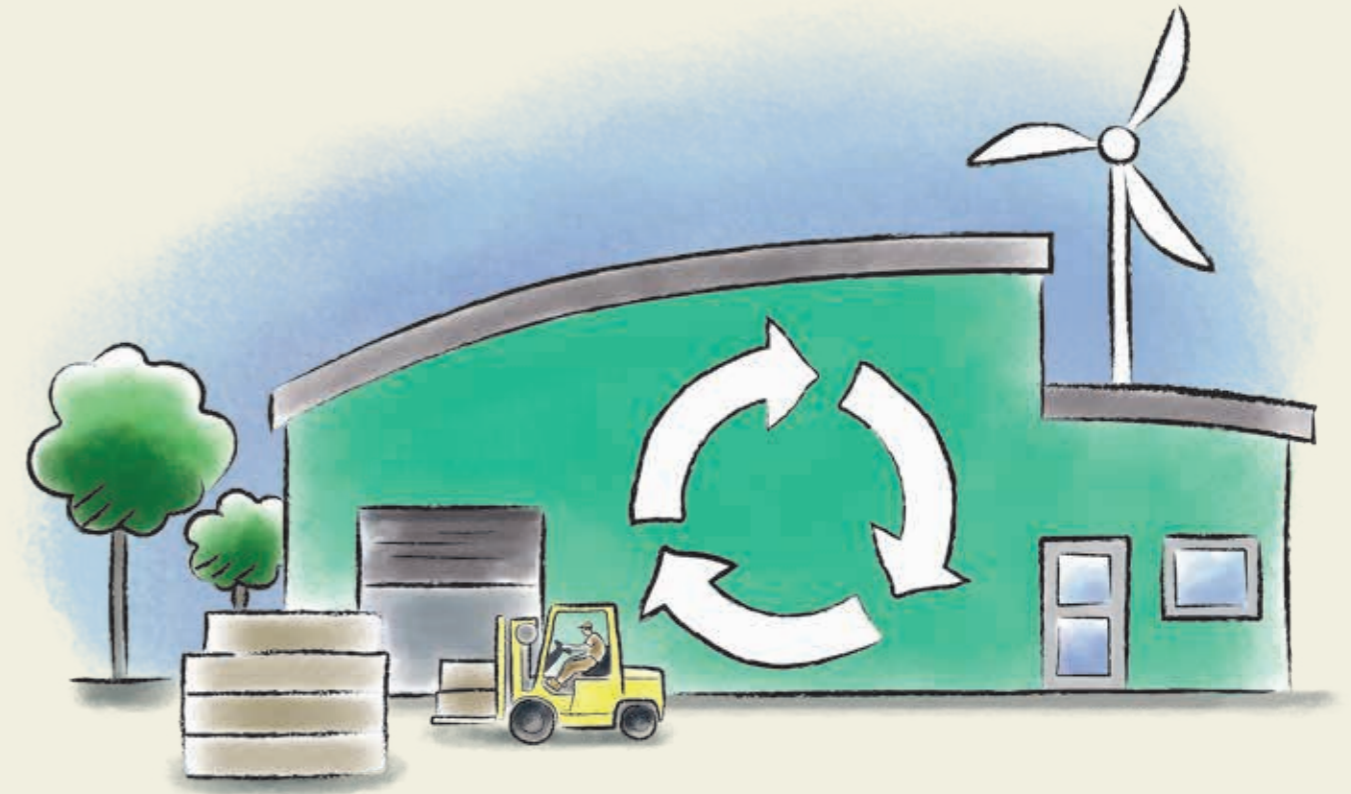


Sustainability Matters

Worthwhile for all concerned



Why sustainability matters

Our sustainable business model and culture. Our material areas, KPIs and commitments.



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Our TCFD reporting

Climate risks and opportunities.



52

Our people

Health, safety and wellbeing. Career opportunities and support for development.



60

Our four main ESG commitments

Update on progress.



50

Our impact on our stakeholders

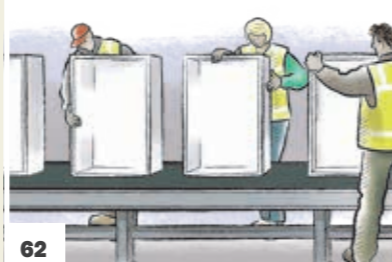
A summary of our social and environmental footprint.



58

Sustainable supply chain

Certified wood, responsible purchasing, efficient distribution.



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Sustainable product

New product development, product re-engineering, sustainable sourcing strategy.



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Our communities

Local projects and national partnerships.



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Our environment

Reducing waste, lowering net emissions.



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Why Sustainability matters to us

Generating long-term value

Howdens is a growing business. Sustainable behaviour will help us continue to grow in a way that preserves our culture, supports our business model, mitigates our risks and addresses the needs of our stakeholders.

Part of our culture

We describe the Howdens culture as being 'worthwhile for all concerned' and 'creating the conditions that allow everyone to succeed'. That means that our business needs to be worthwhile for our staff, our customers, our suppliers, the environment and the communities we work in.

Supporting our business model

Sustainable behaviour gives us a competitive advantage.

Lowest cost production in our own UK factories leads naturally to minimising waste, energy and raw materials. Our mission statement aim of 'no-call-back quality' means that we need to produce and source product which is durable and safe.

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 around 800 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.

Mitigating our risks

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

For example, we place great emphasis on looking after our people. We invest in keeping them 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 mitigates our 'Product design relevance' risk.

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. In 2021 the Board set up a Sustainability Committee, whose report begins on page 142.

Our 2021 TCFD implementation project

Reporting on the recommendations of the Task Force on Climate-Related Financial Disclosures ('TCFD') will become mandatory for us in 2022. However, we realise that there is a growing stakeholder pull for climate-related information, and also potential business benefits in starting our TCFD implementation right now.

In 2021 we have built on our existing climate risk and governance structures and have begun a wide-ranging TCFD implementation project, which we report on in more detail beginning on page 52

The material sustainability areas for us and our stakeholders

We've organised the main body of this report into five sections, reflecting our material sustainability areas:

People: keeping them safe, offering rewarding careers.

