

Howdens at a glance

The UK's largest trade kitchen supplier

1. We produce



Resources and relationships

- Trusted supplier relationships give us access to the latest products at the best prices
- Skilled and motivated workforce



How do we create value?

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







Resources and relationships

- Decentralised business model
- Empowered local depot managers
- Trusted customer relationships
- · Local depot network with a nationwide reach
- The right product. In stock



3. We deliver excellent service across our nationwide local depot network

5. We are worthwhile for all concerned



Outcomes

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



4. We support the builder



- 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





To supply from local stock nationwide the small builder's ever-changing, no-call-back quality and confidential trade terms... and to provide the builder's

routine integrated kitchen and joinery requirements, assuring best local price, customer with enough choice, advice and aftersales to make a home to be proud of.

And the state of t

"2021 was a very successful year for Howdens as we both delivered record financial results and progressed our strategic plans for the business.

Our performance demonstrates the strength of our trade-only, in-stock business model and our ability to meet heightened demand for our products."

Andrew Livingston - CEO

Operational highlights



30 new UK depots



10 new depots in France

£2.1_{bn}

Financial highlights

Revenue

(2020: £1.5bn)

£402m

Operating profit

(2020: £196m)

£390m

Profit before tax

(2020: £185m)



17 new kitchen ranges



Good progress on our ESG commitments

61.6%

Gross margin

(2020: 60.1%)

53.2_p

Earnings per share

(2020: 24.9p)

19.5_p

2021 full year dividend

(2020: 9.1p, plus special dividend of 9.1p)



Making more product in our own factories



Continuing to strengthen our digital offering

£515m

Net cash at year end

£134m

Dividends paid in year

(2020: £nil)

£50m

Shares bought back

(2020: £10m)

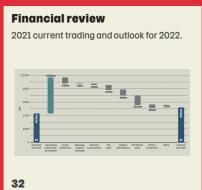
Strategic report

How we create value



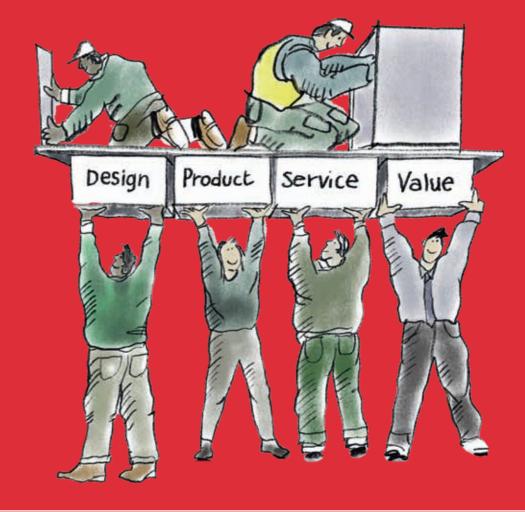


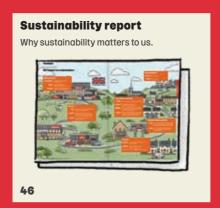










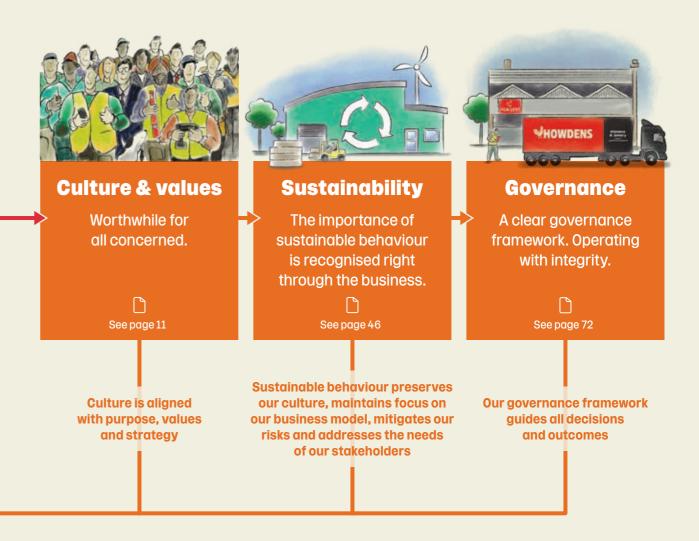




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Our purpose-driven approach







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.

Our purpose



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.

