

Sustainability Committee report

Sustainability Committee 2021 meeting attendance

Richard Pennycook (1/1)
Geoff Drabble (1/1)
Karen Caddick (1/1)
Andrew Cripps (1/1)
Louise Fowler (1/1)
Debbie White (1/1)

Key activities in the year ahead

- Deep-dive review on skills.
- Establishing a Group-level commitment toward Net Zero.
- Presentations in respect of the Group-wide diversity agenda.
- Initiative updates from the Sustainability Director.



Richard Pennycook
Sustainability Committee
Chairman

Introduction from the Sustainability Chair

Whilst there has long been an expectation that companies should behave in a socially responsible way, there has been a marked change in the previous decade as to the political and public will in relation to the advancement of progressive environmental and social matters. We see the awareness of these matters, such as the 'decarbonisation' of the global economy, waste reduction, levelling-up in respect of diversity and ethnicity, and social mobility, and the willingness to act from our customers, employees and shareholder.

ESG initiatives and reporting have been a recurring item on the agenda of the Howdens Board. The business has responded to increased focus on ESG matters by dedicating additional resource and first appointing a Chief Governance Officer and latterly a Director of Sustainability. But it is important that leadership sets the tone from the top, particularly in relation to setting strategy and metrics, and therefore (following a recommendation by the Nominations Committee) the Board established a dedicated committee in 2021 to review sustainability initiatives and reporting. Delegating the responsibilities which originally sat with the Board will allow for additional focus and scrutiny and it is intended that the Sustainability Committee will look to identify areas where Howdens can really make a difference, as well as ensuring high standards of governance and reporting in this area.

It is probably true to say that 'ESG' is used as a catch-all term for almost all non-commercial or non-financial business matters. Corporate governance, in its current form of a codified set of rules against which companies must 'comply or explain', has been in place for nearly 30 years and Howdens has a well-developed set of Board and Committee practices and systems which are designed to mitigate corporate governance risks and failures. Howdens already has developed high-quality financial and governance reporting practices and therefore the remit of the Sustainability Committee does not cover governance matters per se and these remain a matter for the Board and its Committees.

It is expected that the function of the Sustainability Committee will develop over time but we have set out below the core role, remit and responsibilities of the Committee to provide a summary of how the Committee will operate in 2022. We have also disclosed some of the key work of the Committee during the year, some of which was addressed by the Board prior to the establishment of the Sustainability Committee.

Role, remit and responsibilities

The principal role of the Committee is to assist the Board in articulating and developing its sustainability strategy and providing oversight of sustainability initiatives across Howdens, in line with the purpose, values, and strategy of Howdens as established by the Board.

This includes monitoring of the content and completeness of Howdens' external statements, disclosures and other reporting on Sustainability matters. The Committee shall carry out the duties considered below in relation to any environment and climate action and Howdens' contribution to society. However, it will also consider any other matters referred by the Board or its Committees relevant to sustainability.

The Committee will carry out the following duties:

- Oversee Howdens' sustainability strategy, consider and approve proposals from management on the content of that strategy and recommend its adoption by the Board.
- Monitor and review progress against priorities and objectives, including compliance with public commitments on sustainability matters.
- Oversee management's plans on environment and climate action, including the setting, disclosing, and achievement of targets.
- Oversee and assess Howdens' overall contribution to, impact on, and role in society in the countries where it operates.
- Review external reporting and recommend for approval the external statements and disclosures made by Howdens in relation to sustainability, including the relevant sections of Howdens' Annual Report. This shall include keeping under review the extent and effectiveness of Howdens' external reporting of sustainability performance and its participation in external benchmarking indices.
- Consider Howdens' position on relevant emerging sustainability issues and consider and approve proposals on Group targets and/or the Group's commitment to non-mandatory sustainability related objectives.

The Committee will liaise as necessary with all other Board Committees as required.

Diversity: Equality, Diversity and Inclusion (EDI) Group

At the Sustainability Committee meeting in November, the Committee received an update from the Group HR Director on the progress made during the year in respect of the EDI Group.

The Group's EDI priorities were considered and an Executive Sponsor was agreed for each priority. Each sponsor will be supported by an internal and external resource and will be responsible for building an action plan for their priority area as well as having responsibility beyond their focused demographic to steer the overall direction of the EDI strategy.

The Committee also noted that an employee engagement survey would be undertaken in March 2022. This will be used as an opportunity to communicate the EDI priorities and collect the data needed to better understand the current EDI landscape and to and measure progress.

Apprentices

Howdens has an externally recognised track record for apprenticeships and we are proud of our strong success in this area. Many of our commercial strengths are underpinned by our home-grown model and, in conjunction with our focus on social mobility, will remain an area of focus.

The development of skills both at Howdens and in the wider construction industry will help sustain our business as well as helping to address the skills gap in construction more generally.

Howdens uses its apprentice levy across four key investment areas:

- Continuing to build our apprentice pipelines.
- Developing existing employees.
- Funding the education of construction apprentices.
- Educating and enabling our trade customers to employ apprenticeships.

The Sustainability Committee will undertake a deep-dive review on skill in 2022.

More information on apprenticeships at Howdens can be found in the Sustainability Matters report on page 46.

Task Force on Climate-Related Financial Disclosures (TCFD)

Following updates to the Board during the year, the Sustainability Committee considered and approved the methodology and draft disclosures under TCFD. Supported by external consultancy, TT Impact Strategies, the Group utilised the following methodology for TCFD implementation:

1. Governance and oversight: Board and management oversight to ensure that climate issues are embedded in the strategic planning/ enterprise risk management
2. Assess materiality of climate-related risks: Understand potential climate related risks and opportunities for Howdens' business involving all relevant internal stakeholders
3. Develop and define scenarios: Construct appropriate scenarios to develop relevant narratives according to Howdens' context and business model
4. Evaluate business impacts: For each scenario (three scenarios), identify key strategic and financial impacts - qualitative to quantitative
5. Identify potential responses: Use the results to identify realistic strategic responses to manage risks and opportunities
6. Document and disclose: Communicate to relevant parties - the inputs, assumptions, methods, outputs, and potential management responses

The Group's reporting under TCFD in respect of the year ended 25 December 2021 can be found on pages 52 to 57.

The Sustainability Committee will continue to receive updates from management on how the outputs from the TCFD review process are being implemented across the business as well as the development of TCFD reporting in the future.

By order of the Board

Richard Pennycook
Sustainability Committee Chairman

23 February 2022