipping points see a response to climate change which is led by citizens putting pressure onto governments and companies to act.
3) Where there is some commitment from governments, companies and citizens to a Net Zero transition, but where these commitments aren't always fully developed or enforced, and may sometimes be overridden by political, commercial, or individual concerns in the short and medium term, requiring more severe policy action and enforcement in the longer term.

Results and next steps

Our initial scenario modelling work has given us an increased understanding of the qualitative impacts of climate change on our business across various time horizons, although we recognise that it is an iterative and dynamic process. The results of our scenario modelling agreed with the results of our existing business risk management process (pages 38 to 41) and also indicated the resilience of our current strategy, in that they did not identify any material climate-related risks.

Under each scenario there were several possible short, medium and long-term risks and opportunities. We have summarised the most likely ones below. Whilst we have indicated the most relevant time horizon(s) for each risk and opportunity, there is inevitably significant crossover between the outputs of the different scenarios and time horizons, so our description of each risk and opportunity, as well of the related impact, contains an element of aggregation.

Over time we will continue to refresh and develop our scenario analysis. Our intention is to revisit it in 2024.

Overview of opportunities	Most relevant time horizons	Impact	Mitigation actions
OPPORTUNITY: Area of impact - Brand			
Delivering on our aim to be the UK's leading responsible kitchen business and creating a brand that is recognised as a leader in managing climate-related risk could result in increased sales, greater brand awareness, increased market share and increased attractiveness to current and future employees.	Medium to long term (2026-2030)	Increased sales. Greater brand awareness. Increased market share. Stronger employee retention/relations.	Promoting awareness of our sustainability and Net Zero ambitions to employees, customers and end users. Sustainable customer offering and bringing the suppliers on the Net Zero and sustainability journey with us.

Overview of opportunities	Most relevant time horizons	Impact	Mitigation actions
OPPORTUNITY: Area of impact - Cost reduction			
Continuing to focus on energy efficiency, pushing through our targeted improvements and taking future steps on the path to decarbonisation could lead to a lower cost base. Relevant factors could be things such as: • Access to grants, subsidies and favourable tax treatment for adopting decarbonisation technologies . • Absolute reductions in energy and materials consumption will lower costs, particularly in times of rising energy prices, extended application of carbon pricing and an increase in the underlying carbon price.	**Grants and subsidies:** short to medium term (2024-2026) **Absolute reductions in energy consumption:** medium to long term (2026-2030) **Deployment of Decarbonisation technologies such as hydrogen:** medium to long term (2026-2030)	**Capitalise on energy opportunities:** installation of solar panels/wind turbines etc., will help in reducing costs and lead to carbon emission savings. **Own energy generation:** by accessing grants and subsidies and deploying latest decarbonisation technologies.	Reducing energy consumption will help mitigate the impact of rising energy prices/carbon pricing. Deploying new renewable technologies with grants will lower the own capex requirements and improve energy security.
OPPORTUNITY: Area of impact - Access to capital			
Building a climate resilient strategy and communicating it effectively to the market could increase the demand for our shares and could also give us access to lower-cost financing.	Short to medium term (2024-2026)	Increased demand for shares. Access to sustainable finance opportunities.	Clearly communicating our sustainability and climate resilient actions to our existing and future investors.
OPPORTUNITY: Area of impact - Product design			
Taking the lead in producing sustainable products before our competitors could increase our competitive advantage and market share.	Medium to long term (2026-2030)	Support the future sustainability of our assets and the Howdens brand.	Sustainable design is built in as a pillar of our new product development process.
RISK: Area of impact - Sourcing			
Future physical or legal barriers arising from climate change could bring challenges to sourcing some of our products in the future - principally items which we currently source from overseas. Causes could be things such as: • Carbon pricing. • Pressure on supply chains to decarbonise, especially in emerging markets. • Some current raw materials could increase in cost or become unavailable in the future, so alternatives would have to be found.	**Carbon pricing:** medium to long term (2026-2030) **Pressure on supply chains to decarbonise:** medium to long term (2026-2030) **Raw materials cost increase/ unavailability:** medium to long term (2026-2030)	**Carbon pricing:** £2.9m - £5.1m (assumption of £50 per tonne of CO_2e carbon price). **Pressure on supply chains to decarbonise:** as climate change is a global issue, our supplier base will also be impacted with the drive to decarbonise. **Raw materials cost increase/ unavailability:** there may be adverse impact on availability of certain raw materials in the future.	Our commitment to SBTi Net Zero targets will help with mitigating the impact of future carbon prices due to absolute reductions in our emissions. We are using technology to collect data directly from our suppliers, which will give us an increased understanding of potential supply chain impacts and allow us to collaborate with suppliers to mitigate the potential future effects. For instance, the supply chain data should give us a more detailed view of potential effects on key raw materials and help us formulate mitigation strategies where necessary.