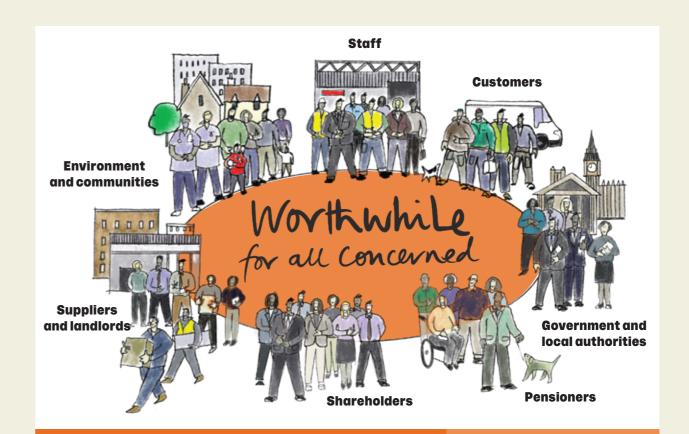
Product leadership

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 and 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

Worthwhile for our other stakeholders

- Delivering consistent long-term value for shareholders with a growing dividend and return of surplus cash
- Helping end-users at each stage of their buying decision
- Important local employer and good neighbour in over 750 communities
- Giving back to local and national charities
- Responsible purchasing and environmental policies

Our market







The kitchen market

- 29 million homes in the UK. 18 million owned and 11 million rented
- The kitchen remains the heart of the home
- 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

Trusted by the trade

Highest Net Promoter Score® with the Trade for the past 3 years¹



Universal Brand Awareness by the Trade¹



Market leaders in key metrics that are important to the Trade¹



Lowest





Service



Stock **Availability**

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 450K+ customer accounts Howdens supply to 1 in 3 tradespeople. Opportunity to grow customer base further.



1 Source: Brand Tracker (Nov 2020)

Our strategy



Achieved via:

Our long-term strategic objectives

Reach more builders

Grow market share. Increase trade convenience.



Product innovation

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



Operational excellence

Increase customer service, efficiency, trade value and profitability.



Giving us the tools to do the job.



Prudent financial management

Our strategic initiatives

· Evolving our depot model

Underpinned by:

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



Measured by:

• Sales growth

Profit before tax

Depot openings

• Health & Safety

Waste recycling

• FSC° or PEFC certified raw materials

KPIs

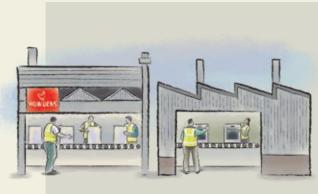
Cash

² Office of National Statistics

Our business model

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

What we do



Product manufacturing and sourcing

- Our manufacturing and sourcing experts ensure that we offer attractive products that are trade quality and easy to fit.
- We make what it makes sense for us to make in our two UK factories and we buy other product in from our suppliers.
- We design and manufacture all of our own cabinets, over 4.5 million in 2021, as well as some cabinet frontals, worktops and skirting boards. We're agile and we keep the make vs. buy decision under review.
- 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.



Distribution

- Our in-house distribution operation delivers from our factories and central warehouses to our network of over 800 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.



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.



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



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.



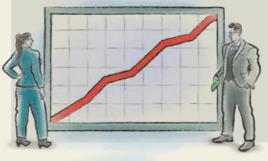
Staff

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



Suppliers

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



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.



Communities and environment

- Employment opportunities and good neighbour in around 800 communities.
- · Supporting local and national charities.
- Responsible ESG practices and policies.
- See our Sustainability report (page 46).

Chairman's statement

A year of significant progress and record results

"Howdens achieved exceptional financial results through satisfying unprecedented demand as the economy recovered from the lockdown phase of the pandemic."

"We maintained industry leading availability at a time when scarcity presented significant challenges to many people and businesses."

"This robust performance highlights the strength of our trade-only, in-stock, local business model, which enabled us to satisfy pent-up demand as people chose to spend more on their homes."

Demonstrating the strength and resilience of our business model

When a crisis strikes, people, systems and organisations are tested to the limit. The global pandemic has inflicted such tests on all of us over the past two years. For Howdens it has been a period which has highlighted the quality of our leadership team, the resilience of our business model, the strength of our balance sheet and the dedication of our colleagues. Or to put it more simply - the power of our culture. Despite the significant challenges of the pandemic, we have kept our trade customers operating and in turn they have been able to continue to provide critical services keeping millions of homes and businesses functioning. Our overriding priority has remained the health and safety of our colleagues and other stakeholders.