Sustainable supply chain: certified wood, responsible purchasing, efficient distribution.

Sustainable product: developing new sustainable products, re-engineering existing products, having a sustainable sourcing strategy.

Environment and operations: reducing waste, responsible operations, lowering emissions.

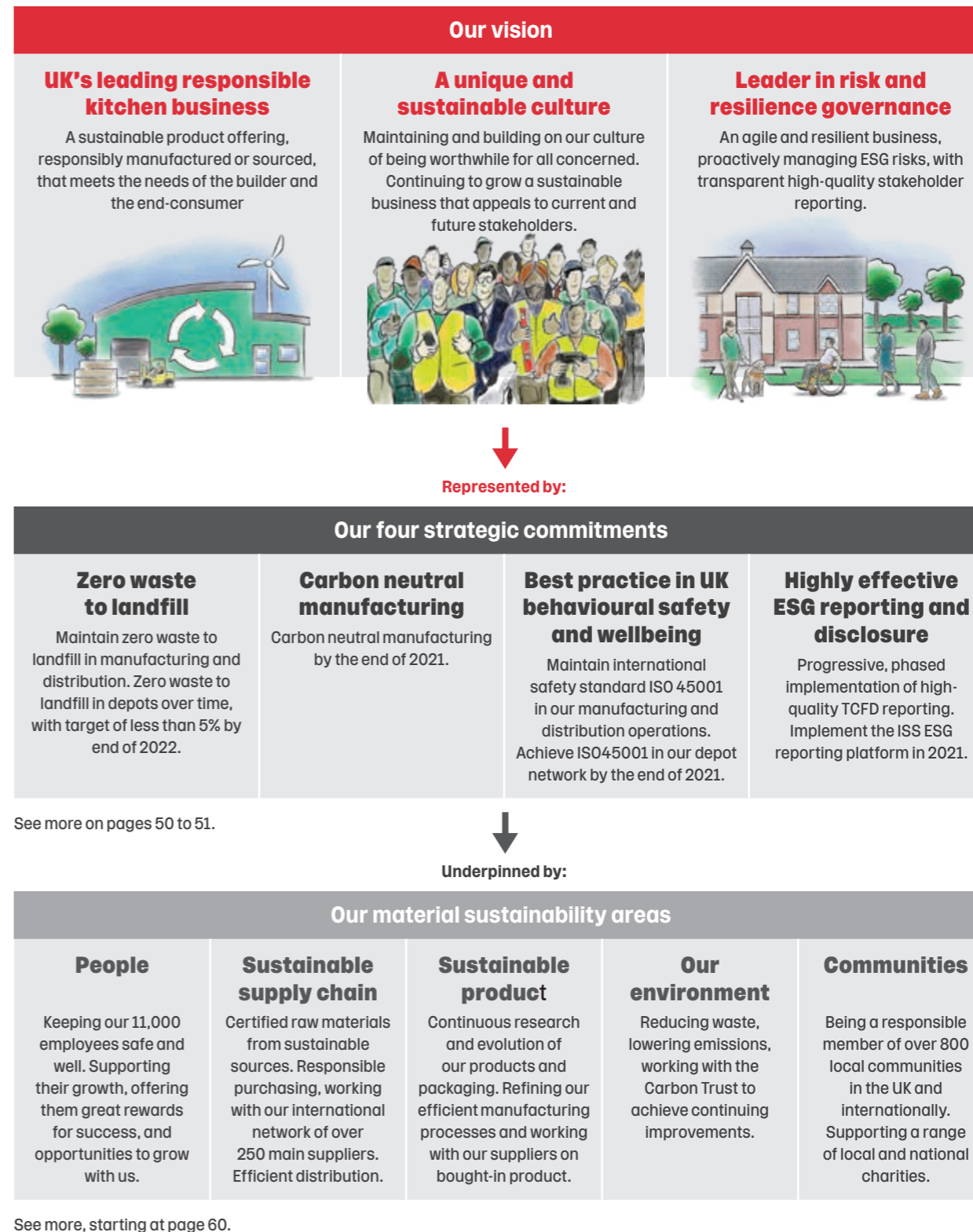
Communities: local community projects, our nationwide work with Leonard Cheshire Disability and I can & I am.

In 2020, as part of a wide-ranging ESG Strategic Review, we consulted key stakeholders, and were pleased to reconfirm that they continued to see these five areas as being the most material ones for us.

Our sustainability KPIs, commitments and targets

Our sustainability KPIs cover safety, use of wood from certified sources, and avoiding sending waste to landfill. You can find them on pages 60 to 64.

Our 2020 ESG strategic review resulted in four strategic commitments, which we report on at pages 50 to 51. It also resulted in a number of targets and research projects in each of our material areas, which we report on under the relevant area. As we work towards the commitments, learn more about the targets and research projects, and move further down our road to TCFD implementation, this may lead to new KPIs and key metrics in the future.



Our four ESG strategic commitments

Progress on our four ESG strategic commitments

E Environment
UK's leading responsible kitchen business

Zero waste to landfill

100%
Manufacturing & distribution

99.1%
Depots

Progress in 2021
In 2020 we achieved zero waste to landfill in our manufacturing and distribution, and we have maintained that in 2021. Rather than sending our waste offsite to be burnt for energy recovery, we took the slower but more responsible method of using the principles of the 'Waste Hierarchy' and maximising the amount that we can reuse, recover or recycle.

It's a lot more challenging to achieve zero waste to landfill in our network of almost 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've exceeded that in 2021, with 99.1% of depot waste avoiding landfill, and we are busy trying to find solutions for the remaining 0.9%.

Worthwhile for all concerned

Carbon neutral manufacturing

100%
Achieved in 2021

Progress in 2021
Our commitment was to achieve carbon neutral manufacturing by 2021. We are pleased to announce that we have achieved this on schedule, and have received confirmation from the Carbon Trust (with evidence provided in accordance with PAS 2060:2014 - Specification for the demonstration of carbon neutrality).

