

Governance

Sustainability
Committee report



Peter Ventress
Sustainability Committee Chair

Introduction

I am pleased to present the Sustainability Committee report for 2024. This report is organised into the following sections:

- Committee member attendance, Committee evaluation results, Committee activity in 2024 and key activities in the year ahead.**
- Committee environmental and social considerations in the year**
- Case study: Chartered Manager Degree Apprenticeships**

Having a sustainable business is a priority for the Board. It is central to everything we do and the Sustainability Committee helps to ensure that it is given as much of the Board's time and attention as our other business priorities. Many of the items considered and approved at the Committee are considered in detail in the Sustainability matters report (beginning on page 42), so this Committee report is necessarily shorter than others to avoid duplication but to still highlight some of the key work of the Committee during the year, and to consider the work in the year ahead.

Peter Ventress
Sustainability Committee Chair

Committee meeting attendance in 2024

Peter Ventress	(3/3)	
Karen Caddick	(2/2)	Retired 2 May 2024
Andrew Cripps	(3/3)	
Roisin Currie	(1/1)	Appointed 1 July 2024
Louis Eperjesi	(3/3)	
Louise Fowler	(3/3)	
Vanda Murray	(2/2)	Appointed 1 February 2024
Suzu Neubert	(1/1)	Appointed 1 July 2024

Committee evaluation in 2024

Areas of focus:

- Role and operations of the Committee
- Composition
- Leadership
- Process and procedures

Methodology:

See page 108 of the Nominations Committee report.

Outcomes:

In all areas of focus (see above), the Committee scored above benchmark¹. In particular, it was felt that the Committee had the appropriate competence relevant to the Company's sector and was collaborative in its approach.

It was noted by Committee members that a key focus for the Committee in the year ahead would be ensuring sufficient resource was in place for the Company to identify and meet the ever-growing and significant reporting and legislative requirements and to ensure appropriate verification of data was carried out.

¹ Benchmark is derived from over 1,000 board evaluations, which include feedback from more than 3,000 board members across 400 organisations.

2024 Sustainability Committee activity

February

Committee meeting

- SBTi Net Zero approval and progress update
- ESG materiality review results
- EDI update
- Gender pay gap report
- 2023 Sustainability Committee report
- Sustainability Committee effectiveness review

April

Committee meeting

- Scope 3 emissions update
- Gender Working Group update
- Early careers, including presentations from graduate apprentices

November

Committee meeting

- EU Deforestation Regulations update
- ESG performance and compliance update
- Climate risk
- EDI update
- 2025 Sustainability Committee calendar
- Committee Terms of Reference

Key Committee activities in the year ahead

- Receive updates on execution of the Group's sustainability strategy, including the roadmap for SBTi Net Zero targets.
- Receive updates on the Group's equality, diversity and inclusion priorities, workforce skills and development.
- Review the Sustainability Committee's Report and Terms of Reference.
- Approval of the 2025 Sustainability Committee calendar.

Committee environmental and social considerations in the year

Net Zero¹

Having the Group's Net Zero targets approved by SBTi, as reported to the Committee during the year, represents a significant milestone for Howdens' ESG agenda. The Committee received regular updates on progress against targets from the Director of ESG and will continue to do so in 2025 and in future years.

The Committee is mindful of 2030 targets which include the reduction of absolute Scope 1 and 2 GHG emissions by 42% and absolute Scope 3 GHG emissions by 25%. In addition, the Committee will monitor the target for 25% of suppliers (by spend) to set science based targets by 2027.

The Director of ESG reported to the Committee that a new website had been launched during the year to support the Group's sustainability activities. This can be accessed at <https://howdens.foleon.com/sustainability/our-road-to-zero/>

Supplier engagement

Supplier engagement is key to the execution of the Net Zero strategy and reduction of Scope 3 emissions. The Committee received an update from the Director of ESG in April on the ESG messaging at the Supplier Conference in March. At that conference, the CEO delivered the message that meeting the Group's ESG long-term targets was non-negotiable. Further information about the Supplier Conference and supplier engagement can be found on pages 49, 90 and 91.

The Sustainability Committee also received updates on ESG360, the Group's ESG supplier engagement tool.