Strategic Report - Sustainability Matters

TCFD - building climate resilience continued

Overview of opportunities	Most relevant time horizons	Impact	Mitigation actions
RISK: Area of impact - Operations			
The physical risk to our operations from climate change can include extreme weather events and rising sea levels. These risks could require additional capital expenditure or could interrupt operations.	**The physical risk assessment:** identifies potential risks in the short, medium and long term. However, no significant physical risks were identified in the short or medium-term. We are currently working with suppliers for more granular data throughout the supply chain. This work is ongoing.	**Interruption to operations:** physical impacts of climate change could cause supply chain disruption/ physical route disruptions. We will have a fuller view of potential value at risk once we have completed Phase 2 of our physical risk assessment. We consider that we have a high level of expertise in supply chain planning and successfully planned for and dealt with the disruptions of COVID and Brexit. **Additional capital expenditure:** physical climate risks may require us to improve/update our infrastructure, which will increase our capex.	To further understand the risks at a granular level, we have deployed a two-phase physical risk assessment of our own locations in the UK and our suppliers' locations around the world. Phase 1, which is completed, identified the physical risks such as coastal flooding, rising sea levels, heat stress and drought in certain regions and locations, using timeframes up to 2050. Phase 2, which is in progress will deliver a vulnerability and resilience option assessment and it will allow us to estimate our Value at Risk for physical exposure and to understand our suppliers' adaptive capacity.
RISK: Area of impact - Decarbonisation			
Decarbonisation of our distribution and depot fleets could require transitional investment and/or adjustments to current working practices.	**Adjustments to current working practices:** short to medium term (2024-2026) **Transitional investment:** medium to long term (2026-2030)	**Additional capital expenditure:** to decarbonise our own operations, e.g. our buildings and fleet.	We are currently carrying out a study, which will clarify levers of decarbonisation available to us. We have estimated the incremental costs of meeting our SBTi targets over the next three years, and neither the capex requirements nor the net annual effect on operating profit are material.
RISK: Area of impact - Customer expectations			
Failure to meet customer demands for sustainable products could reduce market share.	**Failure to meet demands:** medium to long term (2026-2030)	**Impact on future sales:** from inability to meet customer needs.	Our ESG strategic ambition is to be the UK's leading responsible kitchen business. This commitment drives us to maintain a focus on sustainable product (pages 52 and 53).

Our SECR and Scope 3 reporting

SECR - Emissions reporting

Absolute carbon emissions reduced 3.6% against 2022

Emissions reporting methodology

Footprint calculations performed in accordance with the WRI GHG Protocol and market-based emissions are reported in accordance with the GHG Protocol Scope 2 Guidance - An amendment to the GHG Protocol. Emissions are reported in accordance with HMG Environmental Reporting Guidelines including Streamlined Energy and Carbon Reporting (SECR). All footprint calculations are subject to internal quality checks at source data and final report stages. The intensity measure was chosen because it was felt most relevant to show changes in emissions relative to changes in turnover.

We have used the Operational Control boundary, which includes all UK and International operations with the exception of our new Paint to Order factory, which was commissioned in the second half of 2023. There are no process emissions within Howdens, as defined in the GHG protocol, and fugitive emissions from air conditioning systems are omitted due to insignificant materiality to the overall footprint.

The 2023 data below includes additional emissions from the trade of Sheridan Fabrications Ltd, a business which we acquired part way through 2022, for the first time. Reliable data was not available for this business for 2022 or earlier years, so prior year figures have not been adjusted. Total scope 1 and 2 emissions for the Sheridans business in 2023 were less than 1% of total Group emissions.

