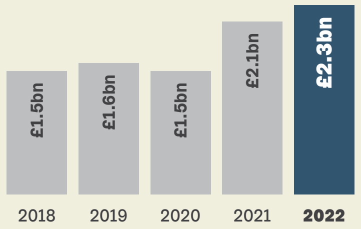
Performance in 2022

Financial highlights

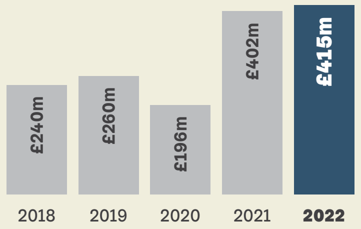
Revenue

£2.3bn



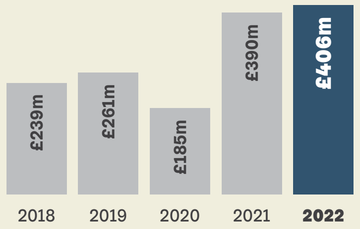
Operating profit

£415m



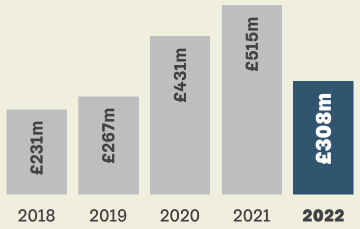
Profit before tax

£406m



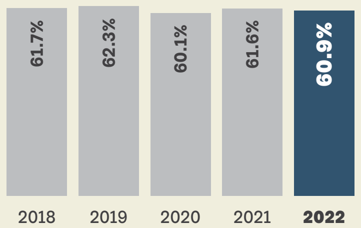
Net cash at year end

£308m



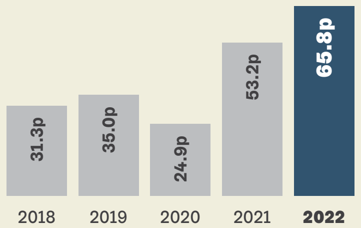
Gross margin

60.9%



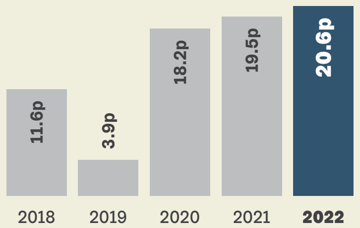
Earnings per share

65.8p



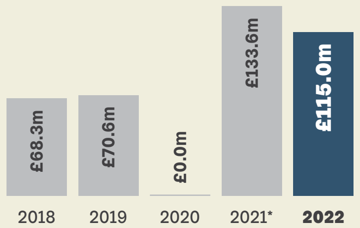
2022 FY dividend

20.6p



Dividends paid in year

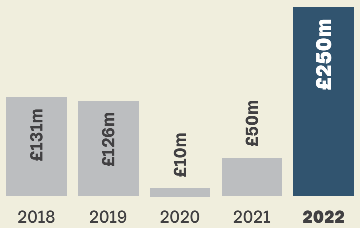
£115m



* 2021 included a special dividend of £54.1m.

Share buybacks

£250m



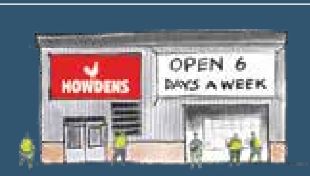
"Howdens achieved another set of strong results in 2022, with rapid progress on executing our strategic priorities and continued market share gains.

Our teams have been agile in navigating high levels of inflation and supply chain disruption while supporting our customers with a market leading product range, high stock availability and outstanding customer service."

Andrew Livingston - CEO

Operational highlights

30 new UK depots



20 additional depots in France

5 new depots in Republic of Ireland

21 new kitchen ranges

Good progress on our ESG commitments

Making more product in our own factories

Continuing to strengthen our digital offering

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Howdens at a glance

The UK's largest specialist trade-only kitchen supplier

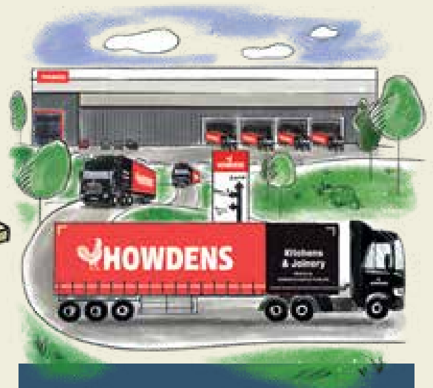
To supply from local stock nationwide the small builder's ever-changing, routine integrated kitchen and joinery requirements, assuring best local price, no-call-back quality and confidential trade terms...

... and to provide the builder's customer with enough choice, advice and aftersales to make a home to be proud of.

Global sourcing

Resources and relationships

- Global supply chain expertise
- Trusted supplier relationships 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

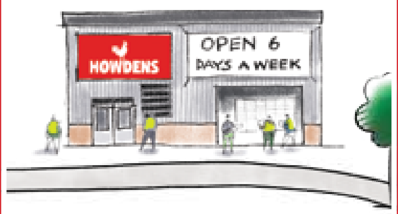
Outcomes

- Happy builders and end-users
- Sustainable profit growth, sector-leading margins and strong cash generation
- Returns to shareholders
- Investment in:
  - our employees
  - new depots
  - new product
  - new manufacturing and logistics
  - digital
  - new jobs throughout our business
- Giving back to local communities

Strategic report

How we create value

2022 performance and Howdens at a glance



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Our purpose, culture and values, market, business model and strategy

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Chairman's statement

Howdens delivered a strong performance in 2022.

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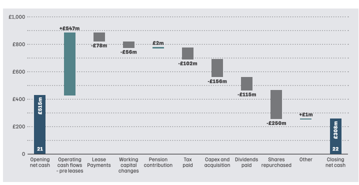
Financial review

2022 current trading and outlook for 2023.



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Risk management and principal risks

Our approach to risk and how we manage it. Our principal risks and what we're doing to mitigate their potential effects.

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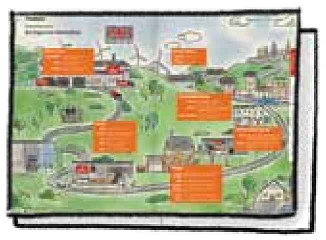
Sustainability report

Why sustainability matters to us.



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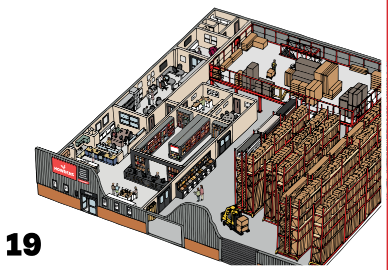
Chief Executive's statement

To help our trade customers achieve exceptional results for their customers.



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Going concern and Viability

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- **08** Our purpose, our culture & values, our market, our business model and our strategy
- **16** Chairman's statement
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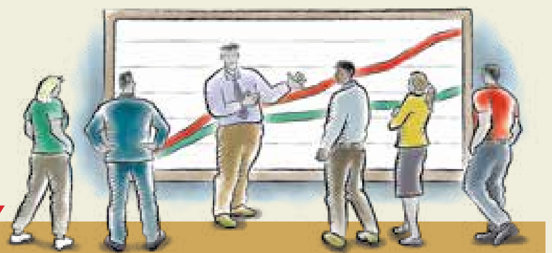
Our purpose-driven approach

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. Entrepreneurial depots supported by UK manufacturing and efficient sourcing and distribution.

See page 14

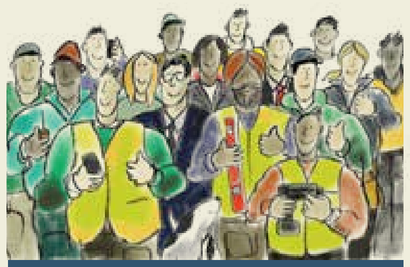
We respond to external opportunities and mitigate threats

Markets

See page 12

Risks

See page 36



Culture & values

Worthwhile for all concerned.

See page 11

Culture is aligned with purpose, values and strategy

Sustainability

The importance of sustainable behaviour is recognised right through the business.

See page 46

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 76

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. Ensuring that our business positively impacts the world around us and the people in it.

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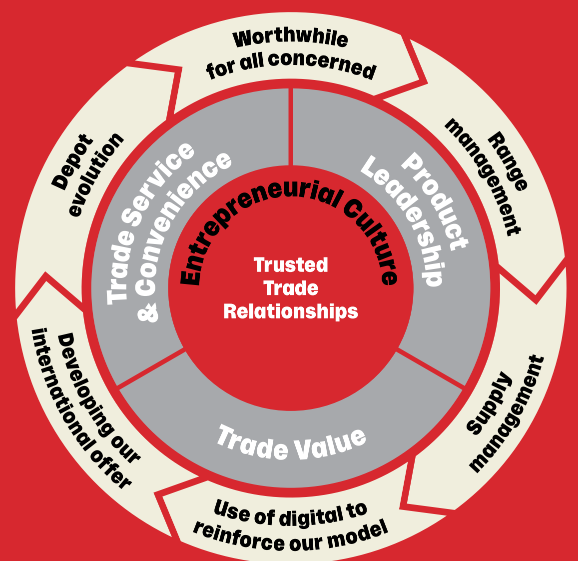
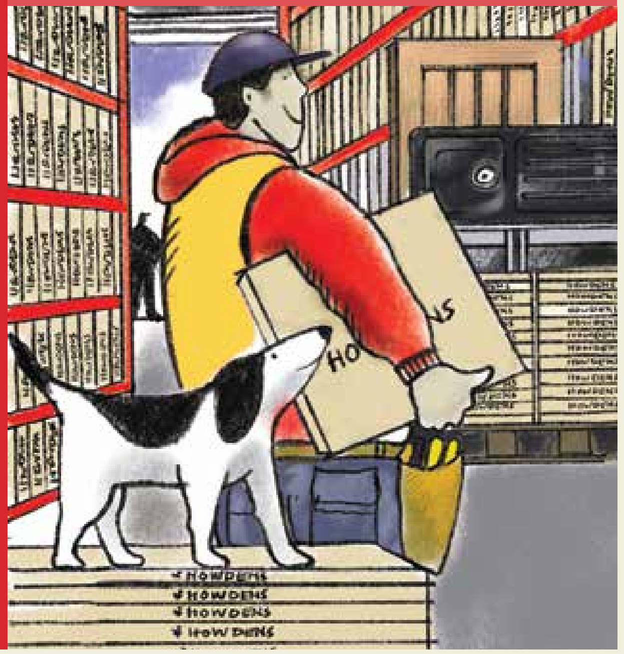
Our purpose

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 underpins 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, flooring and hardware. A design service to help customers 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 to fit with the builders in mind ('fit and forget quality').

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, prospective 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 for more than 25 years, 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 them 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 850 communities
- Giving back to charities and local communities
- Responsible purchasing and environmental policies

Our market

The kitchen market

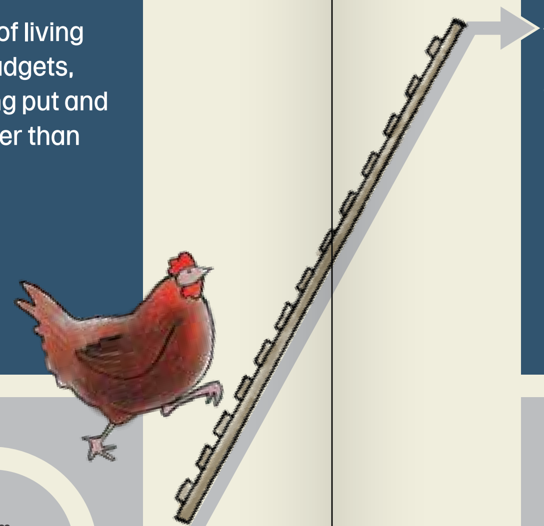
- **29 million homes in the UK. 18 million owned and 11 million rented**
- **UK kitchen and joinery market of £11.5bn[1]**
- **The market continues to shift from DIY to 'Do It For Me'**
- **Howdens sells to the Trade sector, who supply a broad range of markets, including owner-occupied homes, private 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 5% and will have 2m new citizens (ONS[2])
- Ageing UK housing stock will drive renovation. Average age of UK housing stock is 70 years (ONS[2])
- Healthy consumer balance sheets and high employment. UK consumers saved over £200bn during the pandemic (ONS[2])
- Increased end user interest in sustainable products. 44% of households are switching off or moving to more energy efficient appliances (NatWest)
- Entrepreneurial builders are well placed to win kitchens and joinery work as part of wider home refurbishment projects. They are supported by Howdens' in-stock, trade-only business model

Recent trends

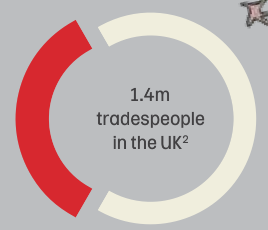
- Post pandemic UK hybrid working, at up to 5 times pre-pandemic levels, leads to increased wear and tear in the home
- Consumer mindset more focused on design and use of kitchen space to maximise flexibility (Howdens' proprietary data)
- An ageing population with significant purchasing power choosing to age in place. Baby boomers own nearly half, £2tn, of all British housing equity
- As mortgage rates rise and the cost of living crisis puts pressure on household budgets, data suggests that people are staying put and investing in their current homes rather than moving



Growing our market

- **Product to compete at all price points. Take more market share**
- **Continue excellent customer satisfaction with both builders and end-users**
- **Reach more builders**

With 500K+ customer accounts Howdens supply to 1 in 3 tradespeople. Opportunity to grow customer base further.



1 Howdens estimates based on proprietary data.
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 via:

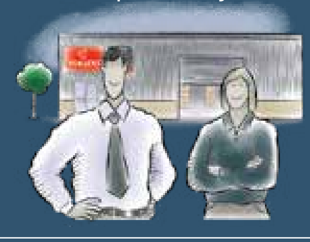
Our long-term strategic objectives

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:

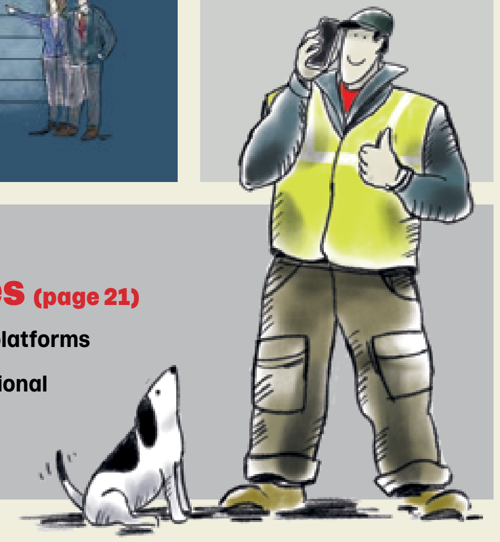
KPIs (page 28)

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

Underpinned by:

Our medium-term strategic initiatives (page 21)

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



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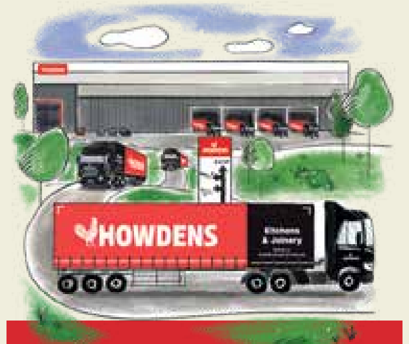
Our resilient business model

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, around 5 million in 2022, 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 850 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.

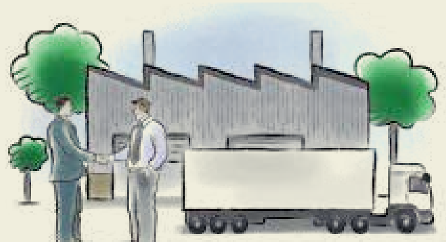
3. Depots designed for our trade customers

- 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 our 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 1,600 specialist kitchen designers support the builder by visiting the end-user's home, or work with them remotely using our new 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 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 850 communities.
- Supporting local and national charities.
- Responsible ESG practices and policies.
- See our Sustainability report on page 46.

Chairman's statement

Demonstrating the strength of our trade-only, in-stock business model

"Howdens delivered a strong performance in 2022, set against a record prior year performance and an increasingly challenging external geo-political and macro-economic environment"

Peter Ventress
Chairman

Demonstrating the strength of our trade-only, in-stock business model

Howdens delivered a strong performance in 2022, set against a record prior year performance and an increasingly challenging external geo-political and macro-economic environment. Our teams have been adept at navigating the business through high levels of inflation and further supply chain disruption while supporting our customers with a strong product line up, high stock availability and outstanding service.

I am delighted to have been given the opportunity to join the Board of Howdens as Chairman. As I joined last July I was struck by many qualities of the business with its very strong customer-centric culture, differentiated business model, and the excellent leadership team who are focused on driving performance. As I have spent time in the business this year, above all else, I have been struck by the talent and unwavering commitment of Howdens' 12,000 associates. They are the lifeblood of this business and have again steadfastly committed to keeping our customers running this year, in turn keeping millions of homes and businesses functioning. On behalf of the Board, I would like to express our sincere thanks to them and recognise their outstanding contribution to our success.

Financial performance

Overall, in 2022 Group revenue was up 10.8% compared with 2021, and 46.4% ahead of pre-pandemic levels in 2019. The Group delivered a 4.0% increase in profit before tax compared with 2021 and 55.7% ahead of 2019. Earnings for the year were 65.7p per ordinary share, an increase of 23.5% on the prior year and up 87.7% on 2019.