If 2020 was all about crisis management, 2021 was about positioning the business to be a long-term winner once recovery starts, whilst at the same time handling the ongoing challenges of COVID-19 restrictions. Your Board is pleased to report that the Company achieved exceptional financial results through satisfying unprecedented demand as the economy recovered from the lockdown phase of the pandemic. We maintained industry leading availability at a time when scarcity presented significant challenges to many people and businesses. This robust performance highlights the strength of our trade-only, in-stock, local business model, which enabled us to satisfy pent-up demand as people chose to spend more on their homes.

Financial performance and strategy

2021 was an outstanding year for Howdens with the Group achieving record financial results. Overall, 2021 revenue was up 35.3% compared with 2020, and 32.2% ahead of 2019, with gross margins 150 basis points ahead of 2020 at 61.6% (2020: 60.1%) but still 70 basis points behind 2019 (2019: 62.3%). This was an encouraging performance as we appropriately balanced mix with significantly higher overall volumes. We were particularly pleased with margin in the second half, when we were able to pass on the inflationary pressures seen in the supply chain and of course benefited from our vertical integration.

Profit before tax was £205.0m ahead of last year at £390.3m (2020: £185.3m; 2019: £260.7m). This exceptional performance reflected strong market demand and our excellent response to logistical and supply chain issues brought about by COVID-19 and Brexit, which caused product shortages elsewhere in the industry. Earnings for the year were 53.2p per ordinary share, an increase of 113.7% on the prior year and up 52.0% on 2019 (2020: 24.9p; 2019: 35.0p). Strong cash generation remains one of the great hallmarks of this business and we delivered another good performance despite investing in additional inventory to ensure high levels of stock availability for our customers. Further details of our operational performance can be found in Paul Hayes' Financial Review starting on page 32.

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 20.

Capital allocation and returns to shareholders

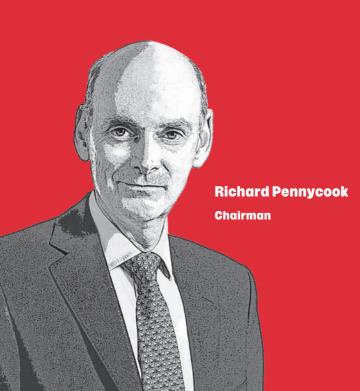
Our approach to capital allocation has primarily focused on achieving sustainable profit growth by investing in and developing our vertically-integrated business. We also want to maintain and grow our ordinary dividend in line with earnings growth, to reward shareholders with an attractive ongoing revenue stream. Howdens has an appropriately prudent risk appetite towards balance sheet management, which was a significant strength as company balance sheets were placed under pressure during the early stages of the pandemic. After allowing for these uses of cash, we remain committed to returning any surplus capital to shareholders.

Within its definition of surplus capital, the Board believes it is appropriate for the Group to be able to operate through the annual working capital cycle without incurring bank debt.

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 significant property lease exposure for the depot network, and a large pension scheme that has only recently moved into a surplus (on a technical provisions basis).

This prudent approach has been borne out over the past two years with the balance sheet being a source of great strength through the challenges of the pandemic. While in the crisis phase of COVID-19 the Board took decisive action to conserve capital, but as markets have recovered we have progressively reinstated our capital priorities including the return to paying dividends in 2021 and the return of surplus capital in the second half year. These returns were only made after having repaid all Government support received early in the pandemic.

The Board has reviewed its capital allocation policy considering the current economic environment to ensure it is clearly defined and retains a disciplined approach to enhance shareholder value. This prioritises our strategy of continuing to invest in depots, manufacturing and logistics capabilities and related strategic investments, while delivering a progressive dividend. Our policy will be that where year end cash is in excess of £250m we expect to return surplus cash to shareholders, which provides sufficient headroom to support organic growth, our working capital requirements and ongoing investment in our strategic priorities. At this level of cash, the balance sheet will remain strong with a leverage of approximately 0.7x EBITDA after taking into account lease liabilities.





Chairman's statement continued

On this basis, we have announced a further £250m share buyback programme which we aim to complete over the next 12 months. This is in addition to the £50m share buyback programme announced with the half-year results and completed during the second half of 2021.

During 2020, no interim dividend was paid, but a final dividend of 9.1p per ordinary share and a special dividend of 9.1p per ordinary share were paid in June 2021 in respect of 2020. Taking into account the Group's continued excellent prospects and strong financial position, in July 2021 the Board declared an interim dividend of 4.3p per ordinary share. The Board is recommending a final dividend for 2021 of 15.2p per ordinary share, giving a total 2021 dividend of 19.5p per ordinary share. The final dividend will be paid on 20 May 2022 to shareholders on the register on 8 April 2022.