Manufacturing accounts for around 40% of our total Scope 1 and 2 emissions, and is entirely under our control, so it makes sense for us to start there. 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/credit-blocks/details/227403>).

Worthwhile for all concerned

Alignment to UN SDGs

Our material SDGs	UN SDG description and relevant targets under each SDG
	<p>'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all'</p> <p>SDG targets: 8.4, 8.5, 8.6, 8.7, 8.8.</p>
	<p>'Ensure sustainable consumption and production patterns'</p> <p>SDG targets: 12.2, 12.5, 12.6, 12.7.</p>

S Social
A unique and sustainable culture

G Governance
Leader in risk and resilience governance

Best practice in UK Behavioural Safety and wellbeing - ISO 45001

100%
Manufacturing & distribution

Work complete in depots, independent audit in progress

Progress in 2021
Our commitment was to achieve the international safety standard ISO 45001 across our manufacturing, distribution and depot network by the end of 2021.

We achieved the ISO in our factories and distribution network in 2020. In 2021 we completed the work in our depots but were not able to achieve accreditation before the end of the year due to COVID-19 restrictions on auditors visiting our depots.

We passed our Stage 1 audit in the depots, carried out by the British Safety Council, with a score of 100%. The final, Stage 2, audit is scheduled to complete in early 2022, and we look forward to reporting the results once it is finished.

Worthwhile for all concerned

Highly effective ESG reporting and disclosure, including KPIs

TCFD and ISS implementations are underway

Progress in 2021
Our first commitment was to implement progressive, phased TCFD reporting. TCFD is not mandatory for us until our 2022 year end but we realise the importance of climate risk information to stakeholders and so we have begun our TCFD reporting journey this year and you can find the detail starting on page 52.

Our second commitment was to implement the ISS external ESG reporting platform to enable us to objectively benchmark ourselves against peers and to help stakeholders by giving them easier access to detailed ESG information. We have implemented ISS in 2021, and are in the process of verifying our scores, checking our data, and making sure that it is complete and current.

Worthwhile for all concerned

Our material SDGs	UN SDG description and relevant targets under each SDG
	<p>'Take urgent action to combat climate change and its impacts'</p> <p>SDG targets: 13.1, 13.2.</p>
	<p>'Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests... and halt biodiversity loss'</p> <p>SDG targets: 15.1, 15.2.</p>

Our TCFD reporting

Our progress on TCFD implementation

We are taking TCFD implementation seriously. Our approach is to build it into the business from the bottom up because that will help us find opportunities as well as risks, and will help us measure and manage them to increase long-term stakeholder value.

We've made a lot of progress on our path to TCFD implementation this year, but we've still got some way to go. Unsurprisingly we're more mature around governance and risk management, while we're closer to the start of our journey in areas such as scenario planning.

TCFD recommended disclosure

Our disclosure

GOVERNANCE

- | | |
|--|--|
| <p>A. Describe the Board's oversight of climate-related risks and opportunities.</p> | <ul style="list-style-type: none"> The Board looks at material climate-related risks and opportunities when setting and monitoring Group strategy The Board considers climate risks as part of its overall risk review processes described in detail at page 38 The Board monitors our progress on key climate-related commitments via in-person reports from our Director of ESG |
| <p>B. Describe management's role in assessing and managing climate-related risks and opportunities.</p> | <ul style="list-style-type: none"> The Exec's job is to execute Group strategy and implement programmes to manage and mitigate climate risks and take advantage of opportunities The Director of ESG advises both the Board and the Exec |

STRATEGY

- | | |
|--|---|
| <p>A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p> | <ul style="list-style-type: none"> We've completed our initial climate materiality assessment and are reviewing the draft results Once we've thoroughly reviewed them, we'll be able to talk about our material risks and opportunities in more detail |
| <p>B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p> | <ul style="list-style-type: none"> We're at the beginning of our journey on the impact of risks and opportunities We've done a physical climate risk assessment over various timeframes, and we're reviewing the results. Once we've done this, we'll be able to think how best to build them into our strategy and planning |
| <p>C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p> | <ul style="list-style-type: none"> We've constructed draft climate impact scenarios based on our initial assessment of material risks, including one aligned with below 2°C Once we've reviewed the results of these draft scenarios and are happy that they are sufficiently robust, we will be able to understand their impact on our strategy in more detail and use them to model potential financial impacts |

We've been working with external TCFD implementation specialists on a range of projects across the business. We aim to move at pace, but to balance that with making sure that we take sufficient time to build the TCFD principles into our operating processes - because that's where we see the opportunities for generating long-term value.

The table below shows where we are now, the progress we've made this year, and what we still need to do.

Developments in 2021

Focus areas for 2022 and beyond

- | | |
|---|--|
| <ul style="list-style-type: none"> The Board set up a Sustainability Committee to oversee sustainability strategy, consider strategic proposals from management and make recommendations to the Board. Their report is on page 142 The Sustainability Committee also consider Howdens' position on emerging climate issues, metrics and targets and our commitment to other climate-related goals | <ul style="list-style-type: none"> The Sustainability Committee will meet regularly during 2022 and make recommendations to the Board as appropriate The Director of ESG will report to the Sustainability Committee at each meeting. There will be a detailed review of the Group's roadmap to Net Zero |
| <ul style="list-style-type: none"> Management engaged external specialists in TCFD implementation (Top Tier Impact Strategies Limited) to give support as we carry out climate materiality impact assessments and scenario planning | <ul style="list-style-type: none"> Management will review the materiality impact assessments and scenario analysis in 2022 The Director of ESG will work with the Executive Committee to develop sustainable strategies during the year |
| <ul style="list-style-type: none"> Implemented a comprehensive TCFD project across the business Interviewed over 30 key stakeholders to identify potential material climate risks and opportunities Carried out an initial review and assessment of materiality | <ul style="list-style-type: none"> Scrutinising and testing the results of our initial review with operational areas, ExCo and Board Building material risks and opportunities into our strategic planning |
| <ul style="list-style-type: none"> Physical climate risks assessments of supply chain locations Built three climate transition scenarios specific to our business Carried out initial impact workshops with Group-wide participants | <ul style="list-style-type: none"> Exploring ways of building material risks and opportunities into strategic and financial planning and decision making |
| <ul style="list-style-type: none"> Working towards Howdens-specific scenario planning has been a big part of our TCFD project We've taken specialist external advice We've built our initial scenarios from scratch, based on detailed stakeholder interviews and our initial assessment of materiality | <ul style="list-style-type: none"> Testing the draft scenario results. Discussing with management, ExCo and Board. Building financial models from the scenarios Further iterations of the scenarios, with refinement of inputs as necessary Identifying the implications for our risks, opportunities, metrics and strategy |