Strong cash generation remains one of the great hallmarks of this business. Despite investing in additional inventory to ensure high levels of stock availability for our customers and returning £250m of cash to shareholders we ended the year with cash of £308m. The strength of the Group's financial position enables a continued focus on our long-term strategic initiatives despite continued near-term uncertainties.

This year we have also remained firmly focused on executing our organic growth strategy at pace under the leadership of Andrew Livingston and his team. The pandemic has confirmed to your Board that our strategy is the right one and we continue to invest in deeper vertical integration, depot expansion in the UK and France, and product innovation. You can read more about our progress on many fronts this year in Andrew's statement, starting on page 19.

Strategic initiatives

Our kitchen and joinery markets are large and fragmented with the opportunity for Howdens to continue to grow its market share. For example, we believe our addressable market in the UK for the markets we currently operate in is around £11.5bn compared with Howdens' UK revenue of around £2.3bn. We are investing commensurately in our consistent and proven organic growth strategy which is now well established under the leadership of Andrew Livingston and his team. Our priorities are to invest in evolving our depot model, improving our product range and supply chain, developing our digital platforms and expanding the Howdens' model selectively outside the UK. As Chairman, I am very supportive of the Group's ambitions and believe in the exciting growth opportunities ahead for Howdens to continue to gain profitable market share.

The opportunity to have a positive impact on our environment is also a key part of our overall growth plans. We describe this as making sure Howdens is 'worthwhile for all concerned' which means for our people, our customers, our suppliers the environment and the communities we work in. This year we have adopted the Task Force on Climate-Related Financial Disclosures (TCFD) which are set out starting on page 54. In addition, we have also committed to the Science Based Targets Initiative (SBTi) signifying our intention to reduce emissions throughout the supply chain and to achieve Net Zero by 2050.

Our people

Howdens' key asset is its workforce and we want to attract, train and retain great people from the widest possible pool of talent. We remain focused on creating an engaging place to work with fulfilling jobs and a strong culture that supports everyone to do their best. Listening to our employees is key. Over 7,000 completed the Best Companies engagement survey in March and it was pleasing to see that colleagues feel very positive about working at Howdens. We were proud to receive a 'two-star' accreditation as a company 'with an outstanding commitment to workplace engagement'. In fact, Howdens was ranked 10th in the top 100 UK's Best Big Companies To Work For last year up from 14th in 2020 which is impressive considering the challenges of the last two years as a result of the COVID-19 pandemic.

I am also particularly proud of our continued commitment to apprenticeships and the value that they can bring to our business as we compete for future talent. We currently have 603 apprentices working in a range of tailored programmes throughout all areas of the business. These individuals are taking the apprenticeship route to gain higher level skills and professional qualifications and we were delighted to celebrate the success of 300 employees this year who completed their programmes with us. I am confident that many of these individuals will be the Howdens leaders of the future and I wish them every success in their careers.

Chairman's statement continued

Our teams are also highly active in our local communities. This year we announced a new partnership with the Football Association to support their Game Changer programme to help local communities to improve their club kitchen facilities. Over the next 3 years Howdens will donate over £3m of our kitchen and joinery products to support this important cause. This not only improves the clubs, and their ability to generate revenue, but also helps the lives of families in the communities as well as supporting local tradespeople and businesses.

Capital allocation and returns to shareholders

Our approach to capital allocation is unchanged. We focus on achieving sustainable profit growth by investing in and developing our vertically integrated 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.

The Group's dividend policy is to target a dividend cover of between 2.5x and 3.0x. Taking into account the Group's prospects and strong financial position, in July 2022 the Board declared an interim dividend of 4.7p per ordinary share. The Board is recommending a final dividend for 2022 of 15.9p per ordinary share, giving a total dividend of 20.6p per ordinary share. (2021: 19.5p per ordinary share) and representing a year-over-year increase of 5.6%. The final dividend will be paid on 19 May 2023 to shareholders on the register on 11 April 2023.

In February 2023, the Board decided that the Group will undertake a new £50m share buyback programme which we will aim to complete over the next 12 months. This is in addition to the £250m share buyback programme announced last year, which was completed during the second half of 2022.

Governance

Companies today are judged by their integrity and trustworthiness as much as by their financial performance. One of my key responsibilities as Chairman is to set the tone for Howdens and ensure good governance (see pages 76 to 147). In my early months as incoming Chairman I have been extremely well supported by the members of the Board. With their diverse backgrounds, they bring balance and a wealth of skills and experience to our organisation that complements the talents of our executive team. I thank them all for their valuable contribution as we continue to maintain oversight of the strategic, operational and compliance risks across the Group, refine our path to success and uphold the high standards expected of us.

On behalf of the Board I would also like to thank my predecessor Richard Pennycook, who retired in September, for his strong leadership and commitment over the last 8 years. He successfully oversaw a huge amount of positive change over that period including an orderly succession from Howden's founding CEO Matthew Ingle to Andrew Livingston in 2018, and I am personally grateful to Richard for the time and invaluable support he gave to me during my induction.

In February, we announced that Geoff Drabble will step down from the Board at the end of the Annual General Meeting on 4 May 2023. On behalf of the Board, I'd like to thank Geoff for his nearly eight years of service, in particular, as Senior Independent Director and as the Non-Executive Director Responsible for Workforce Engagement. He has made a significant contribution to Howdens during a very successful period of growth in the Company's history and we wish him well in the future. The Nominations Committee has a comprehensive succession planning process and a further announcement on the handover of Geoff's responsibilities will be made in due course.

Looking ahead

The Group performed strongly in 2022 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, leveraging our scale and expertise to continue to support our customers.

I am proud to have joined Howdens. It is a great business with a clear strategy, well defined executional plans and huge growth potential. 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 all our stakeholders.

Peter Ventress
Chairman

6 March 2023

Further reading

See our Sustainability report	Page 46
See my introduction to our Governance report	Page 78
See our Board of Directors	Page 80

Chief Executive's statement

Howdens delivered a strong performance in 2022, with good progress on executing our strategic priorities and further market share gains.

Andrew Livingston
Chief Executive Officer

Perspectives on 2022 results

Howdens delivered a strong performance in 2022, with good progress on executing our strategic priorities and further market share gains. During the year our teams have been adept at navigating the challenges of high inflation and supply chain disruption, while supporting our customers with a market leading product range, high stock availability and outstanding customer service.

Our markets are large and fragmented which gives us a long-term opportunity for growth. In response, we are continuing to expand our depot network, improve our product range, optimise our manufacturing and supply chain, and develop our digital capabilities. We see potential for around 1,000 depots in the UK and we are now selectively expanding our business model internationally in France and the Republic of Ireland.

Our robust financial position underpins our strategy, funding investment in our growth initiatives, expanding our manufacturing and supply chain capabilities, and supporting ongoing cash returns for shareholders.

Operational highlights

We achieved another record sales performance in our peak trading period in the autumn.

We opened 30 new depots in the UK, bringing the total to 808 at period end. We revamped 82 older UK depots during the year with around 50% of UK depots now trading in the updated format. We also opened 25 new depots in France (and closed 5) bringing the total to 60 at the period end, and we opened 5 new depots in the Republic of Ireland.

We made further progress on new product introductions including 21 new kitchen ranges in the period. Sales of new products introduced in 2021 and 2022 represented 22% of UK product sales in 2022.

We invested in upgrading our manufacturing capacity and capabilities to support future growth. This included solid work surfaces, architrave and skirting products.

We largely completed the roll-out of the regional cross-docking network (XDC) serving most of our UK mainland depots, improving product availability.

We invested in our digital platform which saves our trade customers time and money and supports them in optimising the procurement process for end users.

Strategic Report
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Chief Executive's statement continued

We have moved our ESG agenda forward.

In 2021 we achieved carbon neutral manufacturing at our Howden and Runcorn sites.

In 2022 we maintained zero waste to landfill across all manufacturing and logistics, with our UK depots reaching 99.7%.

In October 2022, 96% of our UK depots switched to using renewable energy, generated in the UK primarily from wind, solar or hydro power.

We have committed to develop our Net Zero targets with the Science Based Targets Initiative, signifying our intention to significantly reduce emissions throughout our supply chain and to achieve Net Zero by 2050, having halved our direct emissions by 2030.

For more information on our progress on ESG, please see our Sustainability report starting on page 46.

Importance of our business model

The results demonstrate the strength of our local, trade-only in-stock model and we believe we took market share again this year, following the gains made last year.

A strong product line-up, high stock availability, industry leading service levels and a very engaged team have all contributed to our performance, which benefits from the ongoing investments in our customer focused strategic initiatives.

In 2022 our customers on average spent more with us than in 2021 and we had a record number of customer accounts as at the year-end.

We also increased prices, which helped us defray most of the significant rises in input costs across the year. As well as protecting gross margin, the business delivered annual volumes well ahead of pre-COVID times.

Sales for our peak autumn trading period, which for us comprised periods 10 and 11, were the highest ever, with our supply operations delivering an exemplary level of service to our depots.

Size of the UK kitchen market

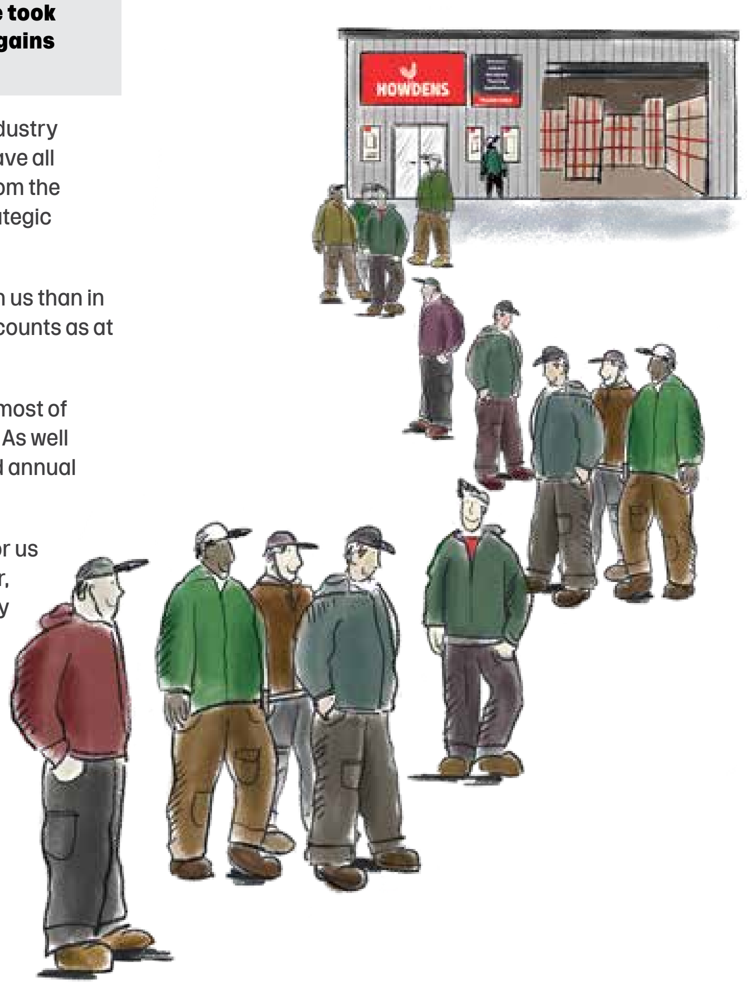
We believe the opportunities for the Howdens model are greater than we previously thought, and we are investing in the business accordingly.

Definitions and estimates of the size of the UK kitchen market vary, however, based on proprietary research, we think a reasonable estimate of the market as we think about it, was around £7 billion by value, as at the end of 2022.

This is a larger value than we had assumed previously and gives us plenty of room to increase our market share.

Similarly for our other product categories, which include joinery and hardware, we now think the value of our addressable UK market is some £4.5 billion, with our share of such categories lower than our kitchen share.

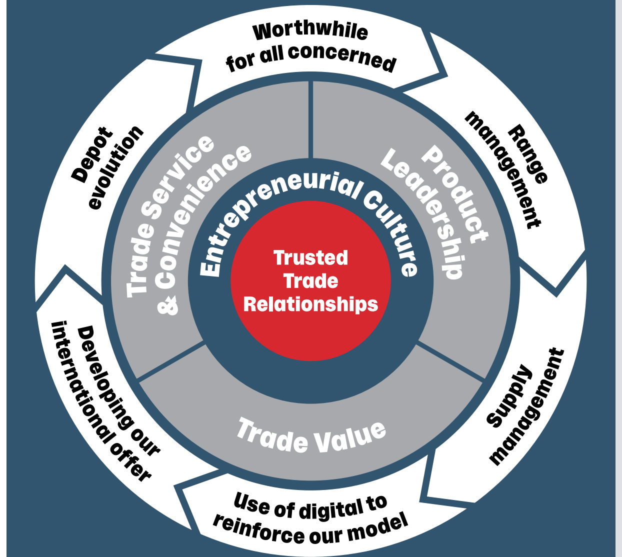
Prior to any change in market volumes, this gives us total addressable markets of around £11.5 billion in the UK versus the £2.26 billion of UK sales we achieved in 2022.



Update on strategic initiatives

Howdens has made further progress on its strategic initiatives, and we expect to deliver profitable growth and market share gains over the medium term. The four strategic initiatives are:

1) Evolving our depot model
2) Improving our product range and supply management
3) Developing our digital platforms
4) Expanding our international operations



1) Evolving our depot model

High service levels, including local proximity and immediate availability are very important to our customers and we have continued to extend our UK depot footprint in 2022.

We are opening all new depots in our updated format which is designed to provide the best environment in which to do 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.

In 2022, we opened 30 new depots and we believe there is potential for around 1,000 depots in the UK, including c.25 in Northern Ireland and we plan to open around.30 new depots in 2023.

We have also continued with our revamp programme for existing depots, and the programme is delivering additional sales and has received very positive feedback from depots and customers.

During the year, including relocations, we reformatted 82 depots, taking the total number of reformatted depots to 185 at the year-end.

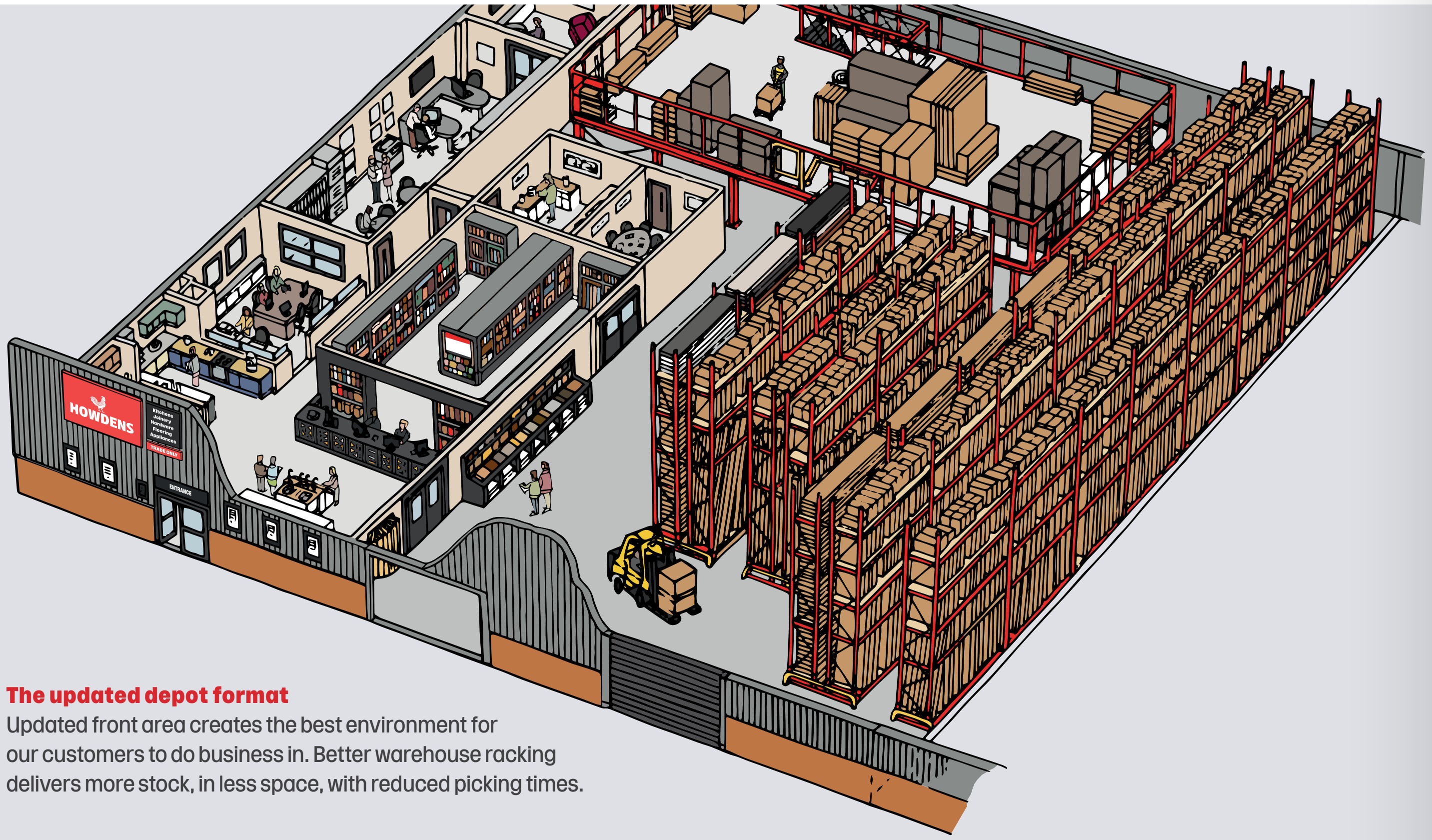
The scale and scope of the revamps has been refined and, in 2023 we will shorten the reformatting timetable in some cases, reducing disruption to the refit and lowering, where appropriate, costs by modifying the scope and scale of some revamps to maintain incremental returns.