Governance

One of my key responsibilities as Non-Executive Chairman is to ensure good corporate governance for Howdens. The business has a clear governance framework and we operate with integrity in all we do. It is vital to maintain the trust of investors, customers, our colleagues and other stakeholders in an environment where expectations, as well as regulations, continue to grow.

Our strong trading performance this year has been underpinned by governance practices which give the business the resilience to prosper even in challenging times and to preserve the value it creates. It would be easy to assume that this resilience was inherent within the business, given its healthy and strong culture, but that is not necessarily the case. There is no place for complacency in any business, and your Board focuses closely on clarity of accountabilities and reporting lines, careful planning, and relentless execution. While our meetings during 2021 inevitably focused on the impacts of the COVID-19 crisis and the health and wellbeing of our employees and customers, much of the Board discussion this year was also about ensuring resilience in many aspects of our business and the clarity of our long-term strategy. You can read about our progress in the Governance Report beginning on page 72.

Sustainability

In addition to COVID-19, an overarching theme for 2021 has been sustainability. Businesses and individuals have been challenged to consider the sustainability of their behaviours to try and prevent irreversible climate change and to address the social inequities that we face.

The opportunity to have a positive impact on our environment is a key component of our growth plans. The only way we can continue to grow in a way that supports our business, mitigates our risks and addresses the needs of our stakeholders, is to ensure our sustainable behaviour and attitude remains embedded in our business model. We describe Howdens as being 'worthwhile for all concerned' and 'creating the conditions for everyone to succeed' and this means our business needs to be worthwhile for our people, our customers, our suppliers, the environment and the communities we work in.

Following the Group's strategic review of its ESG priorities in 2020, good progress was made against our four key commitments during 2021. We are significantly ahead of our plan to eliminate waste to landfill and were pleased to be one of the first companies in the UK to achieve carbon neutrality in our manufacturing operations. We have also made significant progress toward full adoption of the Task Force on Climaterelated Financial Disclosures (TCFD) recommendations for the first time, one year ahead of requirement.

Each of our depots represents a place in a local community and our people are encouraged and empowered to participate in community life. In 2021, the Group donated around £2.0m to good causes.

You can read about our progress this year in our Sustainability report on starting on page 46.

"Howdens has a clear governance framework and we operate with integrity in all we do. It is vital to maintain the trust of investors, customers, our colleagues and other stakeholders in an environment where expectations, as well as regulations, continue to grow"

Our people

Howdens' strategy will only be successful if we continue to invest in and develop our people. We are committed to their development at all levels of the organisation and have an ambitious training and skills agenda commensurate with the social mobility we foster through our progressive and meritocratic working practices. Much of our training this year through necessity has taken place online due to COVID-19 but we rose to the challenge by delivering fives times more online training sessions than in 2020.

A key priority is developing the next generation of Howdens' people and we currently have over 570 apprentices working in a range of tailored programmes throughout all areas of our business. We recruited over 250 new apprentices in 2021 and we are pleased to celebrate the success of over 150 employees who successfully completed their training programmes this year. You can read more about our progress in the people section of the Sustainability report starting on page 46, and in Andrew's Statement.

Looking ahead

Howdens made excellent progress last year on many fronts despite considerable challenges. We have an attractive business model and a clear growth strategy which, coupled with a strong balance sheet, positions us well for sustainable growth in 2022. We recognise that for the time being uncertainty is likely to remain in some of our markets, but consider ourselves well placed to outperform in the years ahead.

We announced in February that I will retire as Chairman in September 2022, consequently this will be my last statement as Chairman of Howdens. This aligns with the Company's Board succession plan and good governance practice, including the UK Corporate Governance Code requirement for a Chair to step down after nine years on the Board.

It has been a privilege to serve this very fine Company, which represents everything that British business should be. I am extremely proud of our 11,000 people who have again stepped forward in often difficult personal circumstances to deliver these record financial results. On behalf of the Board, I would like to thank them for their passion, commitment and hard work - they are what makes Howdens special.

Richard Pennycook

Chairman

23 February 2022





Chief Executive's statement

2021 was a very successful year for Howdens as we both delivered record financial results and progressed our strategic plans for the business.

- Our performance demonstrates the strength of our local, trade-only, in-stock business model and our ability to meet heightened demand for our products.
- We continue to invest in our depot network, market-leading products, in our manufacturing and supply chain and our digital capabilities, all of which improve service to our customers and will help us take advantage of market opportunities.