Our TCFD reporting continued

TCFD recommended disclosure	Our disclosure	Developments in 2021	Focus areas for 2022 and beyond
RISK MANAGEMENT			
A. Describe the organisation's processes for identifying and assessing climate-related risks.	<ul style="list-style-type: none"> We combine our long-standing, bottom-up risk process with improved identification of medium and longer-term risks through horizon scanning. See pages 38-39 for more detail 	<ul style="list-style-type: none"> Built the outputs of our inherent climate risk assessment into operational risk registers Worked with advisor to refine our process for assessing climate risks Adapted our risk process to capture key climate metrics and targets 	<ul style="list-style-type: none"> Continue to improve our risk identification process, incorporating more data streams and trends Assess key metrics and targets, and the operational plans to meet them
B. Describe the organisation's processes for managing climate-related risks.	<ul style="list-style-type: none"> We manage climate-related risks in the same way as our other risks (see page 38), albeit that time horizons may be longer A member of the Exec owns each risk and leads the relevant operational teams as they control day-to-day risk management and mitigation 	<ul style="list-style-type: none"> Carried out a specific, climate-focused round of risk register reviews to educate operational teams with the aim to ensure that we manage climate risks as effectively as other risks 	<ul style="list-style-type: none"> Challenge the business on the effectiveness and accuracy of mitigation plans, including evidence of progress
C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	<ul style="list-style-type: none"> They have always been part of our overall risk identification and management process described in detail at page 39 The main difference between climate-related risks and other risks is that we typically use longer time horizons when looking at climate risks 	<ul style="list-style-type: none"> Implemented a new emerging risk identification and management approach, with dedicated reporting to Exec and Board Started project to capture Board risk appetite for climate risks 	<ul style="list-style-type: none"> Continue with specific climate-focused risk register reviews Continue to develop reporting to Exec and Board
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.	<ul style="list-style-type: none"> We have long-standing KPIs on use of FSC® and PEFC raw materials and on production waste recycling - we report on these at page 63 and page 64 We're reviewing the outputs of our detailed 2021 TCFD project to see if this suggests extra or alternative KPIs, as well as to identify whether there are any other important climate-related metrics 	<ul style="list-style-type: none"> First iteration of an ESG metrics dashboard for the business Beginning to consider how climate-related metrics might build into consideration of future investment decisions 	<ul style="list-style-type: none"> Internal review and stakeholder consultation of any potential new KPIs Consider appropriate scope of assurance over climate-related data
B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	<ul style="list-style-type: none"> See our SECR reporting, starting on page 64 We consider the risks relating to emissions as part of our overall climate risk reporting, summarised on page 57 	<ul style="list-style-type: none"> Assessed our material sources of Scope 3 emissions and investigating how we can report on them and what assumptions that would involve Selected appropriate assumptions and started to investigate which of our Scope 3 emissions we can try to gather reliable data on 	<ul style="list-style-type: none"> Continue to refine assumptions for Scope 3 emissions where we don't have all the information. Beginning to report Scope 3 emissions where we have reliable data
C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<ul style="list-style-type: none"> We are currently researching and developing these targets as part of the overall TCFD implementation process 	<ul style="list-style-type: none"> Research and development of potential new TCFD metrics and targets, based on the outcomes of the TCFD implementation project so far 	<ul style="list-style-type: none"> Develop quantitative metrics and targets for material climate risks and opportunities and assign to the senior executive team

Our TCFD reporting continued

Main risks and opportunities from our scenario modelling so far

Details of the scenarios

As we describe in the 'Strategy' section of our TCFD reporting on page 52, we've begun 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 material risks and opportunities. Our discussions concentrated on the time period to 2030, which we further split into short term (to 2023), medium term (to 2026) and long term (to 2030).

We developed three scenarios to frame our discussions of potential climate risks and opportunities:

- 1) 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 starting on page 38, in that they did not identify any significant short-term climate-related risks.

Under each scenario there were a number of possible medium and long-term risks and opportunities, which we have summarised below. Our next step will be to develop this analysis, which will include quantifying the material impacts and setting a strategic direction to mitigate the risks and maximise the opportunities.

Opportunities

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
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: <ul style="list-style-type: none"> • Access to grants, subsidies and favourable tax treatment for adopting decarbonisation technologies • Absolute reductions in energy consumption will lower costs, particularly in times of rising energy prices, extended application of carbon pricing and an increase in the underlying carbon price
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 bonds and loans.
Product design	Taking the lead in producing sustainable products before our competitors could increase our competitive advantage and market share.

Risks	
Sourcing	<p>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:</p> <ul style="list-style-type: none"> • Carbon pricing • Pressure on supply chains to decarbonise, especially in emerging markets • Trade tensions between countries with different Paris Agreement emission-reduction targets • Some current raw materials could increase in cost or become unavailable in the future, so alternatives would have to be found
Operations	<p>The physical risk to our operations from climate change e.g., extreme weather events and rising sea levels could require additional capital expenditure or could interrupt operations.</p> <p>We have carried out a physical risk assessment of our locations in the UK and on our key suppliers' locations around the world, based on the latest climate science. Our assessment looked at physical risks such as coastal flooding, rising sea levels, heat stress and drought in certain regions and locations, using timeframes up to 2030.</p> <p>Our assessment didn't highlight any significant risks in the short-term. Our next step is to carry out further analysis of possible medium and long-term risks so that we can quantify them and take appropriate mitigating actions if necessary.</p>
Decarbonisation	Decarbonisation of e.g. our distribution and depot fleets could require transitional investment and/or adjustments to current working practices.
Customer expectations	Failure to meet customer demands for sustainable products could reduce market share.