Overall, we will continue to target a payback of up to 4 years for these projects. Including relocations, we plan to revamp around 80 more depots in 2023.

By the end of 2023 we expect to have around 50% of all UK depots, trading in the updated format.

Chief Executive's statement continued

Update on strategic initiatives continued



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.

2) Improving product range and supply management

Range management

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 our 2023 current range count is around 90, organised in 10 families. New products for 2022 featured 21 new kitchen ranges with total sales ahead of 2021 and 2019 with more emphasis on higher priced kitchens and on ensuring more of our most popular styles were accessible to all budgets.

Total sales of all product introduced in 2021 and 2022 represented around 22% of our UK product sales. During 2022, we focused on building out our ranges of higher priced kitchens, where we are under-represented. Sales in this category grew strongly in the period and contributed to the percentage increase in average kitchen invoice value.

We also grew our market share significantly in the solid work surface category. These products are often associated with sales of higher priced kitchens, and the acquisition of the Sheridans business along with additional investments has expanded our range and manufacturing capacity to support this significant opportunity.

Value for money consistently drives consumer buying decisions and is likely to be more of a feature in 2023 given mounting pressures on household budgets. We also expect some consumers to reallocate how they spend their budget for example, between cabinetry, worktops and appliances.

As a result, in 2023 we will increase the net number of ranges aimed at entry and the mid-market segments, making more kitchen looks and styles accessible to all budgets.

This is also important as kitchens from these segments are a major contributor to keeping our unit costs of manufacture low.

"Based around our core building blocks of Trade Service & Convenience, Trade Value and Product Leadership, we have initiatives in place to exploit opportunities in a challenging market"

New product for 2023 will feature around 23 new kitchen ranges.

Features of our 2023 new product introductions will include:

- Extending our entry ranges with more colour options including Greenwich in Reed Green, Witney in Pebble and Navy and Allendale in Dusk Blue plus new frontals for Greenwich and Witney to match the new 'Croft Grey' kitchen cabinet we are introducing this year.
- Refreshing the look of our bestselling shaker family, which we have named Halesworth and adding a new mid-priced beaded shaker family called Bridgemere, initially available in three colours.
- Maintaining a similar range count to last year in higher price kitchens, with the same number of families but introducing additional new colours for 2023. We are also adding more decors to our solid surface offering and refining the template to fit service to ensure the best service to our customers.
- Introducing more new products in other categories both for everyday lines and kitchen products. This includes more colours and bolder styles at all price points in doors, expanding our flooring ranges and further additions to our Lamona brand, which is the leading integrated appliance brand in the UK. We are also adding more styles, colours and finishes in sinks and taps.

Manufacturing and supply chain

Our dedicated manufacturing and supply chain is critical to the success of our in-stock offer.

We supply all product, whether manufactured or sourced, to all depots. Since the COVID-19 pandemic we have continued to hold enhanced safety stock as a contingency against unexpected demand patterns and interruptions to supply to support our customers.

We keep under review what we believe it is best to make or buy, balancing cost and overall supply chain availability, resilience and flexibility.

In 2019, we invested in manufacturing technology to enable us to make the doors for our popular Hockley kitchen ranges. Since then, we have invested in new lines which will enable us to make frontals for more of our kitchen ranges, at the same quality as we can source externally but at a lower cost and at a reduced lead time. The new lines, located at our Howden site, are now manufacturing frontals and will be moving up to full scale production during the course of 2023. Our second architrave and skirting line is also now operational, enabling us to service in-house more of the substantial increase in demand we have seen for these products.

Last year we announced our plans to expand, over the next few years, our kitchen manufacturing capacity and capabilities and to reconfigure some of the supporting infrastructure at our Howden factory and we are continuing to progress the investments required to achieve this.

Chief Executive's statement continued

Update on strategic initiatives continued

Regional cross-docking centres (XDCs)

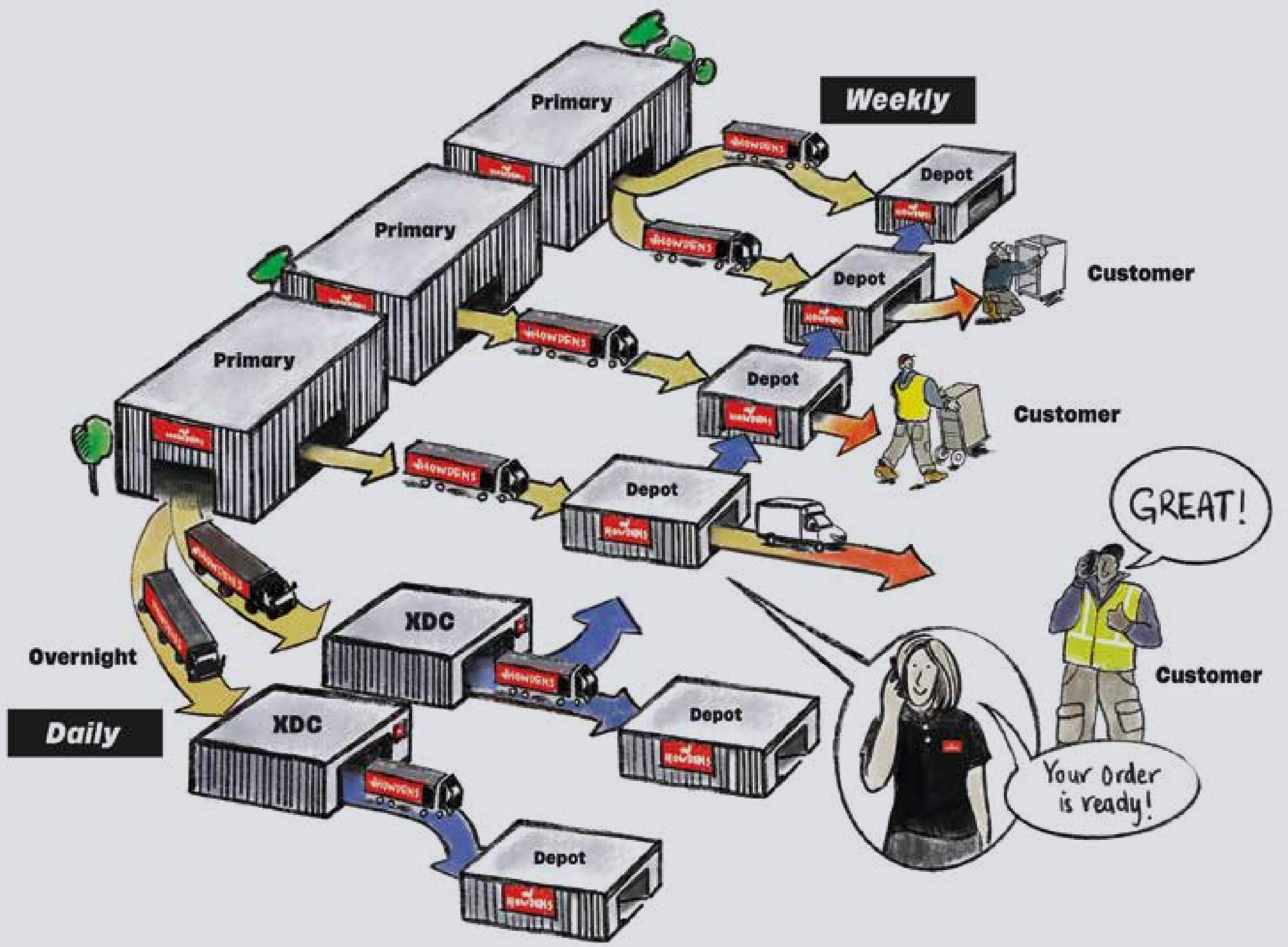
The roll out of our XDC programme was completed early in the new financial year and the service is now available to nearly all UK mainland depots.

This approach improves stock replenishment through regional hubs that supplement the depots' core weekly replenishment with a next day service.

XDCs also optimise the service levels our depots can deliver to customers by rebalancing inventory and freeing up more time and resources to focus on sales and service while reducing the need for inter-depot stock transfers.

This year we will continue to optimise the service balancing cost and availability with providing the best service to support our trade customers' daily needs. By rebalancing where we hold stock and changing the delivery pattern of some lines to depots, depots can allocate more warehouse space to faster selling lines and can reduce stocks of slower moving lines while providing a high level of service across the product range.

XDC is now seen as a key point of differentiation by both customers and our depot teams versus the best competitor offerings.



XDCs
Maintaining our in-stock offer, delivering superior customer service, and freeing up time and resources in our depots.

"We keep under review what we believe it is best to make or buy, balancing cost and overall supply chain availability, resilience and flexibility"

3) Developing our digital platforms

Our digital strategy reinforces our model of strong local relationships between depots and their customers by raising brand awareness, supporting the business model with new services and ways to trade with us and delivering productivity benefits for depot employees and customers.

In 2022 we added to our capabilities for the builder, including new functions which improves our digital offerings.

The Trade App which puts more aspects of the local depot in the hands of our customers was launched in February last year. This replicated core features of the online trade platform including customers' account details and credit status, making them readily accessible on the move.

Customers can also view their open orders, and new features include rapid check in at any depot, order status updates and an easy order collection function.

We continue to see high levels of engagement with our web platforms and growth in our social media presence which also stimulates interest in viewing our products and services on Howdens.com.

New registrations totalled nearly 80,000 and around 45% of our customers had an online account by the end of 2022.

'Impressions' were present in 15% more organic search results a month with site visits at 21 million. The time users spent looking at pages increased by 51% and the number of pages viewed per session also increased.

Across our social media sites our follower base was c.455,000, up 14%, with 1.6 million users actively engaging monthly.

In 2023 we will be adding new services and capabilities which collectively improve lead quality, stock and account knowledge, promote frequency of trading and reduce time consuming manual tasks in depots, including stock allocation.

4) Expanding our international operations

Our international operations, predominantly based in France continue to make good progress. The business model for France is similar to the UK with a market size in kitchens of around €4.3bn (excluding appliances).

The French market has low penetration rates of integrated kitchens and most are purchased through DIY outlets and specialist small independent businesses.

Since 2019, we have been opening depots in small clusters within cities which benefit from word of mouth between customers and our ability to build a local and trusted brand. Clustering also helps to build the Howdens culture within our business teams.

By the end of 2022 we increased the number of depots trading in France and Belgium to 60 with a significant proportion in the Paris metro area. We are continuing to selectively invest in expanding the business and expect to open around 30 depots in the next two years with around 10 new depots in 2023.

We believe appreciation of the advantages of our trade-only in-stock model, our service levels and competitive pricing is growing, and with around 90% of product common to our UK ranges this helps us realise scale benefits.

We are using a similar approach to that in France, adapted to fit the population distribution of the Republic of Ireland and with the depots supported by our UK infrastructure.

During 2022 we opened our first 5 depots clustered around Dublin. Our arrival in the Irish market has attracted much attention locally and we are encouraged by depot sales to date.

In 2023, we plan to have at least 10 depots trading by the end of the year. This city-based approach fits with Irish population distribution and the depots can be supported by the UK.

Chief Executive's statement continued

Prospects for 2023

Given prevailing macroeconomic circumstances, including on-going inflationary cost pressures, we are expecting a more challenging marketplace in 2023.

However, we have prepared for this and our customers, mainly self-employed people, are adept at managing their businesses through such times.

Delivered by our highly entrepreneurial and well incentivised teams across the business, I believe that our service-orientated, trade-only, in-stock, local model is the right one to deliver sustainable market share gains across changing market conditions.

Our model is difficult to replicate and compete with, and we have initiatives in place to make it more so, in markets where the longer-term opportunities for us are larger than we previously thought. We are prioritising investment in the business on this basis.

We are well planned on our strategic initiatives which are aimed at increasing our market share profitably.

High stock availability is a major contributor to our performance and in 2023 we will continue with our safety stock policies but at more normalised levels.

Most of our **new kitchen ranges** for 2023 will be in stock by the end of June, well ahead of peak autumn trading, and with more emphasis on entry and mid-price points.

We have a **programme of 'Rooster' promotions** in place to keep Howdens at the front of the trade's mind together with our 'Bang on the Money' price initiative.

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

We will be **making more in the UK,** as our new kitchen door and skirting lines commence fuller-scale manufacturing, and our solid surface business grows.

During 2023 **we plan to open around 30 depots in the UK and refurbish around another 80 existing depots** to the updated format.

In France we plan to have around 70 depots trading by the end of 2023, and to have around 10 trading in the Republic of Ireland.

Whilst it is early days, we have made an encouraging start to 2023 and we are confident in our business model across changing market conditions

We aim to retain a profitable balance between margin and volume, whilst aligning operating costs and working with suppliers to keep product and input costs controlled.

Sales in periods one and two increased versus the comparable ones last year and our feedback is that builders currently remain busy.

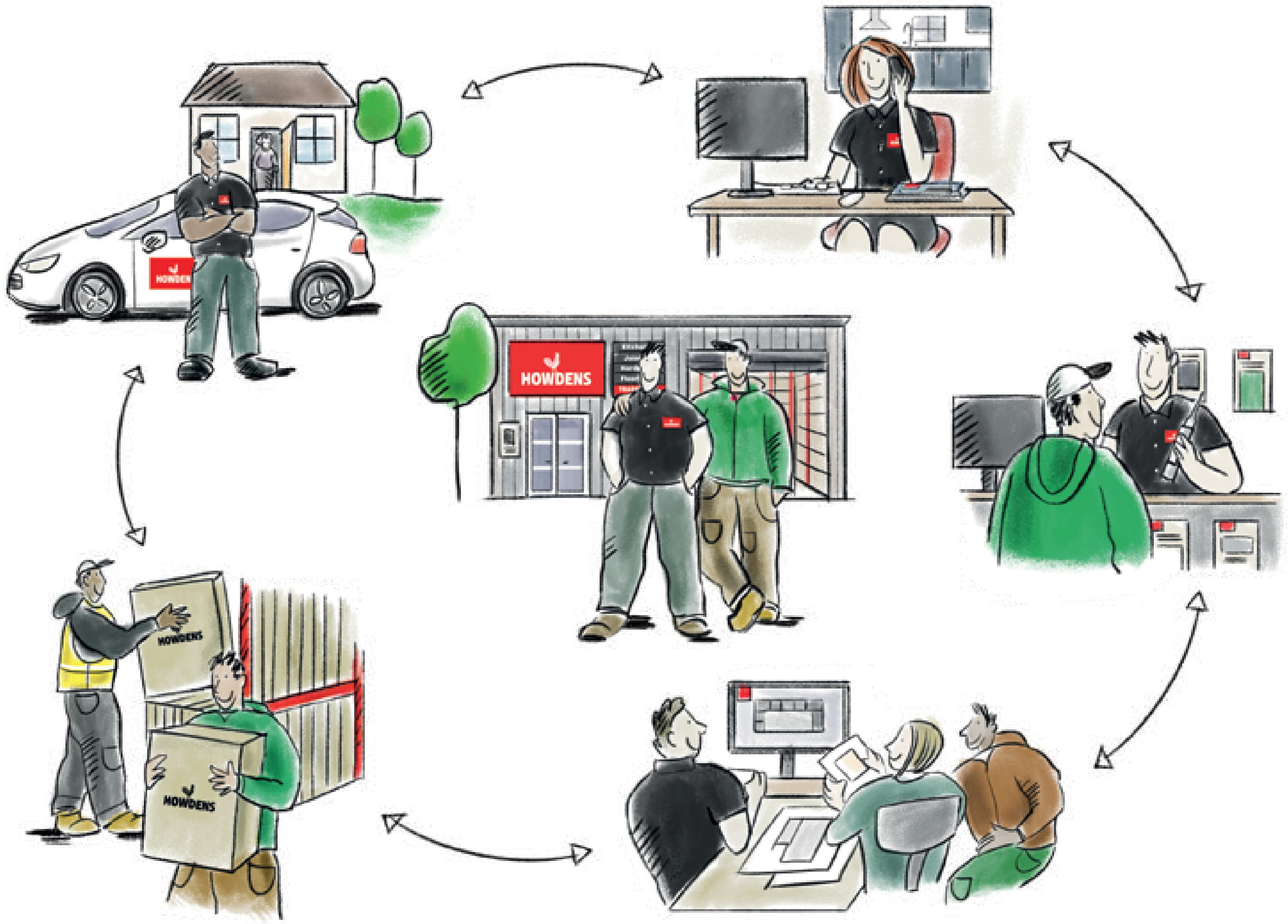
We are mindful of the challenges current macro-economic conditions including ongoing inflationary cost pressures, and we are trading against record prior year comparators.

However we have, at present, the momentum for another successful year in 2023 and we will continue to invest in our key capabilities and growth opportunities which are pivotal to the longer-term development of the business.

Andrew Livingston
Chief Executive Officer

6 March 2023

"We have made an encouraging start to 2023 and we are confident in our business model across changing market conditions"



Key performance indicators

Financial

Sales

Why we measure it

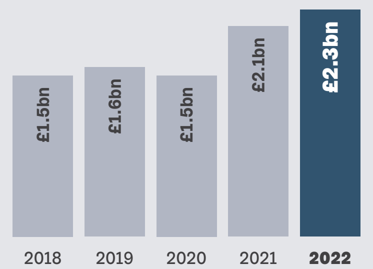
We believe that there are considerable opportunities to grow sales. As sales grow, we believe there are economies of scale which will also allow us to grow long-term profitability.