Perspectives on 2021 results

Howdens has delivered a very strong performance in 2021, reporting record sales and profits for the year during a period of exceptional trading conditions.

UK sales increased significantly on 2019 and more so versus 2020 when first half trading was materially impacted by the onset of the 'Spring Lockdown' at the start of the second quarter. The increase in sales versus 2019 trended upwards across the year and UK sales passed the milestone of £2 billion

Our profitability improved, with Group profit before tax versus 2019 increasing at a higher rate than revenues and our gross margin exceeded that reported for 2020 as we mitigated input cost pressures with disciplined pricing.

We made good progress on our strategic plans both for the UK business and for our international operations, which delivered a strong performance.

We have moved our ESG agenda forward and I am pleased to report that our factories in Howden and Runcorn both achieved carbon neutral status in 2021. In respect of waste reduction, we achieved 99% depot waste avoiding landfill across all UK depots, versus 60% in 2019, having reached zero waste to landfill in our manufacturing and distribution facilities

The business delivered strong cashflow and we continued to maintain a robust balance sheet. This has given us the flexibility both to invest in our growth plans for the business, and at the same time provide shareholders with enhanced cash returns in the form of an increased final dividend and $\boldsymbol{\alpha}$ £250m share buyback programme.

Importance of our business model

These results demonstrate the strength of our local, trade-only, in-stock model, which has helped us to be there for our customers during a period of heightened demand.

A strong product line-up, high stock availability and a very engaged team together with the ongoing investments in our strategic initiatives, including digital, have all contributed to our record performance in 2021, as have the measures we took in 2020 to support our customers, who on average have spent more with us, and we ended the year with a record number of customer accounts.

We serviced heightened demand, without compromising overall service levels and benefited from the extended delivery times amongst our competitors.

We believe our customers have an even greater level of trust in our own capability to have the right product available as and when they need it. The feedback we are getting from our regular Builder Forums also cites many examples of how we are there for customers, not only on stock but also on service generally, which helps them run their businesses.

Feedback on the new features we added to our digital platform has been very positive. These features amongst other things help customers, who have been very busy this year, to save time and money.

We also increased prices, which helped us mitigate the significant rises in input costs which we have seen over the year. As well as protecting gross margin, we delivered a significant rise in volumes in the year.

In 2020, we flexed our traditional 'P11' sale period, when sales are typically more than double those of other periods, across both Periods 10 and 11 for the first time and we did so again in 2021. This approach helps builders book in more kitchen fits over a longer period, benefits supply chain management and helps our depot teams to service demand. Our teams in turn were incentivised for performance in each of P10 and P11 and for the periods combined.

Sales across Periods 10 and 11 exceeded those initially targeted by the business with both periods returning record results and relatively more sales accruing earlier in the two periods combined. In the final two periods of the year the business continued to perform very well against tough comparators and we have made an encouraging start to 2022.

In 2021 we successfully navigated the dual challenges of sharp rises in demand and the well-publicised stock shortages in many markets and our product categories.

I'm extremely grateful for the efforts of everyone across the business in 2021 and very proud of what the team has delivered, including the attitude and approach to health and safety which everyone has taken. In 2021 we moved and processed a record volume of goods, in no small part thanks to the efforts to keep safety awareness high.

We are well positioned in the current marketplace and for the future and we have initiatives in place to further strengthen our market position.





Chief Executive's statement continued

Update on strategic initiatives

Fully aligned with our trade-only focus and entrepreneurial culture, and based around our core building blocks of Service & Convenience, **Trade Value and Product** Leadership, these are:

- 1) Evolving our depot model
- 2) Improving our product range and supply
- 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 2021.

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 2021, we opened 31 new depots, up from the 16 opened in 2020. We now believe there is potential for at least 950 depots in the UK, including c.25 in Northern Ireland, and we plan to open around 25 new depots in 2022.

We have also continued with our revamp programme for existing depots, concentrating on our older estate where the largest incremental sales uplifts are expected. The programme is delivering additional sales and has received very positive feedback from depots and customers.