Our impact on stakeholders

Environment

270,000m³ of chipboard from sustainably managed UK forests

100% of manufacturing waste reused recycled or recovered

14,000 tonnes of waste sawdust converted to energy to heat our factories



People

610 apprentices in training. Tailored apprentice programmes across the Group

11,000 full-time jobs with prospects. In UK manufacturing, in over 800 local depots and in distribution, systems and support

100% of UK employees in share ownership schemes

The wider economy

£70m of rent paid to over 650 commercial landlords

£430m of tax generated or collected. Corporation tax, NI, PAYE and VAT

£290m of working capital extended to over 420,000 small businesses in our peak trading period. No fees, up to 8 weeks to pay

£86m capital investment in the year. Investing in UK manufacturing and distribution. Expanding our depot network in the UK and France

Shareholders

£134m dividends paid

£50m share buyback

Community & charity

17th year of our national partnership with Leonard Cheshire. Supporting disabled young adults to find valuable roles within their communities

£2.0m in total, in cash and stock donations, given to local charities and community activities across our network in the UK and Europe

People

£550m of wages, salaries and benefits paid to our employees

£260m cash contributed to our pension schemes in the last 5 years

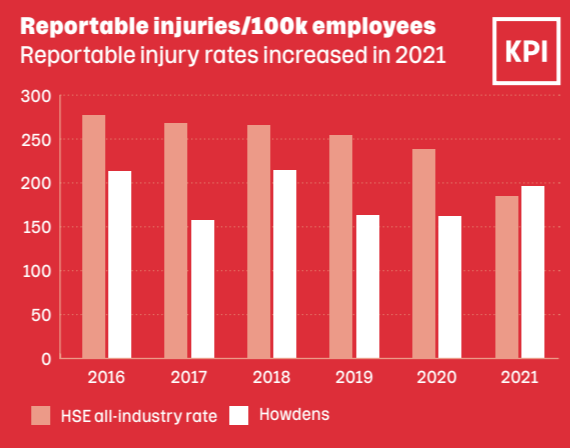
Employing people in over **800** local communities

Our people

Keeping our people safe and healthy

2021 highlights

- Our safety KPI has increased from 162 RIDDOR¹ reportable injuries per 100,000 employees in 2020 to 196 in 2021. This is also above the 2020/2021 HSE All-Industry rate of 185, although the HSE have publicly said that their rate in 2020/21 is likely to be an underestimate and will not give a meaningful comparison.
- Despite the increase in RIDDOR-reportable injuries, our injury severity rate has remained flat from 2020 to 2021 at 33.4 hours lost per 100,000 hours worked.
- Our working practices were significantly disrupted in 2021 by COVID-19 working restrictions on social distancing, COVID-19 fatigue and the 'Pingdemic'. These factors all reduced operating capacities in a year of record demand. We were busier than ever and we employed more people than ever - all of whom were fully trained but were gaining experience. These factors were key contributors to the unwelcome rise of injuries that we reported as RIDDORS because they resulted in absences from work for more than 7 days.
- Our priority for 2022 is to return to pre-COVID standards, to reduce reliance on modified working conditions and to ensure that all of our colleagues are able to work consistently safely.
- We actively promote employees to report all injuries and incidents, no matter how minor, because we know that a mature health and safety culture is built on full, open and blame-free reporting.
- In 2021 we also supported our employees' mental health and wellbeing through our 'Safe to talk' programme. Sponsored by Andy Witts, the Chief Operating Officer of our Trade division, the programme was launched with a video message from Andy emphasising that it's 'OK not to be OK', encouraging staff to seek help and reminding them of the confidential independent helpline, available to all staff, to help them with a range of health and wellbeing issues.
- We were awarded Highly Commended status by the Institute of International Risk and Safety Management (IIRSM) in the 'Outstanding risk management practice' category, recognising our approach to managing safely through COVID-19.



Results of our 2020 ESG Strategic Review - Future commitments, targets and ongoing work

COMMITMENT:
Achieve ISO 45001 across our UK depot network by the end of 2021.

2021 update: See page 51. We have completed our work, passed the Stage 1 audit, and are awaiting the results of the final audit which was delayed by the pandemic but is taking place in early 2022.

TARGET:
Achieve the British Safety Council's '5-Star' safety standard at all manufacturing and logistics sites by the end of 2023.

2021 update: This target is under review. The impact of COVID-19 has meant that we haven't been able to schedule an external audit of our progress for almost two years, which has caused significant upset to our project plan. We still aim to achieve 5-Star standard, but we are currently reviewing our timescales.

ONGOING WORK:
Continue with our behavioural safety and safety culture approach across the Group.

2021 update: We have continued to focus on personal safety responsibility & safety leadership. All our manufacturing and distribution senior leadership team attended the NEBOSH 'Excellence in Safety Leadership' course in 2021.

We have an HSE survey planned for Q1 2022, which will help us to measure progress and identify next steps.

ONGOING WORK:
Develop a Group wellbeing strategy in 2021.

2021 update: We have begun work in this area. See above for our 'Safe to talk' programme. We have also introduced trained Mental Health First Aiders and Wellbeing Representatives and delivered training on managing mental health.