	Total CO_2 emissions (Tonnes)	
	2023	2022*
Scope 1 - Direct: Gas	13,075	13,032
Scope 1 - Direct: Owned Transport (LGV/Van/Car)	24,665	28,302
Scope 1 - Direct: Other fuels	1,380	1,354
Scope 1 - Direct: Biomass	408	469
Scope 1 - Direct: Total	39,528	43,157
Scope 2 - Indirect: Electricity - location-based	13,725	12,067
TOTAL Scope 1 and 2 absolute emissions - location-based	53,253	55,224
Scope 2 - Indirect: Electricity - market-based*	1,266	5,193*
TOTAL Scope 1 and 2 - market-based	40,794	48,350
Turnover (£m)	2,310.9	2319.0
Carbon intensity ratio (tCO_2e per £m) gross, location-based	23.0	23.8
Inflation adjusted intensity ratio (tCO_2e per £m) gross, location-based	28.7	28.4
Additional carbon intensity ratio (tCO_2e per £m) net, market-based	17.7	20.8*
Additional inflation adjusted intensity ratio (tCO_2e per £m) net, market-based	22.0	24.9*
Energy consumption used to calculate above emissions (kWh)	290,613,944	321,585,787
Proportion of CO_2 emissions generated in the UK:	98.6%	98.6%
Proportion of total energy consumed (kWh) in the UK:	98.3%	98.5%

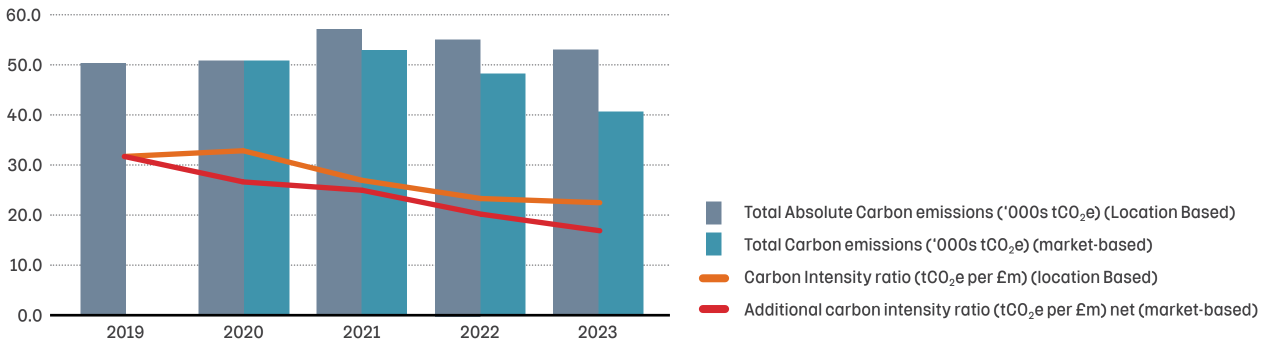
* **Restated data for 2022.** In our 2022 reporting, the figure for Scope 2 - Indirect: Electricity - market-based was incorrectly reported as 101 tCO_2e, when it should have been 5,193 tCO_2e. This error came to light in 2023. The 2022 data has been restated to reflect the correct figure. The 2023 market-based figure for indirect electricity is significantly lower because it reflects a full year of renewable energy.

Strategic Report - Sustainability Matters

Our SECR and Scope 3 reporting continued

SECR Reporting

Our record over the past five years is shown on the chart below:



Energy efficiency initiatives

See pages 50 and 51 for examples of developments in 2023 in our manufacturing and transport operations, our most significant sources of Scope 1 and 2 emissions.

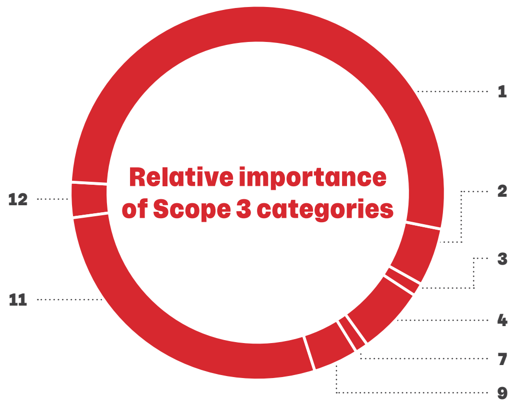
Use of renewable energy sources

We discuss this on pages 50 and 51.

Our 2023 Scope 3 emissions

As shown below and on page 47, around 95% of our emissions fall outside of our direct control and are reported as Scope 3 emissions. Renowned for being a more difficult area to gather consistent and quality data, we are continuing to make good progress with improving the integrity of our Scope 3 numbers and, for example, are working with our largest suppliers initially to collate and improve the quality of data on the emissions associated with our purchased goods and services (see page 49).