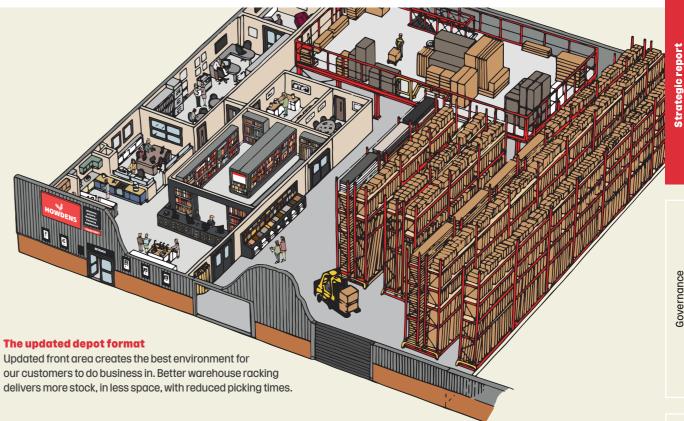
During the year, including relocations, we reformatted a total of 62 depots, taking the total number of revamped depots to 103 at the year-end.

The scale and scope of the revamps has been refined, with an average cost per depot of circa £225,000 going forward with an average payback of less than 4 years.

Including relocations, we plan to reformat around 70 more depots in 2022 and to re-rack the warehouses of a further 35 sites without other modifications at that time.

At the end of 2021, we had 210 UK depots trading in the updated format and we expect to end 2022 with around 305, having also re-racked the warehouses of a further 133 depots without other modifications. By the end of 2022, such depots, in aggregate, will represent around 55% of our UK estate.

"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"



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 2022 current range count is around 80, organised in nine families. New products for 2021 featured 17 new kitchen ranges with total sales well ahead of 2020 and 2019.

We are now placing greater emphasis on building out our share of higher priced kitchens where we have been historically under-represented. Such kitchens contributed more to our kitchen mix by volume in 2021, in a year in which sales and volumes across all price bands increased. feature in our new kitchen line-up for 2022 and we have been able to bring these more proven new kitchen styles to market more quickly.

New product for 2022 features 20 new kitchens.

Features of our 2022 new product introductions will include:

- launching new products across entry level kitchen ranges, which have traditionally been our strongest performers, by adding new ranges in both modern and shaker styles including the introduction of our new entry priced smooth shaker kitchen family Witney, which is available in three
- · introducing more higher-priced kitchens, including adding new colours for our timber shaker families introduced last year; and launching a new builder-friendly 'inframe' solution, a look often associated with high street independents; and
- · refreshing our most successful families with new market leading colours.

Chief Executive's statement continued

Update on strategic initiatives continued

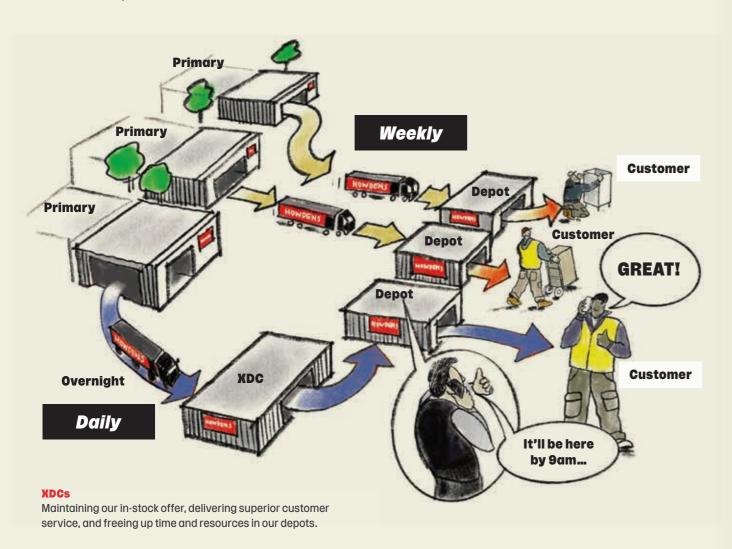
Regional cross-docking centres ('XDCs')

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

In 2020 we initiated a programme to make an improvement to stock replenishment via XDCs. We know that our customers value our high levels of stock availability and XDCs improve stock replenishment by supplementing depots' core weekly deliveries with a daily top-up service. This improves the service levels they can deliver to customers and frees up more time and resources to focus on sales and service reducing the need for inter-depot stock transfers.

This year we have significantly increased the number of depots serviced by XDCs and feedback from depots and customers using the service has been very positive. 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.

By the year end, we had 6 XDCs operating in the UK with the service available to around 400 depots, up from 120 at the end of 2020. We plan to roll out the XDC service to all our depots during 2022, taking the number of XDCs to 12 in total.



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

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, each of which have individual and changing day to day requirements.

In 2021 we continued to hold 'safety' stock as a contingency against unexpected demand patterns and interruptions to supply and we are utilising multi-modal freight routes to ship in-bound goods and materials where appropriate.