¹ 'RIDDOR injuries' are injuries reportable to the HSE under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

Rewarding careers, opportunities to develop and thrive

2021 highlights

- We've continued to invest in people. Much of our 2021 development activity has had to take place online but we still delivered 112,000 hours of training.
- We've got an apprentice programme to be proud of. We currently have 610 apprentices on a range of tailored programmes throughout all areas of the business. They are a mixture of new starters, recruited into apprentice positions and training at a foundation level, and existing employees who are taking an apprenticeship route to gain higher level skills and professional qualifications. We recruited 616 apprentices in 2021, and we were pleased to celebrate the success of our 155 employees who successfully completed apprentice programmes in the year.
- We understand the value that apprentices can bring to our business, and we try to offer as many in-house apprenticeship programmes as possible. Where we are not able to use all of our Apprenticeship Levy credit we have partnered with EN:Able Futures, passing on surplus Levy credits to them so that they can offer apprenticeships in building and construction trade skills, including kitchen fitting. In this way, we are helping to address the demand gap for skills in the trade and also help to train the next generation of Howdens customers.
- We improved employee benefits in 2021. This included increasing company pension contribution levels and launching a 'Buy as you Earn' share scheme to encourage colleagues to benefit from our future success. Under the scheme, colleagues can buy shares out of pre-tax pay, and we also give them free matching shares. We also improved how we communicate with colleagues about their benefits, supporting them to make informed choices.
- Employee engagement is critical to our success. We continue to use employee forums and our union reps to get feedback on a wide variety of topics, and our Executive remain connected to our employees through regular site visits and hosting regional board meetings, where feedback is acted upon and leaders held to account.

The fast track for Vicky

Vicky Cuff joined Howdens as a Fast Track Assistant Manager Apprentice at the end of 2019. The apprenticeship programme involved a 12-15 month mix of on the job experience and study. Vicky was only 8 months into her role when the position of Depot Manager was advertised, but her manager encouraged her to apply. Vicky had made such a positive difference in her role that she was offered the position. She went on to complete her apprenticeship with distinction and has already delivered the depot's best ever year. Not only that, Vicky is already demonstrating her leadership qualities supporting her own apprentices to develop and progress.



Results of our 2020 ESG Strategic Review - Future commitments, targets and ongoing work

ONGOING WORK:
Equality Diversity and Inclusion: Building on our 2020 pilots, we will roll out initial EDI introductory training to all line management in 2021. We will also further develop our EDI roadmap and strategy for 2021-2025.

2021 update: We have Executive Committee sponsors for each strand of our EDI project: Theresa Keating leads on ethnicity; Andy Witts leads on disability and Julian Lee leads on gender. We have also set up an EDI subcommittee with employees at different levels from across the Group who are working with the sponsors.

Our focus is to develop action plans to address the areas where we can make the biggest difference. To do this, we're engaging with employees, listening to their experiences and priorities, and looking at what data we already have and what new data we need to be able to set targets and measure progress.

We have also developed bespoke EDI training sessions and have begun to roll them out across the Group.

ONGOING WORK:
Social Mobility: In 2021 we will begin our investigation and data-gathering phase to see what contribution we can make to improve social mobility through the career development opportunities we offer our people.

2021 update: Subjectively we know that people can thrive with Howdens. For example, many of our current depot managers joined us with few formal qualifications in an entry-level position and are now running their own businesses, selling millions of pounds worth of kitchens and being responsible for teams of staff and hundreds of customer accounts.

The challenge when we began the investigation phase of this project this year was that many objective measures of social mobility require data on employees' history and background which is not part of the recruitment process. We are considering ways to gather objective data for the future whilst continuing to encourage our employees to grow with us and to support them in their development with a range of tailored programmes across the business. Kirsty Homer is the Executive Committee sponsor.

Sustainable supply chain

Certified wood, responsible purchasing, efficient distribution

2021 highlights

- We used over 270,000 cubic metres of chipboard and 61,000 cubic metres of MDF in our factories in 2021 - enough to fill the Albert Hall more than 3 times - so we need to know where our timber comes from.
- 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.
- We are also members of the Timber Trade Federation and are recognised by them as a 'Responsible Purchaser', which means that we have third-party assurance on our timber purchasing due diligence systems.
- Our transport fleet drove around 16 million miles in 2021 so we need it to be both efficient and safe. 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. We are ready to roll out a trial of Hydrotreated Vegetable Oil ("HVO") in 2022. HVO is a sustainably-sourced second-generation biofuel, which is made from plant-based materials and can replace diesel without requiring engine modifications. It has the potential to reduce CO₂, nitrogen oxide and particulate emissions compared to diesel.
- We also 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.
- 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 and Anti-Bribery.
- Our Modern Slavery Statement can be found here: <https://www.howdenjoinerygroupplc.com/governance/modern-slavery-statement>.

KPI

100% of chipboard & MDF used in our manufacturing processes is from FSC® or PEFC™ certified sources



Results of our 2020 ESG Strategic Review - Future commitments, targets and ongoing work

TARGET to reduce fuel consumption: MPG improvement targets for our distribution fleet. Targeting a 1% improvement by 2021, with a further 2% by 2023.

2021 update: We are slightly ahead of target for 2021 and are making progress towards our 2023 target. Against a 2020 baseline of 9.89 MPG, we have achieved a 1.3% improvement with our 2021 12 month rolling average of 10.02 MPG. Given that our distribution fleet covered around 16 million miles in 2021, this increase in efficiency reduced our emissions by just over 250 tonnes of CO₂, as well as saving money by using less fuel per mile.

TARGET to increase energy use efficiency: CO₂ KG/M³ emission targets for our distribution fleet. Targeting a 5% reduction in 2021, with a further 2% by 2023.

2021 update: This target is all about maximising efficient truck loading. Empty space is inefficient. It increases our emissions and our costs. Against a 2020 baseline of 10.68 KgCO₂/M³, and a target of 10.15 KgCO₂/M³, we have delivered a 6.2% rolling 12-month emissions reduction in our own fleet with a figure of 10.02KgCO₂/M³.

Sustainable product

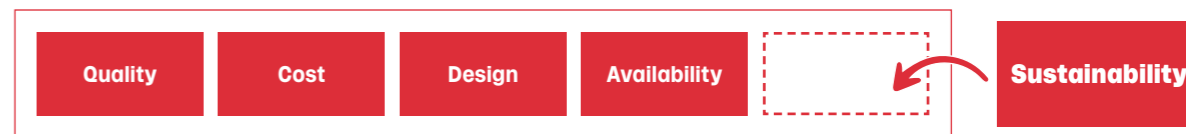
Product development and re-engineering. Sustainable sourcing strategy

2021 highlights

Sustainability is integral to our new product development

- We've formalised a change in our approach to new product design and sustainability is now one of five standard pillars of consideration when designing new products.