The majority percentage of our Scope 3 data has been calculated using available primary data. Where necessary, estimates have been used for some categories and therefore are subject to change. In accordance with the Science Based Target Initiative's recalculation policy, updated data will be published when available. Any estimates are in line with the GHG Protocol Corporate Accounting and Reporting Standard and are based on a combination of internal data coupled with the best available public sources on CO_2 emissions factors. To further aid transparency, we have coded the data below to show its source and status.



	Category	TCO_2e	%
1	Purchased goods and services	493,845	53%
2	Capital goods	48,684	5%
3	Fuel and energy related activities	10,856	1%
4	Upstream transportation & distribution	43,166	5%
5	Waste	945	0%
6	Business travel	2,391	0%
7	Employee commuting	12,961	1%
8	Upstream leased assets	N/A	0%
9	Downstream transportation	34,858	4%
10	Processing of sold products	N/A	0%
11	Use of sold products	257,811	28%
12	End-of-life treatment	31,581	3%
13	Downstream leased assets	N/A	0%
14	Franchises	N/A	0%
15	Investments (Pensions)	N/A	0%
	Total	937,098	100%

Key to Scope 3 data

Source of data

- Derived from data that is within our direct control or that we can more easily verify
- Derived from data that is not within our direct control or that is more difficult to verify
- Not applicable

Status of data

- Most secure - Good quality data/high confidence in estimations
- Less secure - some work to do to verify data quality/reasonable reliance on Industry estimations
- Least secure - more work to do to verify data quality/high reliance on industry estimation/assumption
- Not applicable

Strategic Report

Going concern and Viability statements

Going concern

The Directors have adopted the going concern basis in preparing the financial statements and have concluded that there are no material uncertainties leading to significant doubt about the Group's going concern status. The reasons for this are explained below.

Going concern review period

The going concern review period covers the period of at least 12 months after the date of approval of these financial statements. The Directors consider that this period continues to be suitable for the Group.

Assessment of principal risks

The Directors have reached their conclusion on going concern after assessing the Group's principal risks, as set out in detail in the 'Principal risks and uncertainties' section, starting on page 38.

Whilst all the principal risks could have an impact on the Group's performance, the specific risks which could most directly affect going concern are the risks relating to continuity of supply, changes in market conditions, and product relevance. The Group is currently holding additional amounts of faster-moving inventory as a specific mitigation against supply chain disruption, and the Directors consider that the effects of the other risks could result in lower sales and/or lower margins, both of which are built into the financial scenario modelling described below.

Review of trading results, future trading forecasts and financial scenario modelling

The Directors have reviewed trading results and financial performance in 2023, as well as early weeks' trading in 2024. They have reviewed the Group balance sheet at 30 December 2023, noting that the Group is debt-free, has cash and cash equivalents of £283m, and appropriate levels of working capital. They have also considered three financial modelling scenarios prepared by management:

1. **A 'base case' scenario.** This is based on the final 2023 Group forecast, prepared in December 2023 and including the actual results of the 2023 peak sales period.

   This scenario assumes future revenue and profit in line with management and market expectations as well as investments in capital expenditure and cash outflows for dividends and share buybacks in accordance with our capital allocation model (see pages 32 and 33).

2. **A 'severe but plausible' downside scenario** based on the worst 12-month year-on-year actual fall ever experienced in the Group's history. This is more significant than the combined effect of COVID and Brexit on 2020 actual performance.

   This scenario models a reduction in most of the variable cost base proportionate to the reduction in turnover. It includes lower capital expenditure at a lower level than in the base case, but which is still in line with our announced strategic priorities for growth, namely: new depot openings and refurbishments; investment in our manufacturing sites, investment in digital and expanding our international operations. It also includes dividends and share buybacks in line with the Group's stated capital allocation model.

   In this scenario the Board considered the current economic conditions that the Company and its customers are facing, and noted that the downside scenario included allowances for reduced demand and increased costs to reflect such adverse conditions.

3. **A 'reverse stress-test' scenario.** This scenario starts with the severe but plausible downside model and reduces sales even further, to find the maximum reduction in sales that could occur with the Group still having headroom over the whole going concern period, without the need to take further mitigating actions.

   Capital expenditure in this scenario has been reduced to a 'maintenance' level. Variable costs have been reduced in proportion to the reduction in turnover on the same basis as described in the severe but plausible downside scenario. It assumes no dividends or share buybacks.

Going concern and Viability statements continued

Going concern continued

Borrowing facility and covenants

The Group has a five-year, committed, multi-currency revolving credit facility of up to £150m which expires in September 2027 and which was not drawn at the period end. A summary of the facility is set out in note 19 to the December 2023 Group financial statements.