Last year we broadened the range of products we protect in this way and increased the number of weeks cover we have on some lines.

In 2022, we will continue with our policies on safety stocks 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, investment in manufacturing technology enabled us to make the kitchen frontals for our popular Hockley kitchen ranges. We then committed to further investment 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 to delivery.

We expect the new frontal lines located at our Howdens site to be operational in the second half of 2022. Our second architrave and skirting line is scheduled to be completed in July 2022, enabling us to service in-house more of the substantial increase in demand we have seen for these products.

We are also upgrading our bespoke solid surface worktop capabilities, which is a growing segment of the market, supporting our aim of increasing our share of the higher-priced segment of the kitchen market.

We first partnered with three fabrication companies to develop a design, template and fit capability and then acquired the assets of a solid surface fabricator which we branded as Howdens Work Surfaces ('HWS').

We have subsequently been investing in expanding HWS's capacity and, to support this further, in February we acquired Sheridan Fabrications Ltd, a leading industry specialist for the manufacture, fabrication, laser templating and installation of premium worksurfaces.

The acquisition increases our manufacturing capacity and will lead to lower installation costs, with associated margin benefits. The business is based in Normanton, West Yorkshire and employs around 200 people.

We intend increasing the scale and scope of our manufacturing operations at Howden and plan to reconfigure the site so that it is dedicated primarily to manufacturing.

To support continued growth plans we have acquired 5 acres of land and, subject to detailed planning, we are committed to acquire an additional 20 acres of land to extend our factory at Howden, East Yorkshire.

In particular, we will increase the manufacturing capacity for cabinets with new panel machining and rigid assembly lines and a new machining line for shaker doors.

With this investment, we plan to have the capability to manufacture kitchen doors for most of our ranges and we expect that the new lines will be operating by early 2025. At the same time, we will retain the benefits of sourcing from external suppliers, who will continue to provide around half of our kitchen frontals.

We also plan to invest in a new, purpose-built warehouse and distribution near the Howden site and once built, both the picking and dispatch will migrate there. This will enable the Howden site to be dedicated primarily to manufacturing, allowing it to flow and operate more efficiently, with room for further expansion if needed.

Chief Executive's statement continued

Update on strategic initiatives continued

3) Developing our digital platforms

Our digital strategy reinforces our model of strong local relationships between depots and their customers by raising brand awareness, and further supports the business model with new services and ways to trade.

It also frees up time for depot staff and customers to use more productively.

In 2021 we have seen increased activity on our web platform and growth in our social media presence.

'Impressions' were present in 28% more organic search results a month with site visits at 24 million, 11% ahead of last year. The time users spent looking at pages increased by 20% and the number of pages viewed per session was up 11%.

Across our social media sites our follower base was c.400,000, up 49%, with our monthly reach up 34% and 1.3m users actively engaging monthly.

Take-up and usage of online account facilities which enable our trade customers to manage their accounts and make payments at any time, continues to increase.

New account registrations exceeded 100,000 for the year and the service is being used across the week, both in and out of hours on average twice weekly per account. Payments made per account increased 70%.

In February 2021, 'Anytime Ordering' was launched, providing efficiencies for depots and customers alike.

Developed with input from customers, features of the service include enabling account holders to see their confidential prices, order product and quote for individual jobs out of hours. There is also a scheduler for customers to select a collection depot and pick-up time of their choosing and we have seen average weekly logins on our trade platform increase by 160%.

In Autumn 2021, we launched new search functionality on www.howdens.com to help our customers with both improved product search and extended search results to connect to documents and other features.

We have also invested in capabilities which help end users interact with Howdens online at each stage of their buying decision.

For example, at the turn of the year, we launched 'Real Kitchens' which utilises user generated content to showcase Howdens' kitchens in peoples' homes. Image views were 17.2 million in 2021 and this content is being used both by consumers and our designers to streamline the buying and design process.



"We have made an encouraging start to 2022 and we are confident in our resilient business model across changing market conditions"

4) Expanding our international operations

In 2019 we refocused onto a city-based approach in France serving solely trade customers. The business' performance has been encouraging and has given us confidence to accelerate our investment in more depots in this region.

Revenues of $\ensuremath{\mathfrak{C}58.4m}$ were 37% ahead of 2020 and 54% ahead of 2019.

We believe appreciation of the advantages of our trade-only, in-stock model with our high service levels and competitive pricing is growing and our account base grew by 37% in 2021.

We opened 10 depots in France in 2021, ending the year with a total of 40 in France and Belgium and we plan to expand our footprint to 60 depots by the end of 2022, 40 being located in the Paris area.