Making sustainability part of business as usual



Improving the sustainability of our products by design

Product re-engineering

- We manufactured over 4.5 million cabinets in 2021, so this is an area which we control and where we can make a big difference. That's why we are trying to produce a fully recyclable cabinet. At present we're at around 90%, and we're working on how to improve this even further.
- We're also looking at the beginning of our cabinet's lifecycle and aiming to maximise the percentage of recycled materials that they are made from. At present 35% of the wood content in the chipboard used to make our cabinets is recycled. Some of that is from our own wood waste which we collect from depots and take back to our main board supplier who then recycles it into new board. We're using our membership of the Ellen MacArthur Foundation Network to look at other circular opportunities.

Our sourcing strategy

- In lockdown we committed to support our customers by sticking to our in-stock business model. This gave us a commercial advantage, but it also had a significant positive impact on our suppliers. By maintaining the inbound flow of products we kept the production lines and supply chains of several factories both in the UK and abroad flowing when they were facing big reductions in demand from their other customers.
- We have invested in our own UK manufacturing so that we can make more of the new product which we previously bought in from Europe. This supports local communities and staff where our factories are based, and also brings the environmental benefits of shorter supply chains.

Results of our 2020 ESG Strategic Review - Future commitments, targets and ongoing work

TARGET: 100% of our kitchen frontals to have FSC® or PEFC timber certification by the end of 2022.

2021 update: At the end of 2021, 95.5% of all our kitchen frontals were made from FSC® or PEFC certified materials. We are on track to achieve our 100% target by the end of 2022. All the frontals which we manufacture ourselves are certified, and we insist that all new frontals which are manufactured by third parties are accredited. The small number of frontals which are not accredited belong to old ranges which have been discontinued and will no longer be offered for sale after the first quarter of 2022.

TARGET: Introduce code of practice for all timber suppliers. This is to enhance our existing trading terms with suppliers and be clear on our commitment and expectations regarding ESG standards within the supply base and throughout the supply chain.

2021 update: Our new Supplier Code of Conduct has been issued to all suppliers, and mandates that they use the Sedex responsible sourcing platform. We are in the process of working with our suppliers to make sure that they are on credible pathways to achieving this.

TARGET: 100% recycled corrugated cardboard in our own packaging by the end of 2022.

2021 update: 100% of the cardboard packaging used in our own-manufactured frontals and panels is recycled, recyclable and FSC® certified.

The packaging we use to protect our cabinets uses a specialist type of paper as part of the packing cushion which is recyclable and FSC® certified but which is not made using recycled cardboard. Our packaging suppliers have tested alternatives and established that in order to make the cushions 100% recycled the processes they would have to adopt would have a more detrimental effect on the environment than continuing with the current product. We continue to look for a recycled alternative.

Our environment

Reducing waste, responsible operations, lowering emissions

2021 highlights

- **Maintaining zero to landfill in 2021 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. We have maintained this performance in 2021 and this is our target for the future.
- **Less than 1% to landfill in our UK depots in 2021.** This metric is part of one of our main ESG commitments, and we've made significant progress in 2021. See page 50 for more details.
- **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 2021 we converted 14,000 tonnes of sawdust into energy in biomass boilers at our Runcorn and Howden factories. This is enough sawdust to fill 17 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. We generated over 40,000MWh of energy from our biomass boilers, equivalent to the average electricity consumption of over 11,000 households.

KPI

100% of production and warehouse waste reused, recovered or recycled



Results of our 2020 ESG Strategic Review - Future commitments, targets and ongoing work

COMMITMENT: Zero to landfill across our UK depot network over time, with a target of less than 5% to landfill by the end of 2022.
2021 update: Exceeded 2021 interim target. See page 50.

COMMITMENT: Carbon neutral manufacturing by the end of 2021.
2021 update: Achieved. See page 50.

SECR Reporting

Energy efficiency initiatives

We have held the Carbon Trust Standard for Carbon since 2012, with a commitment to reduce TCO₂e/£m turnover by 2.5% p.a. Examples of our main measures to achieve this were replacing inefficient assets with energy-efficient equipment (such as LED lighting, efficient extraction system drive motors, compressed air system optimisation with leak detection), and logistics fleet efficiencies through driver training and trailer fill optimisation. Our new warehouse campus of 1.6m ft² at Raunds is built to a BREEAM Very Good status, and we started decarbonisation of our car fleet with 150 hybrid & electric vehicles introduced in 2021.

Use of renewable energy sources and carbon offsets

Since January 2021, our UK manufacturing sites bought all grid electricity from renewable sources backed by Renewable Energy Guarantees of Origin. This avoided equivalent carbon emissions of 4,125 tCO₂e. This is reflected in our market-based emissions which we are reporting for the first time in 2021. Our factories at Howden and Runcorn are heated by biomass boilers with fuel certified as sustainable and recognised under the Renewable Heat Incentive scheme by OFGEM. In 2021, these boilers generated 41,882MWh of heat. In 2021, we also purchased 12,648 tCO₂e of Gold Standard carbon offsets in support of our achievement of carbon neutrality at our Howden and Runcorn manufacturing sites. Details of the offsets, together with a link to the independent certification registry are on page 50.