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 2022, up 10.8%.



Profit before tax

Why we measure it

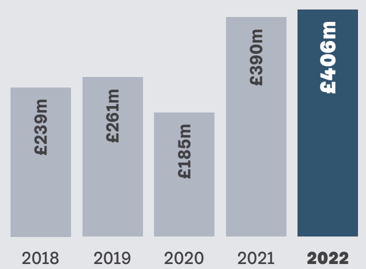
Profit before tax is a simple and widely understood measure. We consider that it gives a complete picture of our performance as it includes all of our operating, selling and distribution, admin and financing expenses.

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 in 2022 increased to £406m.



Links to:

Strategy | Risk | Remuneration

Cash

Why we measure it

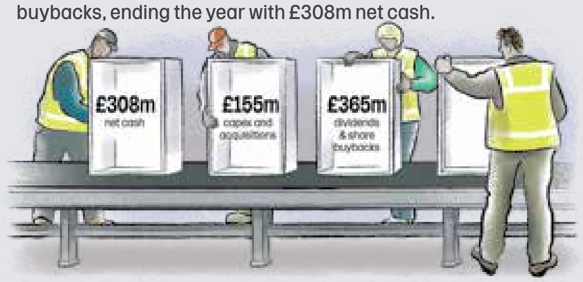
We aim to cover our investment needs, to retain at least one year's working capital requirement, to pay a progressive dividend and to return surplus cash to shareholders (see page 33 for details of our capital allocation model).

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 £155m in capital expenditure and acquisitions for future growth and have also returned £365m in dividends and buybacks, ending the year with £308m net cash.



Non-Financial

Depot openings

Why we measure it

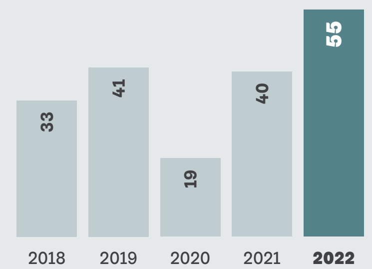
We believe that there is some way to go before the UK market is saturated. We continue to identify possible sites for new depots whilst at the same time keeping our model flexible, and allowing us to take account of economic conditions and phase the speed of our growth accordingly. We plan to expand our depot network in the UK, France and the Republic of Ireland in 2023.

Links to strategy, risks and remuneration

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

Progress

We ended 2022 with 30 more depots in the UK, 20 more in France and we opened our first 5 depots in the Republic of Ireland. We plan to continue to expand our network in 2023.



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 decreased significantly from 2021 to 2022, and is also significantly below the HSE all-industry average for the year. See page 64 for more detail.

Use of FSC® or PEFC certified materials

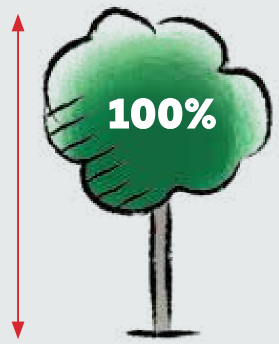
Why we measure it

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 pages 66 and 67 for more details.

Links to strategy, risks and remuneration

Product innovation | Product relevance | Continuity of supply

100% of wood-based material used in our manufacturing processes from FSC® or PEFC certified sources



Production waste recycling

Why we measure it

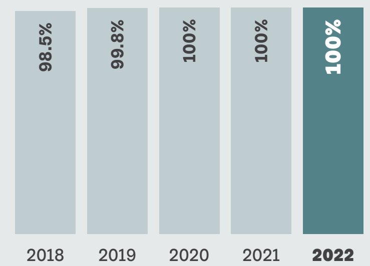
One of the pillars of our business model is our efficient production, which gives us a significant cost advantage. Recycling as much of our waste as we can benefits stakeholders as it reduces our emissions and our costs.

Links to strategy, risks and remuneration

Operational excellence | Prudent financial management

Progress

We are pleased to maintain the result that 100% of our production waste was reused recovered or recycled. See page 68 for more details.



Howden Joinery Group Plc / Annual Report & Accounts 2022

Financial review

- **Strong results with further market share gains**
- **Continued investment in our strategic initiatives**
- **Good cash generation and robust balance sheet**
- **20.6p 2022 full year dividend and £50m share buyback programme announced**

Paul Hayes

Chief Financial Officer

Financial results for 2022[1]

Revenue

Group revenue of £2,319.0m was ahead by 10.8% (2021: £2,093.7m) and 46.4% higher than the same period in 2019, with the growth rate in the second half increasing versus 2019 at a higher rate than the first half.

UK depot revenue grew 10.4% to £2,256.1m (2021: £2,043.3m) and increased by 7.7% on a same depot basis[2] to £2,193.3m (2021: £2,035.8m); this excludes the additional revenue from depots opened in 2022 and 2021 of £62.8m (2021: £7.5m).

Revenue in the international depots was £62.9m (2021: £50.4m). On a local currency basis, revenue at our depots in France and Belgium increased by 14.8% on a same depot basis[2] (excluding the 35 depots opened in the last two years). In April, we entered the Republic of Ireland market for the first time. In all, we opened 5 new depots in the Dublin area by the end of 2022 with good engagement from local builders.

Gross profit

We continued to maintain sector leading margins by appropriately balancing pricing and volumes in a higher inflationary environment. Gross profit was £122.2m higher at £1,411.2m (2021: £1,289.0m). The lower gross margin percentage of 60.9% (2021: 61.6%) was predominantly due to the dilutive impact of the successful growth of solid work surfaces, following the acquisition of Sheridan last year. These products, which are often associated with sales of higher priced kitchens, make an attractive cash margin contribution but have a lower gross margin percentage than most Howdens' kitchen products.

Operating profit

Operating profit was ahead of last year and 2019 at £415.2m (2021: £401.7m) and 59.7% ahead of pre-COVID levels (2019: £260.0m).

Operating expenses increased by 12.3% to £996.0m (2021: £887.3m; 2019: £726.2m). As expected, costs increased due to continued investment in our growth initiatives across the business and input cost and energy price inflation. Compared to 2021 this included £42m on existing depots, £17m on new UK depots opened in 2021 and 2022 and £8m on international depots opened in the period and prior year. We also invested £31m in warehouse and transportation initiatives including in regional cross docking facilities (XDCs).

The net interest charge was £9.4m (2021: £11.4m) and, as a result profit before tax of £405.8m was 4.0% ahead of the prior year (2021: £390.3m) and 55.7% ahead of 2019 (2019: £260.7m).

1 The information presented relates to the 52 weeks to 24 December 2022 and the 52 weeks to 25 December 2021 unless otherwise stated.

2 Same depot basis for any year excludes depots opened in that year and the prior year.

Revenue[1] £m	2022	No. of depots	2021
Group:	2,319.0	873	2,093.7
Howden Joinery UK depots - same depot basis[2]	2,193.3	747	2,035.8
UK depots opened in previous two years	62.8[3]	61	7.5
Howden Joinery UK depots - total sales	2,256.1	808	2,043.3
Howden Joinery Continental European depots	62.9	65	50.4
Revenue €m			
France and Belgium - same depot basis[2]	59.5	30	51.8
Depots opened in previous two years	12.3	35	0.4
Revenue from closed depots	0.7	(5)	6.2
Republic of Ireland (from April 2022)	1.3	5	-
France and Belgium - total sales	73.8	65	58.4

1 The information presented relates to the 52 weeks to 24 December 2022 and the 52 weeks to 25 December 2021 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.

Tax, profit after tax and basic earnings per share

In recent years the UK Government has introduced the Patent Box Tax Relief Scheme which allows companies to benefit from investments made in intellectual property including new product innovations. In 2017, Howdens applied for, and was granted, a patent for the design of a new multi-part, adjustable cabinet leg that is used in many of our cabinet ranges, which makes them faster and easier to adjust and fit. Discussions were opened with HMRC late in 2020 and in 2022, after seeking non-statutory clearance on some technical matters, HMRC agreed in principle to Howdens submitting a claim for the product.

The Group has prepared the financial statements for the year ended 24 December 2022 to include the impact of the claim. A prior year current tax credit of £36.1m has also been recognised for the prior financial periods 2017 to 2021. The success of the claim is subject to review and confirmation by HMRC. If successful the Company expects, assuming prevailing marginal tax rates, a benefit to the underlying effective tax rate of around 3% in subsequent years. The cash benefit will be realised following approval by HMRC.

As a result, the tax charge on profit before tax was £31.6m (2021: £75.8m) and represented an effective tax rate of 7.8% (2021: 19.4%). Excluding the patent box claim the underlying effective tax rate was 16.7% (2021: 19.4%).

Consequently, profit after tax was £374.2m (2021: £314.5m) and, reflecting the above and the reduced share count following the share buyback, basic earnings per share were ahead by 23.7% at 65.8p (2021: 53.2p).

Cash

The net cash inflow from operating activities was £546.5m (2021: £530.7m).

Net working capital increased by £51.7m with stock £70m higher as a result of cost increases and additional safety stock to support our customers. Debtors at the end of the period were £24m higher than at the end of the previous period with ageing in good shape. Creditors were £42m higher. Capital expenditure was £130.4m excluding the Sheridans land acquired (2021: £85.9m) and the total cash outflow for the Sheridans acquisition was £25m which included £10m to acquire the site. Corporation tax payments were £101.5m (2021: £73.1m), and dividends amounted to £115.0m (2021: £133.6m). Share buybacks totalled £250.5m (2021: £50.0m) and the difference between the cash paid and the operating charge for the Group's pension schemes was an inflow of £2.0m (2021: outflow of £18.5m). The interest and principal paid on lease liabilities totalled £79.2m (2021: £85.8m).

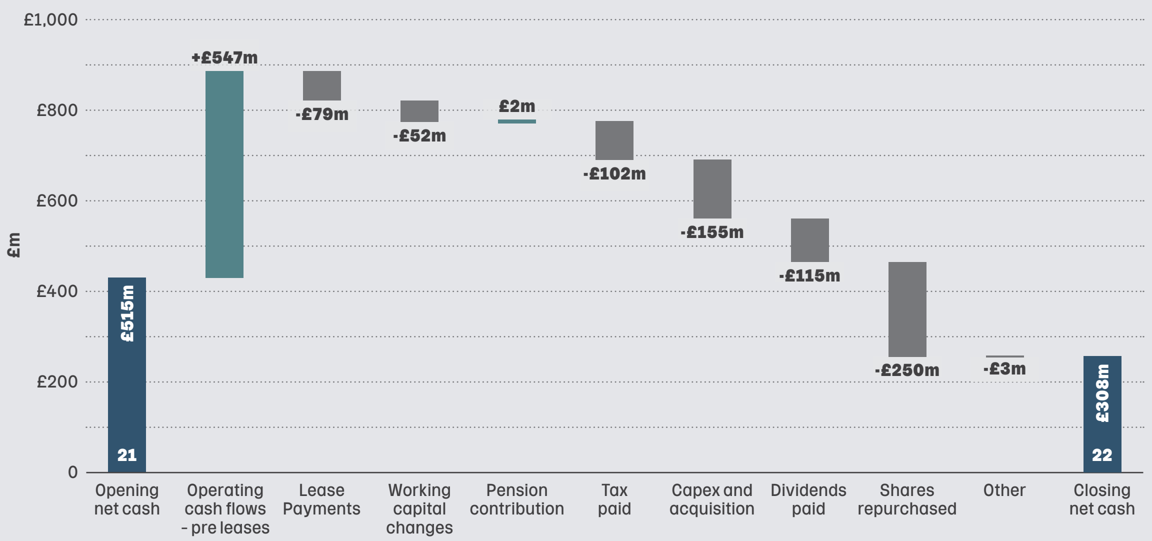
Reflecting the above, there was a net cash outflow of £207.3m (2021: cash inflow of £84.6m), leaving the Group with cash at the year end of £308.0m (25 December 2021: £515.3m).

In September, the Company signed a new £150 million, five-year, multi-currency revolving credit facility replacing the previous asset backed lending facility. The new facility remains undrawn.

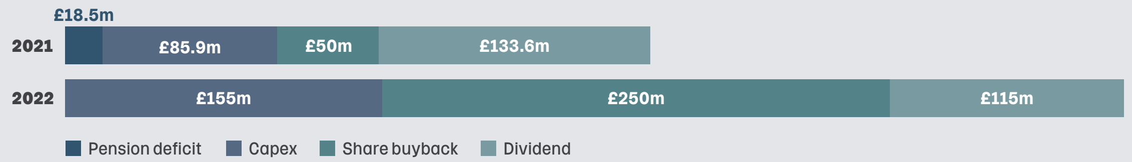
Financial review continued

How we make cash and how we spend it

Cash generation and use



Uses of cash



Capital allocation and returns to shareholders

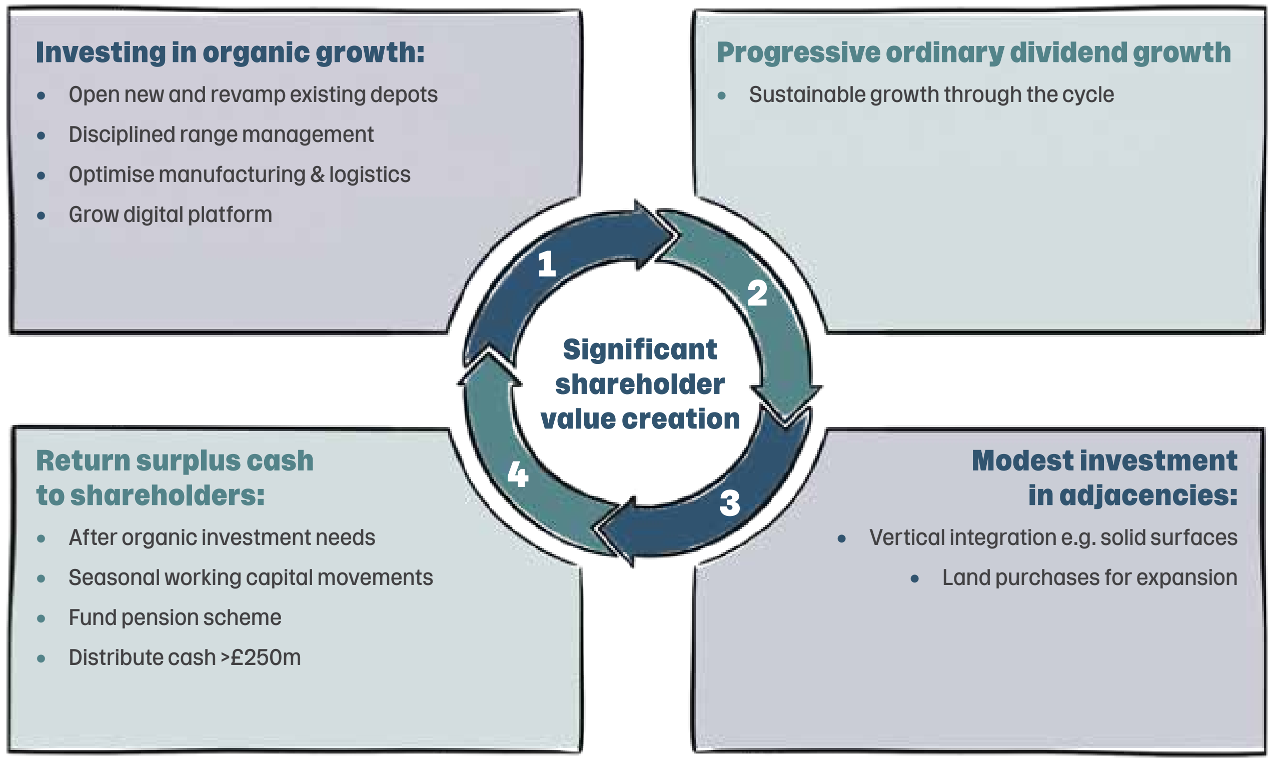
We have a well-established policy for capital allocation. We focus on achieving sustainable profit growth by investing in and developing our business. We also want to maintain and grow our ordinary dividend in line with earnings to reward shareholders with an attractive ongoing income stream. After allowing 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 year 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.

On this basis, the Board has decided that the Group will undertake a further £50m share buyback programme. A £250m share buyback programme was announced and completed last year.

Taking into account the Group's prospects and strong financial position, in July 2022 the Board declared an interim dividend of 4.7p per ordinary share (2021: 4.3p per ordinary share). The Board is recommending a final dividend for 2022 of 15.9p per ordinary share (2021: 15.2p per ordinary share), resulting in a total dividend of 20.6p per ordinary share (2021: 19.5p per ordinary share). The total dividend represents a year-over-year increase of 5.6% and the final dividend will be paid on 19 May 2023 to shareholders on the register on 11 April 2023.

Howdens' approach to capital structure



Acquisitions

In February 2022, Howdens acquired Sheridan Fabrications Ltd, for a total consideration of £25m including £10m for the purchase of the site. Sheridans is a leading industry specialist for the manufacture, fabrication, laser templating and installation of premium worksurfaces. The acquisition supports our ambition to develop our Howdens Work Surfaces (HWS) operations as the market leading supply and fit business. We are continuing to invest in expanding our capacity and we have now rolled out HWS to all regions and solid surface worktop orders have significantly increased on the prior period.