¹ See page 47 for a definition of 'Net Zero'.

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Sustainability Committee report continued

ESG compliance

The regulatory burden for companies relating to ESG disclosure and compliance is significant and increasing at pace. During the year, the Committee received updates in relation to EU Deforestation Regulation (EUDR) and the EU Zero Deforestation policy, Corporate Sustainability Reporting Directive (CSRD), TCFD disclosures (to be superseded by disclosures under International Sustainability Standards Board (ISSB)), TNFD disclosures, Greenwashing Directive as well as voluntary disclosures under the Carbon Disclosure Project (CDP).

The Committee will work with the Audit Committee on a CSRD implementation plan during 2025 and work has already commenced on double-materiality assessments. CSRD will apply to the French business from 2025.

Climate risk

The Director of Risk and Assurance provided the Committee with an update on physical climate risk at the November meeting.

The climate risk assessment looked to identify inherent physical climate risk exposures using Recognised Climate Pathways (RCPs) to analyse the risk of precipitation, river floods, storms, sea level rises, heat fire and drought to Howdens' depots (including international operations), manufacturing and distribution sites along with other critical infrastructure locations (such as IT data centres); all Tier 1 suppliers globally that are relied upon to derive £2.5m or more of profit; and any planned major future investment locations and new depot locations. Risk was assessed over three time horizons: short, medium and long-term.

More information on our 2024 physical climate risk assessment can be found on page 66.

Equality, diversity and inclusion (EDI) and skills

The Committee continued to have oversight of management's EDI strategy and received regular updates from the HR team throughout the year. The Committee received a presentation on Chartered Manager Degree Apprenticeships in July, a case study of which is set out on page 153.

The Committee considered and approved the Group's Gender pay gap report in February and will continue to monitor this with the Remuneration Committee in 2025. Information was provided to the Committee at their request in respect of bonus differentials, although it was noted that this was due to new joiner, leavers and apprentices not being in receipt of performance-related bonuses.

Case study

Chartered Manager Degree Apprenticeships

Howdens has a strong track record of promoting social mobility and organically growing its talent pool through apprenticeships. In 2024, the Sustainability Committee received an update from the Operations Leadership team on the first cohort of Chartered Manager Degree Apprenticeships (CMDAs), which included presentations from two of the students enrolled in the programme.

The primary objective of the programme is to nurture talented individuals capable of leading the Company's strategic initiatives across key business areas and enhancing business performance.

The rotational programme is structured to offer participants exposure to critical areas of our manufacturing and logistics business, helping them to gain insights and develop a breadth of knowledge, skills and experience. By immersing themselves in diverse roles and functions, participants gain a broad understanding of the business, resulting in a well-rounded skill set, which will support business performance.

Key to the success of this initiative is the recruitment of high-calibre candidates who demonstrate the attitude and drive to excel. Through a thorough assessment and selection process, we identify individuals who embody our core values and exhibit a passion for continuous learning and growth, curiosity, leadership and initiative - all critical to be successful at Howdens.

The business partnered with Corndel, a third-party educational partner, to develop the Chartered Manager Degree Apprenticeship programme. In its first year,

the programme received over 120 applications. Applicants were shortlisted and 18 were invited to attend an assessment centre in Howden, East Yorkshire. Members of the Operations leadership team were part of the assessor pool and Julian Lee (Operations Director) opened the assessment centre, demonstrating our commitment to this new programme. The calibre of the applicants at the assessment centre was very strong and five offers were made to applicants.

The first placement of the programme lasts nine months and has included placements in Safety, Health & Environment (SHE), quality, engineering, procurement, HR, finance, manufacturing, and warehousing. For the first time this year, we also included a placement in ESG. Subsequent placements last for six months and every apprentice spends one placement on shift in either our manufacturing or warehousing operations. Apprentices gain invaluable experience working with and managing colleagues in operational roles.

In addition, each apprentice has one day a week to do their university studies remotely, supported by Corndel. At the end of the two-and-a-half-year programme, they receive a Level 6 Chartered Management Degree.

The Howdens CMDA programme, which is now in its second year, has 10 apprentices across Operations. As well as the Sustainability Committee, apprentices have presented to the Executive Committee, Operations leadership team, and shareholders at our investor days.