As part of the scenario modelling described above, we have tested the borrowing facility covenants and the facility remains available under all of the scenarios. We have therefore included the credit available under the facility in our assessment of headroom.

Results of scenario testing

In the base case and the severe but plausible downside scenarios, the Group has significant headroom throughout the going concern period after meeting its commitments.

In the reverse stress-test scenario, the results show that sales would have to fall by a significant amount over and above the fall modelled in the severe but plausible downside scenario before the Group would have to take further mitigating actions. The likelihood of this level of fall in sales is considered to be remote.

Conclusion on going concern

Taking all the factors above into account, the Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to remain in operational existence for the going concern review period set out above. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Long-term prospects and viability

Assessment of long-term prospects

The Directors have assessed the Group's long-term prospects, solvency and liquidity, with particular reference to the factors below:

Current position

- History of profitable trading, with strong net profit margins.
- Cash and cash equivalents balance at 30 December 2023 of £283m.
- Debt-free. Consistently cash-generative. Proven ability to maintain strong cash balances whilst also investing for growth and returning cash to shareholders.
- £150m committed borrowing facility, due to expire in September 2027. Unused, but available if needed.
- Strong relationships with suppliers and customers.
- Proven ability to flex the operating cost base in a severe economic downturn.
- Robust disaster recovery and business continuity framework.

Strategy and business model

- Proven, successful business model.
- Demonstrated agility and resilience of the business model to adverse economic conditions.
- Clear strategic direction.

Robust assessment of principal risks

- The Directors' role in the risk identification, management, and assessment process is outlined on pages 36-37, followed by details of the principal risks and mitigations.
- The Directors are satisfied that they have carried out a robust assessment of the Group's principal risks over the viability period on the basis already described in the going concern disclosure directly above.

Long-term prospects and viability continued

Assessment of viability

Time period and scenario modelling

The Directors' review of the Group's long-term viability used a three-year period to December 2026. This was considered to be the most suitable period as it aligns with the Group's strategic planning process.

The financial modelling to support the assessment of viability was based on the three scenarios used for the going concern assessment and detailed above. We have tested the borrowing facility covenants and the facility remains available under all of the viability scenarios. We have therefore included the credit available under the facility in our assessment of headroom.

1. **The base case scenario** takes the base case described in the discussion of going concern above and extends it over the viability assessment period. It assumes future revenue and profit in line with management expectations, investments in capital expenditure and cash outflows for dividends and share buybacks in accordance with our capital allocation model (see pages 32 and 33).
2. **The severe but plausible downturn scenario** takes the same decline over the going concern period as described in the discussion of going concern above, and then assumes a phased recovery over the rest of the three-year period. It assumes capex at a lower level than in the base case but which is still in line with our announced strategic priorities for growth, and dividends and share buybacks in line with our capital allocation model.
3. **The reverse stress-test scenario** assumes a phased recovery of margin and profit on the same bases as for the severe but plausible downturn scenario. This is then stress-tested to find the maximum amount by which sales in the first year would have to fall before the Group would no longer have headroom at any point in the viability assessment period, without taking further mitigating actions. It assumes capex at a maintenance level and no dividends or share buybacks.

The Directors consider that the reasonably foreseeable financial effects of any reasonably likely combination of the Group's principal risks are unlikely to be greater than those effects which were modelled in the severe but plausible downside and reverse stress-test scenarios.

Results of scenario testing

The results of the base case and plausible downside scenario modelling showed that the Group would have sufficient headroom over the viability assessment period.

The reverse stress-test showed that the level of fall in sales required in the first year of the viability assessment period was significantly more than the fall modelled in the severe but plausible downturn scenario before the Group would have to take further mitigating actions. The likelihood of this level of fall in sales is considered to be remote.

Conclusion on viability

Having considered the Group's current position, strategy, business model and principal risks in their evaluation of the prospects of the business, and having reviewed the outputs of the scenario modelling, the Directors concluded that they have a reasonable expectation that the Group will continue to operate and to meet its liabilities in full and as they fall due during the three-year period to December 2026.

Further reading relevant to going concern and viability

	Page
Principal risks and mitigations	38-41
Trading results	16-35, and the Financial Statements
Balance sheet	163
Details of our £150m borrowing facility	187
Auditor's report, with details of their work and conclusions on going concern and viability	148-161