Pensions

At 24 December 2022, the defined benefit pension scheme was in a deficit position of £42m on an IAS 19 basis compared to a surplus of £141m on 25 December 2021. This movement from a surplus to a deficit was primarily a result of an increase in the net discount rate resulting in a reduction in the liabilities of £571m, and a decrease in asset valuations of £754m. The extreme market volatility in September 2022 led to changes in the Plan's investments to meet collateral requirements and high inflation experienced through 2022 also increased the liabilities. The defined benefit pension scheme is closed for future accrual.

The pension has returned to a small deficit on a technical provisions basis from November 2022 and, as a result, deficit contributions of £2.5m a month re-commenced in January 2023. It is possible that the scheme could return to a surplus position on a technical provisions basis. If this were the case for more than two consecutive months then deficit contributions would cease. The next full triennial valuation of the scheme will be carried out as at 31 March 2023.

Financial review continued

Current trading and outlook for 2023

Current trading

The following table shows sales in the first two periods of the new financial year to 18 February 2023 in absolute terms, on a same depot (LFL) basis[1].

	Periods 1-2	
Revenue growth (%)	%	LFL%
UK depots	6.1%	4.7%
International depots*	19.4%	7.8%

* 5 depots were opened in the Republic of Ireland and 5 French depots were closed in 2022.

We are on track with our plans for 2023 to capitalise on the significant ongoing opportunity to gain further market share. During 2023 we will face strong prior year comparatives and, particularly in the first half, the full year impact of inflationary cost increases and our ongoing investments in our strategic initiatives. This includes 61 new UK depots opened in the past two years, expanding our manufacturing and supply chain capabilities including XDC, ongoing digital development to support our customers and new depot openings in France and the Republic of Ireland. In 2023, capital expenditure will be around £130m, at similar levels to last year.

While it is still early in the new financial year, sales in the first few weeks have been encouraging in the UK. We continue to seek to maintain a profitable balance between pricing and volume and have implemented a price increase from the start of the year to recover rising input costs. We have a strong product line up and will place considerable emphasis on new product introductions with around 23 new kitchen ranges planned. We are increasing the number of ranges we offer in entry-level and mid-priced kitchen ranges and have refreshed our line-up of higher-priced kitchens, a segment of the market where we are under-represented.

While mindful of ongoing macroeconomic uncertainty, we are investing in the business for the long-term and the fundamentals of our business model remain robust and attractive. Howdens is in good shape and we are well prepared to address the opportunities and challenges ahead in 2023[2].

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.

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.

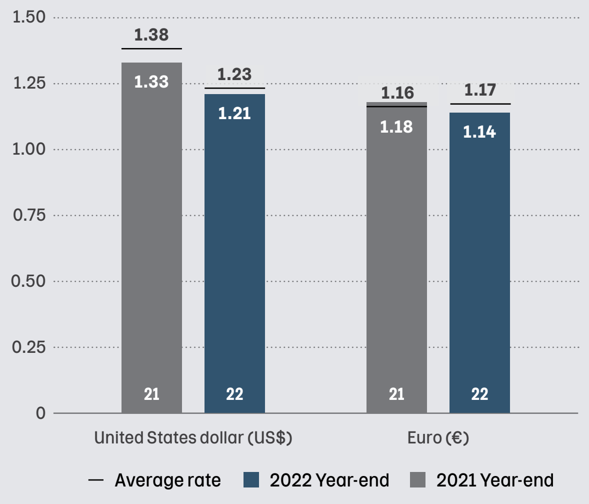
No speculative use of derivatives, currency or other instruments is permitted. The Treasury function does not operate as a profit centre and transacts only in relation to the underlying business requirements.

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 £0.7m. 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 2022 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.

At the 2022 year end, the Group had £308m of net cash and £150m of funds available to borrow under the committed borrowing facility.

Interest rate risk

The Group has not had any borrowings during 2022 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 2022 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

6 March 2023

Risk management and principal risks

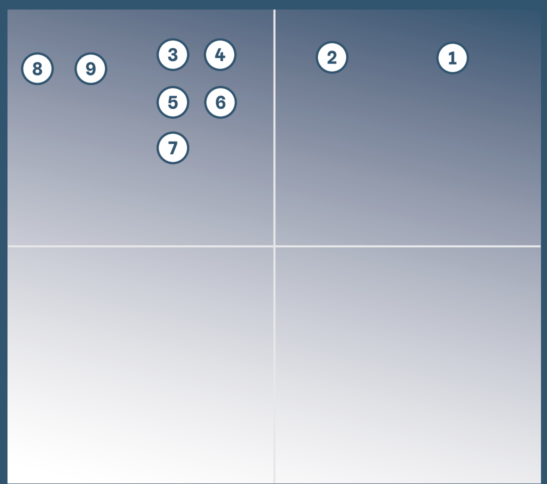
At a glance

Our principal risks

1. Market conditions
2. Supply chain
3. Maximising growth
4. People
5. Health and Safety
6. Cyber security
7. Business model & culture
8. Product
9. Business continuity & resilience

See page 39

Our risk heat map



See page 39

Our risk appetite is adaptive

Low
If the risk presents a hazard to our operations or strategy

Higher
If the risk presents us with a sale or service improvement opportunity

Balanced
For all other risks we carefully balance the risk and our mitigation efforts with the potential reward

Our most significant emerging risks

Geopolitical

Digital

Climate-related risk:

- Transitional risks as the world moves toward a zero carbon economy; and
- Physical risks presented by the changing climate

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.

We have a higher appetite for risks that present us with a clear opportunity for reward, and we actively seek out those that provide the greatest opportunities.

We have some appetite for risks with a possible opportunity for reward. With these risks, we carefully balance our mitigation efforts with our view of the possible rewards.

We have a very low appetite or tolerance for risks that only have negative consequences, particularly when they could adversely impact health & safety, our values, culture or business model. We aim to eliminate these risks with our mitigation efforts.

The Board sets and regularly reviews their risk appetite for key and principal risks. This appetite is used by the Executive Committee when considering risk mitigation strategies.

Climate-related risk - an emerging risk which is not a principal risk

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 2022, more detail on our this can be found in our TCFD section at page 54. Over 2022 our key climate risk developments include:

Risk identification

We have engaged with some of our key stakeholders, including our insurers, 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 developed a risk assessment approach that is modelled on the British Standard (BS EN ISO14091) and tailored to meet our needs, that 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.

Emerging risks - none of which are principal risks

We consider emerging risks as part of our risk management approach using both internal expertise and external resources to identify emerging issues and their potential impact. We consider risk over three different time horizons:

Horizon One - (Current issues out to 12/18 months) - Typically operational in nature and robustly covered by the current process.

Horizon Two - (12/18 months to 5 years) - Includes those risks that may impact on achievement of our strategic objectives as well as new risks our strategic objectives may present to the business.

Horizon Three - (5 years plus) - Risks that may shape our strategic direction beyond the next 5 years.

Where appropriate, emerging risks are escalated to the Executive and Board as part of our regular risk reporting.

Key areas of emerging risk remain:

Climate

We have an established Sustainability Committee, devolved from the Board, who support them in establishing our climate strategy, identifying, and managing climate risk and setting metrics and targets - see TCFD reporting page 54.

Digital

As we continue to develop our digital capabilities to provide our customers with the services they need, we will come across new risks that will need managing to an acceptable level.

Geopolitical

As a global business we are exposure to geopolitical risks around the world and the political environment has been presenting challenges over 2022 that may continue into 2023 and beyond. We include geopolitical risk in our risk review process and consider the impacts they could have on our risk profile in areas such as Supply Chain, Growth and Market Conditions.

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

Strategic Report
Governance
Financial Statements
Additional Information

Risk management continued

The risk management process

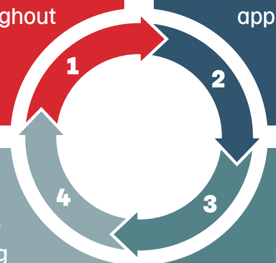
The main steps in the process are set out below:

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. Risk 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.

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.

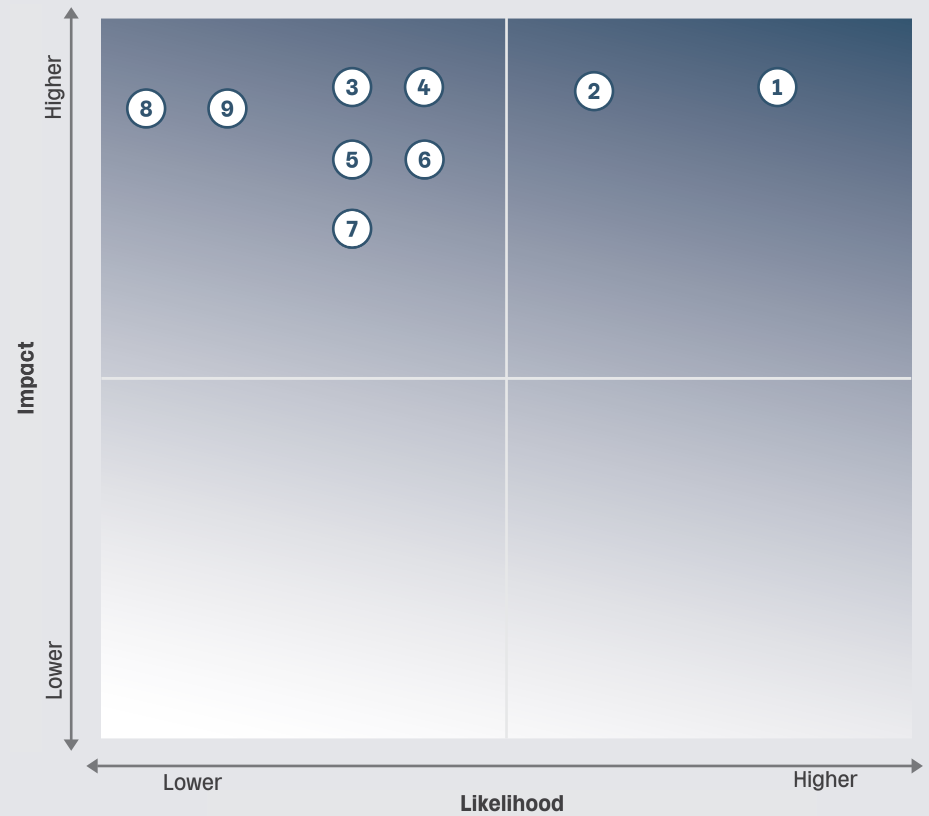
Principal risks and uncertainties

Principal risks

- **No new principal risks**
- **1 risk score has increased - Market conditions**
- **1 risk score has decreased - Business model & culture**

Risk heat map

To help visualise our principal risks, we have plotted them on the heat map below. The individual risks are described in more detail on the following pages.



Risk

1. Market conditions
2. Supply chain
3. Maximising growth
4. People
5. Health and safety
6. Cyber security
7. Business model & culture
8. Product
9. Business continuity & resilience

Brexit

Any breakdown of this agreement has the potential to bring with it some risk for all companies operating in the UK and the European Union. The main areas of potential risk for Howdens include:

- **Free trade & customs risks**
  - Loss of free trade status.
  - Exit from the customs arrangements.
  - No regulatory co-operation.
- **Strategy & business plan risks**
  - Consumer/Investor uncertainty.
  - Currency and stock market volatility.

We continue to actively monitor the ongoing relationship between the EU and UK and reconsider our mitigation plans and potential impacts as part of our risk process.

COVID-19

Whilst the impact of COVID-19 was lower in 2022 than in previous years, we remained vigilant and promptly dealt with any issues that arose during the year. Our learnings of what risks to expect and how to deal with them gained over 2020-21 helped us effectively manage these issues over 2022 and will continue to help us be prepared going forward.

Principal risks and uncertainties continued

2022 Principal risks

The arrows alongside each risk show the year on year change

1. Market conditions R P F ↑

Over 2022 the scoring of this risk has increased because of continuing economic uncertainty.

Risk and impact

- Our products are mostly sold to small builders and installed in owner-occupied and private and public sector rented housing, mainly in the repair, maintenance and improvement markets. If activity falls in these markets, it can affect our sales.

Mitigating factors

- We have proven expertise in managing both selling prices and costs. This continues to be a main area of focus.
- We have a good record of dealing with changes in market conditions. We monitor activity across our supply chain and depots closely, using the good relationships we have to give us early warnings of changing conditions. This enables us to take swift mitigating action to emerging market risk factors.

Mitigation actions in 2022

- Closely monitored the UK and global geopolitical environments, the impact on the cost of living and of operating our business.
- Frequent scenario planning based on latest information to ensure our plans were appropriate to changing market conditions.

Risk appetite

Shifts in the market conditions can impact small builders, and therefore our sales. We manage this risk through active market analysis and competitor review, and then optimising selling prices and our costs. We have a low appetite for market conditions risks and maintain close relationship with the small builder to identify movements early to enable appropriate action to be taken.

Links to strategy

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

2. Supply chain O P ↔

Risk and impact

- Any disruption to our relationship with key suppliers or interruption to manufacturing and distribution operations could affect our ability to deliver the in-stock business model and to service our customers' needs. If this happened, we could lose customers and sales.

Mitigating factors

- We build strong relationships with our suppliers, focused on integrity, fairness, and respect, and which are worthwhile for all concerned.
- Where appropriate we enter long-term contracts to secure supply of key products, services, and raw materials.
- Wherever possible we have multiple-sourcing strategies for our key products, to reduce the effect of a supply failure.
- We have invested in our supply chain operations and this investment gives us increased capacity and agility.
- We are also investing in new warehouse space to support our distribution capabilities and equip them for growth.

Mitigation actions in 2022

- Closely monitored the UK and global geopolitical environments and the impacts on our supply chain.
- Maintained our Authorised Economic Operator (AEO) preferred importer/exporter status to reduce potential customs delays.
- Optimised our safety stocks levels, to reduce the potential risk of global supply constraints.
- Improved manufacturing planning and scheduling to ensure stock availability ahead of demand, supporting our in-stock business model.

Risk appetite

Howdens is an in-stock business. Our customers expect this and rely on it. Because of this we have a very low appetite for supply chain risk and will put extra effort in identifying them early and putting in place appropriate mitigation to prevent stock issues at our depots.

Principal risks and uncertainties continued

2022 Principal risks continued

The arrows alongside each risk show the year on year change

3. Maximising growth R O P

Risk and impact

- If we don't innovate, recognise and exploit our growth opportunities in line with our business model and risk appetite, or if we don't align structures and skills to meet the challenges of growth, we won't get maximum benefit from our growth potential.

Mitigating factors

- The opportunities and challenges related to growth are a major area of focus throughout the business, at all levels.
- 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.
- Plans to continue with our expansion of our operations in France, and other territories.

Mitigation actions in 2022

- Converted a further 82 UK depots to the new depot environment.
- Opened a further 30 depots in the UK.
- Opened 20 additional depots in France.
- Opened 5 depots in Republic of Ireland.
- Further strengthening of our solid worksurface offering with the acquisition and integration of Sheridan Fabrications into the Howden Work Surfaces team.

Risk appetite

We see a significant potential for growth which brings with it both opportunities and challenges. We have a medium appetite for risk when it comes to growth, we are willing to accept some risk where we see a growth opportunity, carefully balancing the risk we are taking with the potential reward that the opportunity presents.

4. People R O

Risk and impact

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

Mitigating factors

- We invested heavily in our employee value proposition, always striving to provide the best possible working environment and growth opportunities for all our colleagues.
- We support our colleagues with a wide variety of apprenticeships, accreditations and development programmes across all areas of our business.
- We use the Remuneration Committee to ensure that key team members are appropriately compensated for their contributions and incentivised to continue their careers with us.
- We work continuously to ensure that appropriate continuity and succession plans are in place. We will continue to focus on leadership development and succession planning.
- Equality, diversity & inclusion (EDI) Programme in place with specific goals established.

Mitigation actions in 2022

- Wellbeing programme continued, with further training made available for all our people.
- Continued to increase our apprenticeship offerings.

Risk appetite

The success of our business is driven by our people and their unwavering customer focus. 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.

Links to strategy

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

5. Health and safety R O

Risk and impact

- Howdens is about people and relationships. We have over 850 depots, 12,000 employees, hundreds of suppliers and hundreds of thousands of customers.
- If we do not ensure safe ways of working across the business, this could compromise the safety and wellbeing of individuals and the reputation and viability of the business.

Mitigating factors

- Since the beginning of our business, 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.
- Most importantly, we make sure we keep talking about health and safety at every level of the business, led by the Executive Committee.

Mitigation actions in 2022

- Transitioned to ISO45001 standards across all Trade Operations.
- Maintained COVID-19 safe practices in line with government advice.

Risk appetite

Care for the health & safety of employees, customers, suppliers and everyone who comes into contact with Howdens is integral to our values and to our behaviours. 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.

6. Cyber security R O F

Risk and impact

- If we experienced a major security breach, this could result in a key system being unavailable causing operational difficulties, and/or sensitive data to be unavailable or compromised. This could also lead to breach of customer data.

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 control.
- We employ complex technical IT security controls to protect our information and our key systems. We regularly engage external specialists to validate the effectiveness of our controls against industry best practice.
- We have robust disaster recovery and business continuity plans, and we test them regularly.
- We adopt a continuous improvement approach to IT security and continue to invest in the security of our systems.

Mitigation actions in 2022

- We reviewed and tested our cyber security posture with engagement of third party expertise to provide insight, assurance and guidance.
- We improved our 24/7 monitoring with the introduction of additional robust controls.

Risk appetite

We depend on a core set of critical IT systems which are fundamental to the day to day running of the business. These systems are at risk from increasingly sophisticated security threats. 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.