SECR - Emissions reporting

Turnover increased by 35%, gross emissions increased by 12%, gross carbon intensity (turnover-based) ratio improved by 17%

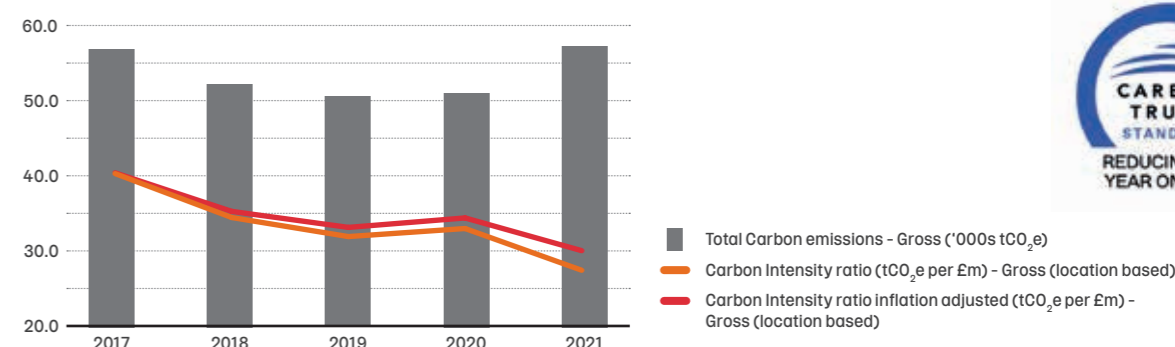
Emissions reporting methodology

We have used HM Government Environmental Reporting Guidelines including Streamlined Energy and Carbon Reporting guidance. Scope 1 and 2 carbon emissions are calculated in accordance with the WRI GHG Protocol, A Corporate Accounting and Reporting Standard (Revised edition), using the UK published DEFRA 2021 emissions factors. Market-based emissions are reported in accordance with the GHG Protocol Scope 2 Guidance - An amendment to the GHG protocol.

Our calculations are subject to internal quality checks at the initial data analysis and final report collation stages. They are not yet externally validated. The boundary of our reporting is all Scope 1 and 2 emissions within Howden Joinery Group Plc operational control, including all subsidiaries and international operations in France and Belgium. There are no process emissions within Howdens as defined in the GHG Protocol. Biomass emissions are pro-rated across 365 days due to the metering systems output alignment outside of the reporting period in this report.

	2021	2020
Scope 1 - Direct: Gas	15,707	13,032
Scope 1 - Direct: Diesel	27,626	24,744
Scope 1 - Direct: Other fuels	1,684	629
Scope 1 - Direct: Biomass	642	651
Scope 1 - Direct: Total	45,659	39,057
Scope 2 - Indirect: Electricity (location based)	11,585	11,967
Scope 2 - Indirect: Electricity (market based)	7,460	
TOTAL Scope 1 and 2 Gross emissions (location based)	57,243	51,024
TOTAL Scope 1 and 2 Gross emissions (market based)	53,118	
Carbon offsets tCO ₂ e	(12,648)	(9,168)
TOTAL Scope 1 and 2 Net emissions (market based)	44,595	41,856
Turnover (£m)	2,093.7	1,547.5
Carbon Intensity ratio (tCO₂e per £m turnover) Gross (location based)	27.3	33.0
Inflation adjusted intensity ratio (tCO₂e per £m turnover) Gross (location based)	29.9	34.4
Additional carbon intensity ratio (tCO ₂ e per £m turnover) Net (market based)	19.3	
Additional Inflation adjusted intensity ratio (tCO ₂ e per £m turnover) Net (market based)	21.1	
Energy consumption used to calculate above emissions (kWh)	308,287,234	274,272,777
Proportion of CO ₂ emissions generated in the UK:	99.0%	99.1%
Proportion of total energy consumed (kWh) in the UK:	98.6%	98.8%

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



Sustainability Matters

Our communities

Local and national donations and partnerships

2021 highlights

Giving back to local communities

Howdens depots are part of the communities in which they serve. Our employees are from the communities where they work and through their work they build networks and relationships with local builders, local businesses and local people. That is why we think that our employees know what charitable support their communities need.

Every Howdens depot has a charity pot for use in their area. They can support larger, national charities if appropriate or they can donate to hospices, youth sports clubs or community groups. Whatever they think is best for the people in their community. Depots can also donate stock where needed. This was perhaps best demonstrated by our Belgian depots who donated €11k of kitchen appliances to help the relief efforts following the summer floods.

In 2021 Howdens donated £2.0m to a diverse mix of charities and community groups. More information on our support of local communities can be found at <https://www.howdens.com/help-and-advice/about-us/charities>

Inspiring and motivating young people

In 2020 we reported that Howdens had donated a fully fitted double-decker bus to the 'I can & I am' charity. The charity's purpose is to inspire confidence in young people and 'inflate balloons of self-belief'. The bus enables the 'I can & I am' team to visit schools and host workshops for children.

In 2021, Howdens began a £100k partnership with 'I can & I am'. This donation is used to cover the running costs of the bus and enable the 'I can & I am' team to focus on delivering workshops and mentoring. Since May 2021, over 3,300 children have attended workshops on the bus, the majority of whom were between 10 and 15. Find out more at: <https://www.icanandiam.com/the-bus/>



Solutions for independent living

Howdens continues to donate accessible kitchens to Leonard Cheshire Disability and installed 14 during 2021 (2020: 5).

Our kitchens have a huge impact on Leonard Cheshire's service users, enabling them to build and develop their life skills through cooking. This is beneficial for wellbeing with many recipients of our accessible kitchens noting that their confidence has improved, and they have become more independent as a result.

Our partnership with Leonard Cheshire is now in its seventeenth year and we look forward to donating more accessible kitchens and finding solutions for independent living in the year ahead.



Results of our 2020 ESG Strategic Review - Future commitments, targets and ongoing work

ONGOING WORK: Improve how we organise our charitable giving and better help the communities in which we work, whilst retaining our core strength of local giving through local networks.

2021 update: In 2021 we incorporated the Howdens Worthwhile Foundation and will apply for charitable status for the foundation in 2022. The Howdens Worthwhile Foundation will help us better coordinate our charitable and community efforts. We believe that our efforts are most effective when they are aligned to our values. The local depot donations will continue to be central to the work of the Howdens Worthwhile Foundation, but it will also look for other opportunities to support the wider community under three broad themes: inspiration, motivation and perspiration.

We will provide an update on the work of the Howdens Worthwhile Foundation in the 2022 Annual Report.