Principal risks and uncertainties continued

2022 Principal risks continued

The arrows alongside each risk show the year on year change

Links to strategy

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

7. Business model & culture R O P ↓

Over 2022 the likelihood of this risk has reduced because of on-going focus of the management teams on our unique model and culture.

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.
- Worthwhile foundation in place to further develop our charitable efforts.

Mitigation actions in 2022

- Continued our ESG programme enhancement, focusing on re-enforcing our core values and further embedding our equality, diversity and inclusion standards.
- Events to recognise and reward, for example our annual, 'Golden Rooster' employee awards event and our Apprentice Graduation Ceremony.

Risk appetite

Our future success depends on continuing to maintain our values, our unique business model, and our locally enabled, entrepreneurial culture. To secure this 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.

8. Product O P ↔

Risk and impact

- Kitchen technology and design do not stand still, and our products must reflect that.
- If we do not support the builder with new products that their customers want, we could lose their loyalty and sales could diminish.

Mitigating factors

- Our dedicated product team regularly refresh our offerings to meet builders' and end-users' expectations for design, price, quality, availability and sustainability.
- We work with 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.
- We work with our suppliers, to develop new and improved products for the future, some of which are unique to Howdens. Several new products were introduced during the year across all product categories.

Mitigation actions in 2022

- 21 new kitchen ranges launched.
- Sheridan Fabrications solid worksurface offering acquired and integrated into Howden Worksurfaces.
- Restructured our Product and Marketing teams, providing greater insight and resilience.
- Continued to develop our website & marketing offering to builders and end-users to provide new tools to make their lives easier.

Risk appetite

Ensuring that we have product that meet the design, price and quality needs of the small builder and their customer is a key focus of the business model and is a critical element of our future success and growth aspirations. In meeting this we accept that a measured amount of risk must be taken when selecting new products and we have a medium appetite for product risk.

9. Business continuity & resilience R O F ↔

Risk and impact

- We have key business operations and locations in our infrastructure that are critical to business continuity. They include areas such as, our Credit Control Department, our Manufacturing & Logistics operations and key IT systems.

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.

Mitigation actions in 2022

- Closely monitored the UK and global geopolitical environments and the impacts to the continuity of our operations.

Risk appetite

Our key operations are essential for ensuring our customers can get the product and services they want when they need them. To secure this we maintain 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

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

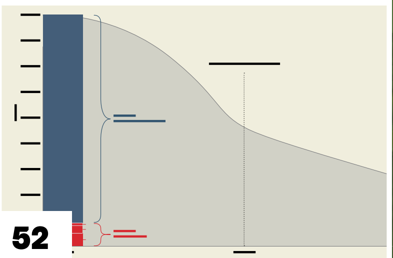
48

Our four ESG commitments
Update on progress.

Zero waste to landfill
100%
Manufacturing & distribution

50

Net Zero commitment
We have identified the major steps to achieve Net Zero emissions.



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

64

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 TCFD reporting
Climate risks and opportunities.

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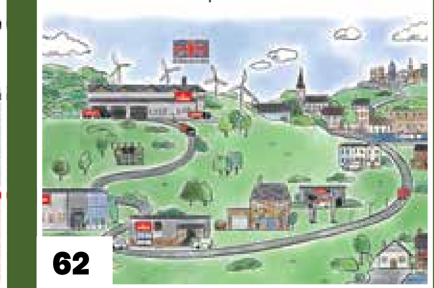
Our impact on our stakeholders
A summary of our social and environmental footprint.



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Why Sustainability matters to us

Sustainability generates long-term value

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

Sustainability is part of our culture

We talk about the Howdens culture as being 'worthwhile for all concerned' and 'creating the conditions that allow everyone to succeed'. 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. 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 over 850 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 39. 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 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. The Board's Sustainability Committee met regularly throughout the year and their report begins on page 144.

TCFD reporting

We see TCFD as a useful framework to build climate resilience in the business. We are using it to talk about how we identify and manage climate risks and opportunities, how we build them into our strategy and how we measure our progress.

Our TCFD reporting begins on page 54.

The material sustainability areas for us and our stakeholders

On pages 64 to 70 we report on progress in our five 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.

We last reviewed our material sustainability areas in 2020 as part of a wide-ranging ESG Strategic Review. We have begun a project to revisit and reassess our material areas in line with the progress that we're making in areas such as TCFD and our path to Net Zero, and we look forward to communicating the findings to you in our next report.

Our sustainability KPIs, commitments and 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 64 to 68.

Our 2020 ESG strategic review resulted in four strategic commitments, which we report on at pages 50 and 51. It also resulted in a number of additional 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 Net Zero this may lead to new KPIs and key metrics in the future.

Our 2023 PSP share plan will include ESG-related vesting targets. Please see page 131 for details of the targets.

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.

Represented by:

Our four strategic commitments

Zero waste to landfill	Carbon neutral manufacturing	Best practice in UK behavioural safety and wellbeing	Highly effective ESG reporting and disclosure
Maintain zero waste to landfill in manufacturing and distribution. Zero waste to landfill in depots over time, with target of less than 5% by end of 2022.	Achieve carbon neutral manufacturing by the end of 2021, and maintain that status as the business grows.	Maintain international safety standard ISO 45001 in our manufacturing and distribution operations. Achieve ISO 45001 in our depot network.	Progressive, phased implementation of high-quality reporting.

See more on pages 50 and 51.

Underpinned by:

Our material sustainability areas

People	Sustainable supply chain	Sustainable product	Our environment	Communities
Keeping our 12,000 employees safe and well. Supporting their growth, offering them great rewards for success, and opportunities to grow with us.	Certified raw materials from sustainable sources. Responsible purchasing, working with our international network of over 250 main suppliers. Efficient distribution.	Continuous research and evolution of our products and packaging. Refining our efficient manufacturing processes and working with our suppliers on bought-in product.	Reducing waste, lowering emissions, working with the Carbon Trust to achieve continuing improvements.	Being a responsible member of over 850 local communities in the UK and internationally. Supporting a range of local and national charities.

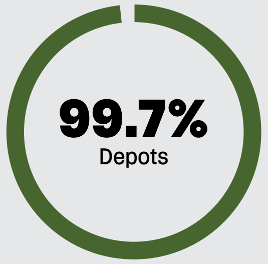
See more, starting at page 64.

Our four ESG strategic commitments

Progress on our four ESG strategic commitments

E Environment
UK's leading responsible kitchen business

Zero waste to landfill



Progress in 2022

In 2020 we achieved zero waste to landfill in our manufacturing and distribution, and we have maintained that in 2022. 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 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 at the end of 2022 we have 99.7% of depot waste avoiding landfill, and we are busy trying to find solutions for the remaining 0.3%.

Worthwhile for all concerned

Carbon neutral manufacturing

CARBON TRUST PAS 2060 CARBON NEUTRAL

Progress in 2022

Our commitment was to achieve carbon neutral manufacturing by 2021, which we had confirmed by the Carbon Trust (with evidence provided in accordance with PAS 2060:2014 - Specification for the demonstration of carbon neutrality).

Manufacturing accounts for a significant proportion 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/projects/details/583).

Worthwhile for all concerned

S Social
A unique and sustainable culture

Best practice in UK Behavioural Safety and wellbeing - ISO 45001

Progress in 2022

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 are very pleased to report that we were able to reschedule the depot audits which had been delayed by COVID in 2021, and we achieved ISO 45001 in our UK and Republic of Ireland network of over 800 depots in early 2022.

Worthwhile for all concerned

G Governance
Leader in risk and resilience governance

Highly effective ESG reporting and disclosure, including KPIs

TCFD and ISS reporting in place. ESG 360 implementation in progress.

Progress in 2022

This year's TCFD reporting starts on page 54.

We implemented the ISS ESG reporting platform in 2021, to benchmark against peers and provide stakeholders easier access to detailed ESG information. In 2022 we have been making sure our data is up to date.

We've implemented 'ESG 360' in 2022, a platform that we will use to collect our own energy consumption data and the Scope 1, 2 and 3 emissions of our top 30 suppliers. We will also use it to collate and analyse physical risk data for our own locations and those of our supplier base, to model climate scenarios and project the emissions reductions and cost implications of various decarbonisation options linked to science-based Net Zero targets.

Worthwhile for all concerned

Alignment to UN SDGs

Our material SDGs	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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Net Zero commitment

We have identified the major steps to achieve Net Zero emissions

Howdens signed up to the Science Based Targets Initiative (SBTi) Net Zero Ambition in 2022. We hope to receive approval of our targets in 2023, and to report in more detail in our 2023 report. In the meantime, we present a summary of our findings and plans so far.

On track to set near and long-term targets

- 42% reduction in Scope 1 & 2 by 2030
- 25% reduction in Scope 3 by 2030
- 90% reduction in all emissions by 2050 - including growth

Suppliers are critical to achieving our targets

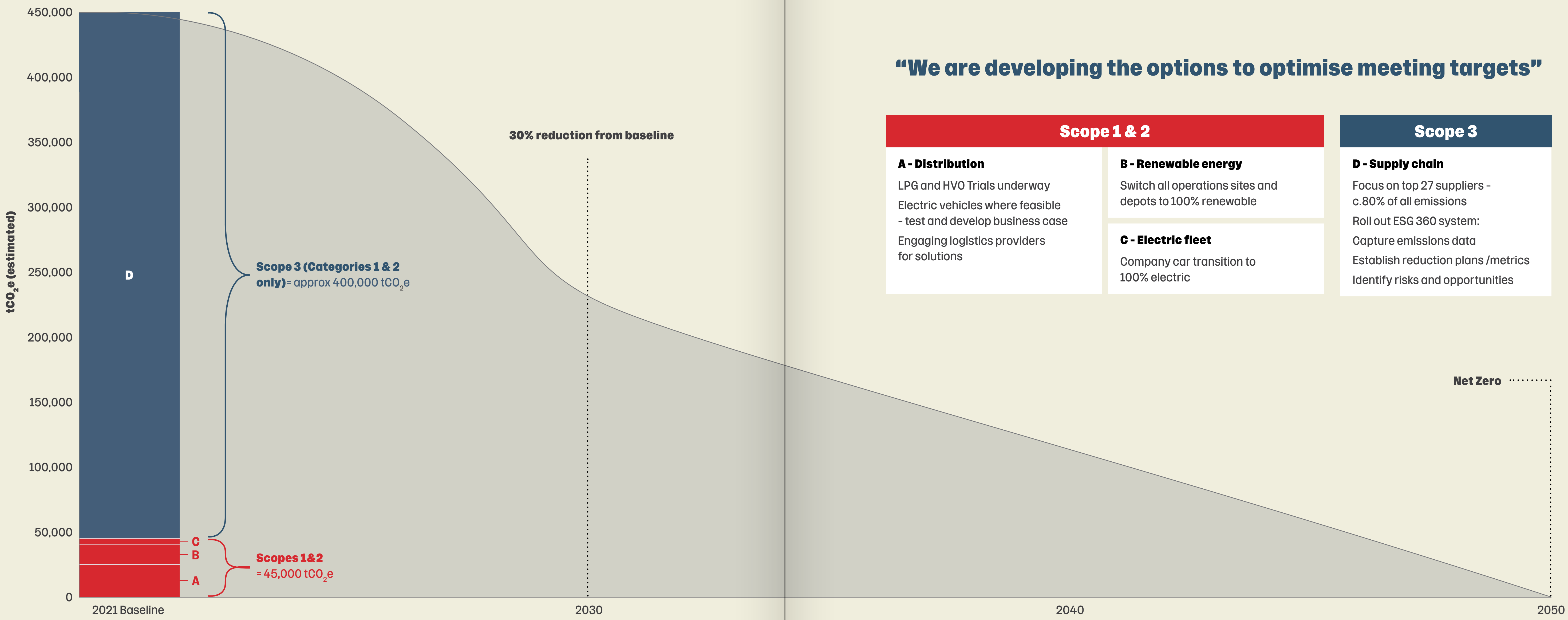
- Top 27 suppliers are circa 80% of all our emissions
- Primarily European based, some in the Far East
- Making more product ourselves and controlling our own freight helps reduce emissions

Key activities

- Comprehensive supply chain mapping
- Detailed internal emissions mapping
- Key suppliers engaged on emissions data and climate risks

Costs of change

1) Minimal cost of change so far - including moving depots to renewable energy tariff in 2022
2) Driving energy efficiency is an opportunity to tackle escalating cost
3) Gives confidence that suppliers will be able to achieve 2030 targets without significant adverse cost impact



"We are developing the options to optimise meeting targets"

Scope 1 & 2

A - Distribution

LPG and HVO Trials underway

Electric vehicles where feasible - test and develop business case

Engaging logistics providers for solutions

B - Renewable energy

Switch all operations sites and depots to 100% renewable

C - Electric fleet

Company car transition to 100% electric

Scope 3

D - Supply chain

Focus on top 27 suppliers - c.80% of all emissions

Roll out ESG 360 system:

Capture emissions data

Establish reduction plans /metrics

Identify risks and opportunities

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

Our approach to TCFD

Rather than seeing it as a compliance exercise, we see TCFD as a useful framework to build climate resilience in the business. We are using it within the business to talk about our identification and management of climate risks and opportunities, to build them into our strategy and to measure our progress.

We have continued to make good progress on TCFD-related actions in 2022. We have started to use specialist technology to collect both physical and transition climate risk and opportunity data across our value chain. This technology will be connected with our key suppliers so we can build a collective picture of the challenges and solutions together. We will continue to collect this data in 2023, which will help us to understand the granular impact of climate risks and opportunities and to implement associated mitigation actions.

We have also committed to SBTi Net Zero and will be submitting our targets for approval in 2023. We have started to collect real Scope 3 emissions data throughout our value chain, which is a complex exercise. We have also engaged our top 30 suppliers and have held a specific supplier conference to build a coalition of partners on the journey to Net Zero.

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

The results of our scenario modelling agreed with the results of our existing business risk management process (described starting on page 37, in that they did not identify any significant short or medium-term climate-related risks.

We are reviewing our full supply chain and are not currently aware of any material short or medium-term physical risks, nor do we anticipate any such risks. We evaluate physical risks for time horizons between 2020 and 2050.

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 the TCFD recommendations under the Governance, Strategy and Risk Management sub-headings, and that we're partially compliant with the recommendations for Metrics and Targets.

As we set out on page 48, we have metrics and targets which we measure and disclose. However, we expect to refine and revise them in the near future as, for instance, new priorities develop as we get our SBTi targets approved and we carry out repeated iterations of our climate scenarios. We anticipate that we will be introducing revised metrics over the next two years.

On Scope 3 emissions, we expect them to be a material part of our total emissions, and we are currently working on calculating reliable and robust estimates for our main sources of Scope 3 emissions, but this is a complex area, involving several assumptions and estimates, and we don't yet have a full picture. We will aim to disclose full Scope 3 emissions within the next year.

TCFD recommended disclosure	Our disclosure and developments in 2022	Focus areas for 2023 and beyond
GOVERNANCE		
A. Describe the Board's oversight of climate-related risks and opportunities.	• The Board looks at material climate-related risks and opportunities when setting and monitoring Group strategy, and considers climate risks as part of its overall risk review processes described in detail starting at page 37. • This process is led by the Board's Sustainability Committee, whose report is at page 144. • The Sustainability Committee met twice during 2022 and made recommendations to the Board as appropriate. The Director of ESG* reported to the Sustainability Committee at each meeting, and provided updates on the climate-related targets and goals which are considered in more detail in this Sustainability report. • When considering any investment proposition, the Board considers the likely climate-related consequences of any decisions. The best example of this is in the investment in in-house manufacturing. The associated environmental benefit of this investment is an estimated reduction of 200 tonnes of CO_2 due to fewer loads being transported internationally.	• The Sustainability Committee will meet regularly in 2023 and will make recommendations to the Board as appropriate on key climate actions. • The Director of ESG will provide regular updates on the progress to Net Zero roadmap to the Committee.

TCFD recommended disclosure	Our disclosure and developments in 2022	Focus areas for 2023 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 implement programmes to manage and mitigate climate risks and take advantage of opportunities. The role of the ExCo is set out on pages 84 and 85 of the Corporate Governance report. • The ExCo are therefore responsible for delivery of the climate-related targets determined by the Board, which are considered in detail in this Sustainability report. • The Director of ESG advises both Board and ExCo and reports to the Sustainability Committee at each of their meetings on progress against targets and other initiatives. He presented at both of the Sustainability meetings in 2022. • ExCo reviewed the TCFD materiality impact assessments and scenario analysis in 2022. • The Director of ESG worked with ExCo to develop sustainable strategies during the year. • ExCo engaged our top 30 suppliers and held a specific supplier conference to build a coalition of partners on the journey to Net Zero.	• ExCo members will be assigned key responsibilities on managing climate risks and opportunities. • We will continue to engage with our supply chain in 2023.
STRATEGY		
A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	• We scrutinised and tested the results of our initial climate risk and opportunity assessment with operational areas, ExCo and Board. No significant short or medium-term climate-related risks were identified. • We deployed technology to collect climate-related risk and opportunity data directly from our key suppliers. • We give more detail on the potential risks and opportunities starting at page 58.	• Further quantification of climate risks and opportunities after obtaining further data from the value chain.
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 reviewed the initial results. • 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 58. • We discuss our Net Zero commitment on page 52. Once we have approval and external validation of our SBTi Net Zero targets as being aligned with the Paris agreement, we look forward to publishing them.	• An ESG/climate screening, including use of scenarios, will be incorporated into the due diligence process for major capital expenditure decisions. • Direct data collection from the value chain is currently in progress to establish a clear picture of various risks and opportunities.

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

TCFD - building climate resilience continued

TCFD recommended disclosure	Our disclosure and developments in 2022	Focus areas for 2023 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, based on our initial assessment of material risks, including a scenario aligned with below 2°C. • In 2022 we tested the draft scenario results, discussed with management, ExCo and Board, and started the process of building financial models from the scenarios (with a focus on carbon price). • The results of our testing showed the resilience of our current strategy, in that no significant short or medium-term climate-related risks were identified.	• Further iterations of the scenarios, with quantification of risks and opportunities. • Identifying the implications carbon pricing with various scenarios including various options for decarbonisation.
RISK MANAGEMENT		
A. Describe the organisation's processes for identifying and assessing climate-related risks.	• We combine our long-standing, bottom-up risk process with improved identification of medium and longer-term climate transitional and physical risks through horizon scanning. See pages 37 and 38 for more detail. • We assess and prioritise climate risk using an approach that is modelled on British Standards (BS EN ISO14091), based on risk impact (the expected adverse effect that may occur from exposure to the risk) and our adaptive capacity (our ability to adapt to potential consequences and to take advantage of opportunities). • We have built the outputs of our inherent climate risk assessment into operational risk registers. We have adapted our risk process to capture key climate metrics and targets. • We have engaged with our stakeholders, including our insurers, to understand how their focus on climate risk is likely to change going forward.	• 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. • Review the external environment for changes in climate risks and new mitigation strategies (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 37 and 38), 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. • In 2022 we 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.	• Challenge the business on the effectiveness and accuracy of mitigation plans, including evidence of progress. • Climate risks remains an emerging risk currently, emerging risks are escalated as necessary to the Group ExCo and Board.

TCFD recommended disclosure	Our disclosure and developments in 2022	Focus areas for 2023 and beyond
RISK MANAGEMENT CONTINUED		
C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• They have always been part of our overall risk identification and management process described in detail at pages 37 and 38. • They are recorded in our Group and functional risk registers alongside our other operational, financial and strategic risks. • They are formally reviewed twice a year as part of this process to ensure they accurately reflect our current risk exposure. • One key difference between climate-related risks and other risks is that we typically use longer time horizons when looking at climate risks. • In 2022 we implemented a new emerging risk identification and management approach, with dedicated reporting to Exec and Board. We also started a project to capture Board risk appetite for climate risks.	• 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.	• We have long-standing KPIs on use of FSC® and PEFC raw materials and on production waste recycling - we report on these at page 66 and page 68. • In 2022 we reviewed 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. • We developed the first iteration of an ESG metrics dashboard for internal review and stakeholder consultation of any potential new KPIs. • We began consideration of how climate-related metrics might build into consideration of future investment decisions.	• Further internal review and stakeholder consultation of potential new KPIs will take place with formalisation of key metrics. • An external TCFD readiness assurance project has been carried out with satisfactory results. • As part of the ESG due diligence process for investment decisions, specific metrics will be created as part of the ESG strategy.
B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	• See our SECR reporting, starting on page 68. • We consider the risks relating to emissions as part of our overall climate risk reporting, summarized above. • We have estimated our material sources of Scope 3 emissions (category 1). • Selected appropriate assumptions and started to investigate which of our Scope 3 emissions we can try to gather reliable data on.	• We are currently in the process of collecting and measuring the full Scope 3 emissions (15 categories) and will complete our baseline year (2021) calculations by Q1 2023.
C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• We are currently researching and developing these targets as part of the overall TCFD implementation process. • We have carried out research and development of potential new TCFD metrics and targets, based on the outcomes of the TCFD implementation project so far.	• Finalising quantitative metrics and targets for material climate risks and opportunities and assign to the senior executive team.

TCFD - building climate resilience continued

Main risks and opportunities from our scenario modelling so far

Details of the scenarios

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, 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) **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, which we describe in more detail starting on page 37, in that they did not identify any significant short or medium-term climate-related risks.

Under each scenario there were several possible medium and long-term risks and opportunities, which we have summarised below. Over time we will continue to develop this analysis, which will include quantifying any potential material impacts and setting a strategic direction to mitigate any potential significant risks and maximise the potential opportunities.

The results of our testing showed the resilience of our current strategy, in that no significant short or medium-term climate-related risks were identified.

Overview of opportunities	Time horizon	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 (2025-2030)	Increased sales. Greater brand awareness. Increased market share. Stronger employee retention/ relations.	Upskilling staff and promoting awareness of our stance regarding SBTi and Net Zero ambitions. Sustainable customer offering and bringing the suppliers on the Net Zero and sustainability journey with us.
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 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 (2022-2025) **Absolute reductions in energy consumption:** medium to long-term (2025-2030) **Deployment of Decarbonisation technologies such as hydrogen:** medium to long-term (2025-2030)	**Capitalise on energy opportunities:** installation of solar/ wind 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 bonds and loans.	Short to medium-term (2022-2025)	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 (2025-2030)	The future sustainability of our assets: develop sustainability metrics to be employed at the point of design.	Implementing circular practices will promote the 'worthwhile' image of our brand and will help us lead by example.

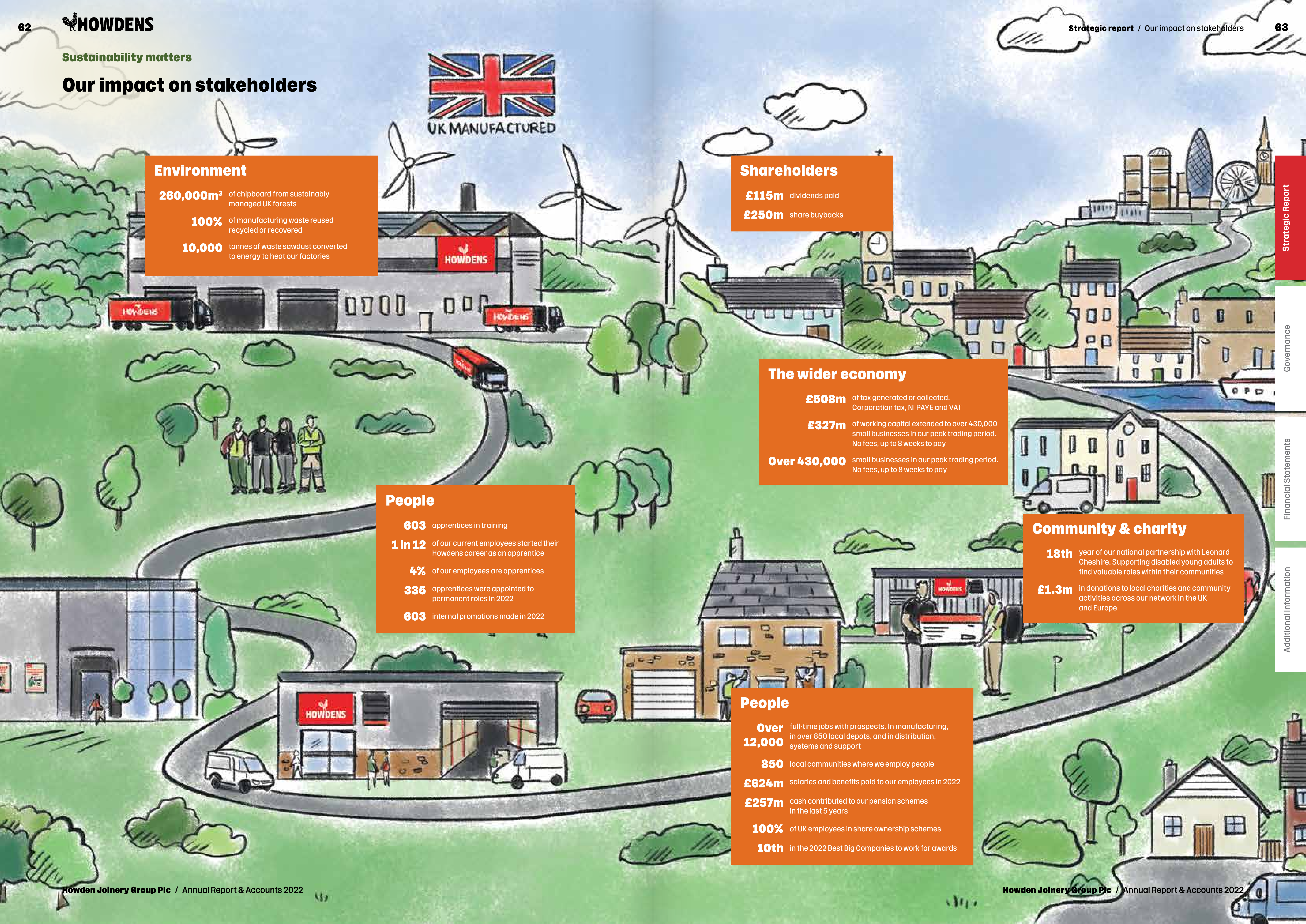
TCFD - building climate resilience continued

Overview of risks	Time horizon	Impact	Mitigation actions
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 (2025-2030) **Pressure on supply chains to decarbonise:** medium to long-term (2025-2030) **Raw materials cost increase/ unavailability:** medium to long-term (2025-2030)	**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.	We have signed up for SBTi Net Zero targets and we are currently formulating a fully-costed Net Zero action plan, which will help with mitigating the impact of future carbon prices due to absolute reductions in our emissions. We have deployed technology to collect data directly from our suppliers, which will help us understand the granular impacts and to implement subsequent actions for resilience. The data collected from suppliers will provide clarity on the criticality of certain raw materials and help us formulate a mitigation strategy.
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 (2022-2050). 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. **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-phased Physical Risk Assessment of our own locations in the UK and our suppliers' locations around the world. Phase 1 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 of our physical risk assessment, which we are currently embarking upon, will deliver a vulnerability and resilience option assessment and it will allow us to determine our Value at Risk for physical exposure and understand our suppliers' adaptive capacity.

Overview of risks	Time horizon	Impact	Mitigation actions
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 (2022-2025) **Transitional investment:** medium to long-term (2025-2030)	**Additional capital expenditure:** to decarbonise our own operations e.g. our buildings and fleet.	We are currently carrying out a Net Zero feasibility study with high level cost implications, which will clarify levers of decarbonisation available to us. We are also Implementing and ESG/climate screening into the due diligence process prior to asset acquisition.
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 (2025-2030)	**Impact on future sales:** from inability to meet customer needs.	We plan to be a leader in sustainability in the kitchen business and will leverage our Net Zero strategy to achieve this goal.

Sustainability matters

Our impact on stakeholders



Environment

260,000m³ of chipboard from sustainably managed UK forests

100% of manufacturing waste reused recycled or recovered

10,000 tonnes of waste sawdust converted to energy to heat our factories

People

603 apprentices in training

1 in 12 of our current employees started their Howdens career as an apprentice

4% of our employees are apprentices

335 apprentices were appointed to permanent roles in 2022

603 internal promotions made in 2022

Shareholders

£115m dividends paid

£250m share buybacks

The wider economy

£508m of tax generated or collected. Corporation tax, NI PAYE and VAT

£327m of working capital extended to over 430,000 small businesses in our peak trading period. No fees, up to 8 weeks to pay

Over 430,000 small businesses in our peak trading period. No fees, up to 8 weeks to pay

Community & charity

18th year of our national partnership with Leonard Cheshire. Supporting disabled young adults to find valuable roles within their communities

£1.3m in donations to local charities and community activities across our network in the UK and Europe

People

Over 12,000 full-time jobs with prospects. In manufacturing, in over 850 local depots, and in distribution, systems and support

850 local communities where we employ people

£624m salaries and benefits paid to our employees in 2022

£257m 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

Sustainability matters

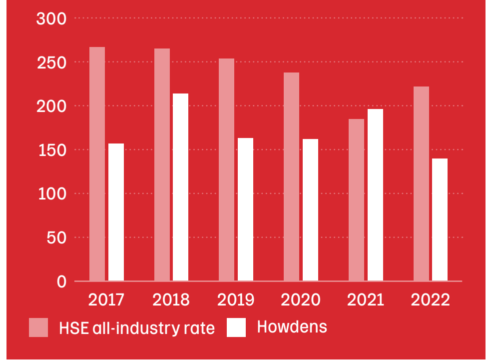
Our people

Keeping our people safe and healthy

2022 highlights

- Our safety KPI has decreased from 196 RIDDOR[1] reportable injuries per 100,000 employees in 2021 to 140 in 2022. This is also significantly below the 2021/2022 HSE All-Industry rate of 222.
- Our injury severity rate has also significantly decreased from 2021 to 2022 at 26.2 hours lost per 100,000 hours worked (2021: 33.4 hours/100,000 hrs worked).
- Our network of over 800 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.

KPI **Reportable injuries/100k employees** - Reportable injury rates decreased in 2022



- At the beginning of May 2022, our Supply division launched its first ever Safety Climate Survey created by the HSE. The survey was open for four weeks and colleagues in Howden Manufacturing, Runcorn, Howden Work Surfaces and Transport operations were asked to tell us what they thought of how we manage H&S, engage our people and promote participation. We received over 600 responses which gave us an in-depth insight into our cultural strengths and where we can improve. The outputs of the survey have been used by our operational leadership teams to establish H&S objectives for 2023.
- We continue to prioritise our employees' health and wellbeing. Following feedback through our employee engagement survey, we increased our support and investment in this area, taking a more holistic approach that includes physical, mental and financial wellbeing. We introduced a Wellbeing Committee for Operations, with 24 reps from across our sites. We introduced the AXA Health app for all employees, encouraging them to take regular steps to becoming healthier. We continue to promote relevant services available through our Employee Assistance Programme (EAP), and provided access to free blood pressure and resting heart-rate checks. We partnered with specialist organisations to provide workplace support for mental health and women's health issues.

Update on areas of focus from our 2020 ESG Strategic Review

ISO 45001

Achieve ISO 45001 across our manufacturing, distribution and UK depot network.

2022 update: See page 51, and above. We obtained ISO 45001 certification for our UK and Republic of Ireland depot network in 2022. We had already achieved ISO 45001 across our manufacturing and distribution network in 2020.

BRITISH COUNCIL 5-STAR SAFETY STANDARD

Achieve this standard at all manufacturing and logistics sites by the end of 2026.

2022 update: We value the 5 star audit process as it drives excellence in health, safety and wellbeing with a significant focus on H&S culture which is aligned to our own medium-term H&S objectives. We remain committed to achieving the 5-star standard, although we have changed our timescale from 2023 to 2026 in order to align with the timescale of our medium-term objective.

BEHAVIOURAL HEALTH & SAFETY

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

2022 update: We are the final stages of delivering our Senior Management H&S behavioural training programme in our depot network. This is a comprehensive training package which emphasises the importance of leading by example, establishing a generative culture and winning hearts and minds through effective communication and participation of all staff within the business.

WELLBEING

Develop a Group wellbeing strategy.

2022 update: We have taken a more holistic approach, incorporating physical, mental and financial wellbeing. This provides greater support for our employees, whose needs are evolving post-pandemic and during a cost-of-living crisis.

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

2022 highlights

- We remain focused on creating an engaging place to work with fulfilling jobs and a strong culture that supports everyone to do their best. Listening to our employees is key. Over 65% of our employees completed the Best Companies engagement survey in March. Based on their feedback, we ranked 10th in the 2022 Best Big Companies to Work For list, up four places since we last participated in 2020. We're using the feedback to make Howdens an even greater place to work for our employees.
- To ease the pressure from the rising cost of living, in September, we gave employees a £500 one-off payment. We also increased our employer pension contributions. We provided access to information and tools to enable employees to better manage their finances and plan for their future. This includes practical online advice through our Employee Assistance Programme.
- Howdens has a long-standing commitment to apprenticeships and the development of 'homegrown' talent. In 2022, we recruited 555 new apprentices and, in December, had 603 on programmes across the business. We're proud that one in 12 of our current employees started their Howdens career as an apprentice, and we continue to champion apprenticeships through our sponsorship of the National Apprenticeship Awards. In June, Howdens was ranked 17th in the UK's Top 100 Apprenticeship Employers.
- We reviewed our learning and development offer to ensure it was aligned to the skills and roles required for our growth strategy. We introduced a more interactive induction, blending both Company and local information that gives new employees a warm welcome and strong launch pad for a successful Howdens career. The new L&D approach launches in February 2023.

Update on areas of focus from our 2020 ESG Strategic Review

EQUALITY DIVERSITY AND INCLUSION (EDI)

To develop our EDI roadmap and strategy to 2025.

2022 update: Howdens is a place where everyone is welcome, and everyone has the opportunity to thrive. We believe that a diverse workforce is more innovative, more creative, more collaborative and, as a result, enables our continued success. For this reason, we are committed to making Howdens an even more diverse and inclusive workplace - not just for our employees, but for our customers and communities, too.

We have made good progress with our EDI and strategy. Our executive sponsors are leading employee working groups for the three priority themes: gender, disability and ethnicity.

The groups have engaged specialist organisations that are helping to articulate our vision for each theme, create action plans and gain relevant accreditation.

Our aim is to embed inclusion so EDI is not seen as a standalone initiative. As of December 2022, 87% of people managers have received EDI awareness training.

We are pursuing accreditation as a Disability Confident Employer and as a Menopause-Friendly Workplace, supported by Leonard Cheshire and Wellbeing for Women respectively. We hope to achieve these in 2023.

Our employees support our commitment to create a more inclusive workplace. We used the engagement survey process to collect anonymous diversity data. Over 5,000 employees voluntarily provided personal information about gender identification, disabilities and ethnicity, and we are using it to shape how we can best support our employees.

SOCIAL MOBILITY

To improve social mobility through the career development we offer.

2022 update: Social mobility is an integral part of our founding principle, 'worthwhile for all concerned', and we continue to improve social mobility for our employees through career and personal development. In 2022, we took a ground-breaking step towards improving social mobility in the UK more generally by supporting apprenticeships outside of Howdens.

We have committed to transferring 20% of our apprenticeship levy to fund construction apprenticeships in small businesses across the UK. More specifically, we target the investment in deprived communities that we serve.

By doing this, we address the skills gap in the construction industry, support small businesses - our customers - to grow and create jobs, and tackle social mobility challenges across the UK. This is in addition to the work we already do to actively recruit care leavers.

In recognition of this work, Howdens received the UK Social Mobility Award for Innovation in October.

LOOKING AHEAD TO 2023

In 2023, we want to bring together our ambitions for EDI with the work we are doing to address social mobility, all of which reinforce that Howdens is 'open for all'. Moreover, we believe that consolidating our efforts will have an even greater impact for our employees, our customers, our stakeholders and the communities we serve.

As part of this, we'll actively work to diversify our talent pool, using new channels and targeted marketing campaigns to attract a wider range of potential candidates. We'll launch our refreshed careers website in the first half of the year, which will promote Howdens' inclusive workplace. We will continue to develop partnerships with more regional organisations to support people of all ages and backgrounds into employment.

We'll share our updated strategy for diversity and inclusion, which will include social mobility, in next year's Annual Report.

Sustainability matters

Sustainable supply chain

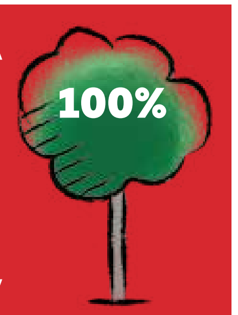
Certified wood, efficient distribution, responsible purchasing

2022 highlights

- We used over 260,000 cubic metres of chipboard and 65,000 cubic metres of MDF in our factories in 2022 - enough to fill the Albert Hall more than 3 times - so it's natural that we have a long-standing KPI requiring this wood to be 100% certified.
- 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 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.

KPI

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



Responsible Purchaser
Timber Trade Federation

- Our transport fleet drove over 18 million miles in 2022, 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. 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 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 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.
- 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.
- 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. During 2022 we continued to risk rate all our suppliers by using the SEDEX RADAR tool. Over 35% of suppliers are classed as low risk and a further 59% are classed as moderate risk. The remaining 6% of suppliers, classed as high risk, have had a third party ethical audit in last 3 years. Using SEDEX insight, we are continuing to work with suppliers to deliver improvements in working practices across our supply chain. Currently 264 supplier sites share their ethical data with us.
- Since last year we have improved our supplier onboarding process and we are implementing SAP Ariba SLP (Supplier Lifecycle and Performance) to enhance supplier qualification to align with anti-corruption, human rights goals, sustainability and the Company's code of ethics.
- Our modern slavery statement can be found here: www.howdenjoinerygroupplc.com/governance/modern-slavery-statement.

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

REDUCING FUEL CONSUMPTION
MPG improvement targets for our distribution fleet. Targeting a 3% improvement by 2023.

2022 update: We are slightly ahead of our 2023 target. Against a 2020 baseline of 9.89 MPG, we have achieved a 3.3% improvement with our 2022 12 month rolling average of 10.21 MPG.

INCREASING ENERGY EFFICIENCY
Introducing new CO_2KG/km emission targets for our distribution fleet.

2022 update: This is a new target in 2022. The target is a 15% reduction by 2026, against a 2021 baseline of 0.721 CO_2 Kg/Km.

Sustainability matters

Sustainable product

High-quality, sustainable product that we're proud of

The sustainable cabinet

Our ambition is to create sustainable products that we're proud of. We make over 4.5 million cabinets a year in our own UK factories, so this is a product where our choices can make a real difference.

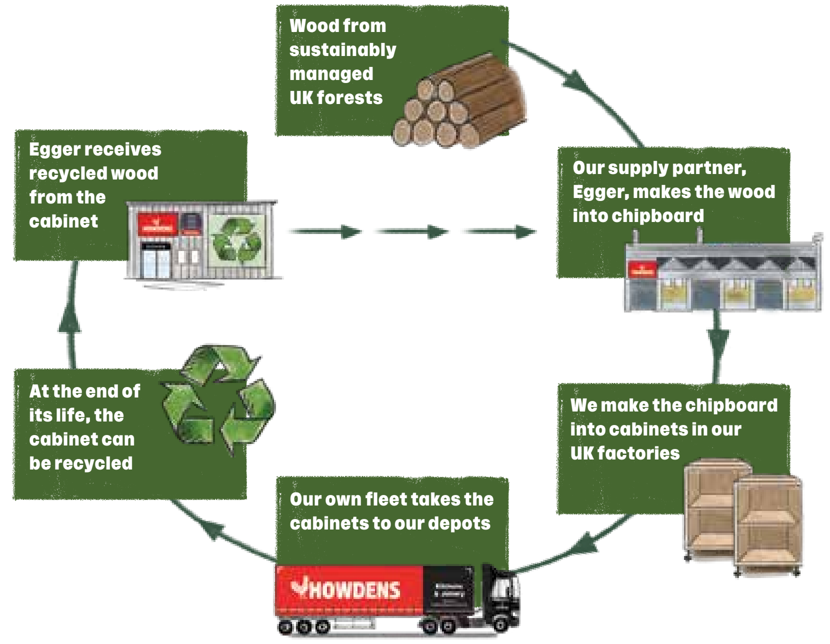
We buy our chipboard from sustainably managed UK forests. For every acre of trees used, an acre or more is planted.

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.

Other product highlights of the year

- 100% of kitchen range SKUs now FSC® or PEFC™ certified
- FSC®/PEFC™ certified timber in joinery and flooring SKUs increased from 38% to 63%
- Continuing to embed sustainability as a pillar of our product development process
- Creating a new role of Sustainable Product Developer to deliver further benefits in packaging and product design in 2023 and beyond
- Removal of polystyrene from Clerkenwell frontals produced on our new production line
- Launched our first own-brand Lamona product with EPS-free packaging
- A+ energy rated products in all extractor designs



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

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

2022 update: 100% of all our kitchen frontals were made from FSC® or PEFC™ certified materials. All the frontals which we manufacture ourselves are certified, and we insist on certification for all new frontals which are manufactured by third parties.

SUPPLIER CODE OF PRACTICE: Introduce code of practice for all timber suppliers, clarifying our commitment and expectations regarding ESG standards throughout the supply chain.

2022 update: Our new Supplier Code of Conduct has been issued to all suppliers, and mandates that they use the SEDEX sourcing platform. See page 68 for more details.

PACKAGING: Removal or reduction in environmental impact of plastic we use in product and packaging.

2022 update: We are aiming to remove 17 tonnes of plastic packaging from glazed moulded skin doors replacing this with a corrugated solution that is recycled, recyclable and FSC® certified. We will also build on the work to remove polystyrene from our packaging across product categories through 2023 whilst looking for opportunities to remove or reduce plastic from our product. In 2022 we removed over 300,000 pieces of polystyrene from our packaging, replacing them with a paper-based alternative that is recycled and recyclable. This is enough polystyrene to fill eight 44-tonne lorry trailers.

Sustainability matters

Our environment and SECR reporting

Reducing waste, responsible operations, lowering emissions

2022 highlights

- **Maintaining zero to landfill in 2022 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 2022 and this is our target for the future.
- **Less than 1% to landfill in our UK depots in 2022.** This metric is part of one of our main ESG commitments, and we've made significant progress in 2022, ending the year with 99.7% of depot waste avoiding landfill. See page 50 for more details.

KPI

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

- **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 2022 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 our biomass boilers was equivalent to the average electricity consumption of over 10,000 households.

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

ZERO TO LANDFILL: Zero to landfill across our UK depot network over time, with a target of less than 5% to landfill by the end of 2022.
2022 update: Exceeded the 2022 target at 99.7%. See page 50.

CARBON NEUTRAL MANUFACTURING: Carbon neutral manufacturing by the end of 2021.
2022 update: Achieved in 2021 and maintained in 2022. See page 50.

SECR Reporting

Energy efficiency initiatives

Over 10 years, our carbon intensity ratio tCO_2e / £m turnover has decreased by 58%. Reducing energy consumption and maximising efficiencies has become business as usual, focused on where our large consuming assets are. This is predominantly in our manufacturing sites at Howden and Runcorn.

Our energy reduction strategy has been targeted towards high consumers such as extraction and compressed air systems with energy efficient drives and variable demand optimisation. LED Lighting, new asset specification and asset automation continues to significantly contribute to these ongoing reductions. Our other main area of focus has been on our transport fleet, which we discuss on page 66.

Use of renewable energy sources and carbon offsets

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 (REGO). Each year, this will avoid around 10,000 tonnes of indirect carbon emissions. The impact of this can be seen in our market-based 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 1msqft of manufacturing space with 98% less carbon emissions.

In 2021 we achieved carbon neutral manufacturing at our Howden and Runcorn sites. We committed to annual recertification and in 2022, we retired 11,363 Gold Standard Carbon offsets. Independent registry and verification details can be found on page 50.

SECR - Emissions reporting

Absolute carbon emissions reduced 3.5% against 2021

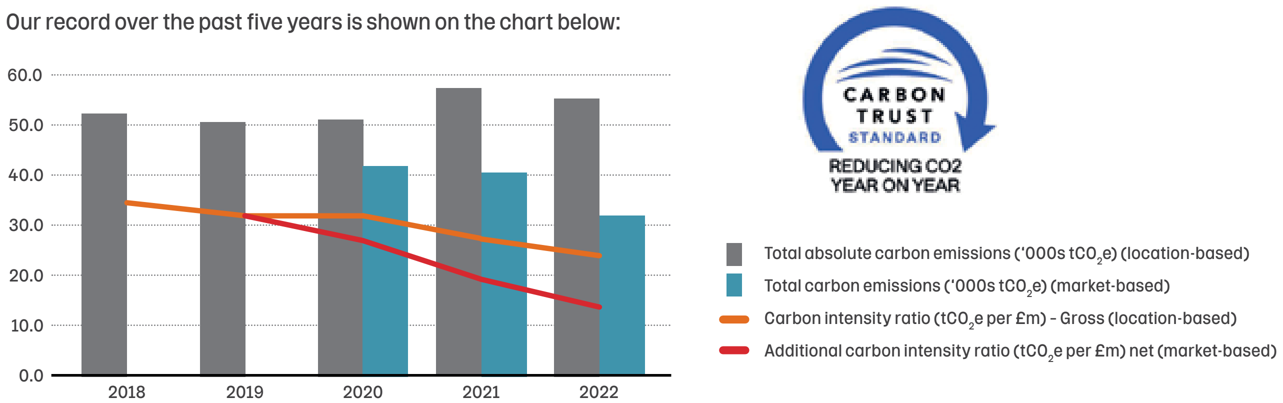
Emissions reporting methodology

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.

We have used the Operational Control boundary which includes all UK and International operations with the exception of Sheridan Fabrications Ltd, which we acquired during 2022. 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.

	Total CO_2 emissions (Tonnes)	
	2022	2021
Scope 1 - Direct: Gas	13,032	15,707
Scope 1 - Direct: Owned Transport (LGV/Van/Car)	28,302	27,626
Scope 1 - Direct: Other fuels	1,354	1,684
Scope 1 - Direct: Biomass	469	642
Scope 1 - Direct: Total	43,157	45,659
Scope 2 - Indirect: Electricity - location-based	12,067	11,585
TOTAL Scope 1 and 2 absolute emissions - location-based	55,224	57,243
Scope 2 - Indirect: Electricity - market-based	101	7,460
TOTAL Scope 1 and 2 - market-based	43,258	53,118
Carbon offsets tCO_2e	(11,363)	(12,648)
TOTAL (Scope 1 and 2) net emissions	31,895	40,470
Turnover (£m)	2319	2093.7
Carbon intensity ratio (tCO_2e per £m) gross, location-based	23.8	27.3
Inflation adjusted intensity ratio (tCO_2e per £m) gross, location-based	28.4	29.9
Additional carbon intensity ratio (tCO_2e per £m) net, market-based	13.8	19.3
Additional inflation adjusted intensity ratio (tCO_2e per £m) net, market-based	16.4	21.1
Energy consumption used to calculate above emissions (kWh)	321,588,787	308,287,239
Proportion of CO_2 emissions generated in the UK:	98.6%	99.0%
Proportion of total energy consumed (kWh) in the UK:	98.5%	98.6%

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



Sustainability matters

Our communities

Local and national donations and partnerships

2022 highlights

Partnerships

Howdens actively partners with like-minded organisations who share our ambitions to improve people's lives.

Our partnership with Leonard Cheshire Disability entered its 18th year. As well as donating kitchens during the year, Leonard Cheshire Disability provided support on our equality, diversity and inclusion programme, sharing their expert knowledge on disability and skills.

We also continued our partnership with 'I Can & I Am', the charity whose purpose and passion it is to inspire confidence in young people and to help them to maintain good mental health by offering pastoral services via a converted double decker bus (www.icanandiam.com/the-bus/).

Three exciting new partnerships were launched in 2022 that promote young people and skills. Howdens sponsored the Donmar Warehouse's 'Take the Stage' programme, which invites young people who may not have access to theatre to devise a new work that is in response to a Donmar production and is reflective of their perspectives of the world. Take the Stage gives access to a leading team of theatre makers, with their performance being shared on the Donmar stage in front of an invited audience (www.donmarwarehouse.com/donmar-local/take-the-stage/).

Howdens also funded the Queen Elizabeth Scholarship Trust (QEST) and National Saturday Club's new 'Craft&Making' Saturday Club, which launched in January 2023. The Craft & Making Saturday Club will give young people the opportunity to explore and engage with craft-based activities, developing their creativity and hand-making skills (www.saturday-club.org/subject/craft-making/).

Howdens also launched the 'Game Changer' programme in partnership with the Football Association (FA). This exciting new initiative involves Howdens donating £1 million of kitchens each year for three years to grass roots football clubs. This programme will have nationwide reach and will benefit local clubs who are so often the heart of the community.

Howdens Worthwhile Foundation

Our community and charitable activities will continue to transition to the Howdens Worthwhile Foundation during 2023. The Foundation will build on the exciting partnerships already in place with the primary purpose of supporting skills, inspiration, young people and inclusivity. It will also facilitate the local donations and fundraising that has always been central to our communities strategy.

Giving back to local communities

Our employee-led communities strategy continued in 2022 with Howdens donating £1.3m to charities and community groups. The largest proportion of our giving is decided by our people who chose to donate cash and stock to a diverse group of causes, including hospices, colleges, health and mental health charities as well as local sports clubs, youth groups and community projects. Unsurprisingly, there was more focus in 2022 on groups helping with the cost of living crisis with food banks, housing trusts and homeless charities receiving bigger donations than ever before. Local donations and fundraising will continue to form the backbone of our 2023 communities strategy.

Supporting our employees support the causes that matter to them

Howdens donated to thousands of different charities and community groups during 2022 but our employees continued to fundraise for the causes that meant the most to them. Early in the year, Howdens employees raised over £42,000 for the Disasters Emergency Committee (DEC) Ukraine appeal, with a significant proportion donated via payroll giving. Howdens matched all employee funds raised and donated an additional £7,000 through a separate initiative. In total over £91,000 was raised for the DEC appeal.

One of our Area Managers, Ed Gregory, completed his goal of raising £100,000 for The Children's Hospital Charity, Sheffield. Initially giving himself 10 years to achieve this ambitious target, Ed completed it in five years. By fundraising with colleagues, via collection buckets in depots and with a little help from Howdens at the end, these donations will support key projects at the children's hospital going forwards.

In December, our employees raised money for Nurture a Child's Christmas appeal. Nurture a Child is a Hull based charity close to our factory in Howden. Their appeal relies on volunteers to produce Christmas gifts for local older children and teenagers in care who otherwise would receive little or nothing on Christmas Day. Thanks to the efforts of our people, 382 gifts were donated last Christmas.

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 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 39.

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 2022, as well as early weeks' trading in 2023. They have reviewed the Group balance sheet at December 2022, noting that the Group is debt-free, has cash and cash equivalents of £308m, 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 2022 Group forecast, prepared in November 2022 and including the actual results of the 2022 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.

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 2022 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.

Going concern and Viability statements continued

Going concern continued

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 24 December 2022 of £308m.
- 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 to 45, together with 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 2025. 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 2025.

Further reading relevant to going concern and viability

Principal risks and mitigations	**Pages 39 to 45**
Trading results	**Pages 19 to 35, and the Financial Statements**
Balance sheet	**Page 165**
Details of our £150m borrowing facility	**Page 188**
Auditor's report, with details of their work and conclusions on going concern and viability	**Pages 150 to 163**

Other Directors' statements

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with international accounting standards in conformity with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 86 and 87. On pages 88 to 95, 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 reporting

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 147 shows where in this Annual Report and Accounts to find each of the disclosure requirements.

Disclosure of information to the auditor

Having made the requisite enquiries, the Directors in office at the date of this report have each confirmed that, so far as they are aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Group's auditor is unaware, and each of the Directors has taken all the steps they ought to have taken as a Director to make themself aware of any relevant audit information and to establish that the Group's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' responsibility statement

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and Company, and the undertakings including the consolidation taken as a whole;
- the Annual Report and Accounts includes a fair review of the development and performance of the business and the position of the Group and Company and the undertakings including the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face; and
- the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and Company's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:

Andrew Livingston
Chief Executive Officer

Paul Hayes
Chief Financial Officer