In 2022, we will also be opening for business in the Republic of Ireland.

As in France we will be using a 'city-based' approach which fits the population distribution of the region.

Initially we will test the model with 5 depots around Dublin, and we expect all of these to be open by June 2022.

The depot teams will be supported by our UK infrastructure and the Group's digital platform.

Prospects for 2022

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

High stock availability was a major contributor to our performance in 2021 and in 2022 we will continue with our policies on safety stocks across the board, including heightened emphasis on stock manufactured at Howdens.

20 new Kitchen ranges will be on sale by mid-June, and we have a programme of 'Rooster' promotions in place to keep Howdens front of mind.

Howdens Work Surfaces will be rolled-out to all regions, backed by recent investment.

We will continue to invest in key capabilities including in improvements to service and availability by utilising XDCs and we are increasing the range of services and functionality we offer online.

We will be **manufacturing more in the UK**, as our investments in our new kitchen door and skirting capabilities come on stream and Howdens Work Surfaces is rolled out.

During 2022 we plan to open circa **25 depots in the UK and refurbish around another 70** existing depots to the updated format.

In France we plan to have around 60 depots trading by the end of 2022, and we are opening for business in the Republic of Ireland.

Chief Executive's statement continued

We have made an encouraging start to 2022 and we are confident in our resilient business model across changing market conditions.

We are currently offsetting inflationary pressures through price management and cost control, underpinned by our service-led business model and the scale of our manufacturing and sourcing operations. Sales in our first two periods have continued to advance versus comparable periods in 2021.

The number of surveys we are doing, and the value of our lead bank suggest our customers remain busy at present.

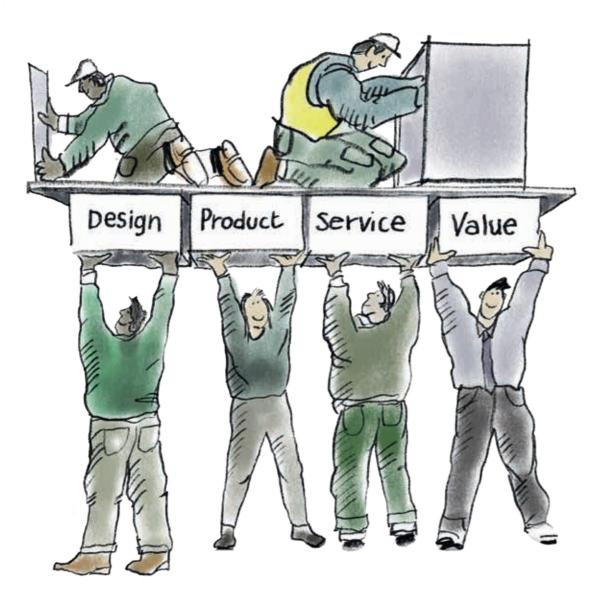
We are expecting further significant rises in input costs and are mindful of the challenges these, together with general inflationary pressures and macro-economic uncertainties may present to our sales volumes and profitability as the year progresses and we are up against record comparators, including for our peak trading periods, following a year of heightened demand for our products in a market characterised by shortages and extended lead times to delivery amongst our competitors.

However, we have, at present, the momentum for another successful year in 2022 and the plans in place to deliver one.

Andrew Livingston

Chief Executive Officer

23 February 2022



Key performance indicators

Links to:



Strategy Risk Remuneration

Financial

Sales growth

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

Depot staff bonuses are directly linked to their depot's sales.

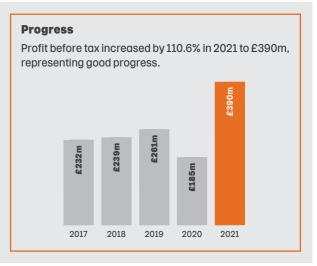
Progress We have made good progress, and were pleased to see total Group sales of £2.1bn in 2021, up 35.3%. 2019 2020 2021 2018

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



Cash

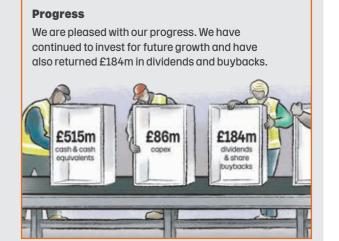
Why we measure it

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 34 for more details).

Links to strategy, risks and remuneration

Invest in our strategic priorities

Return surplus cash to shareholders





Key performance indicators continued

Links to:



Strategy Risk Remuneration

Non-Financial

Depot openings

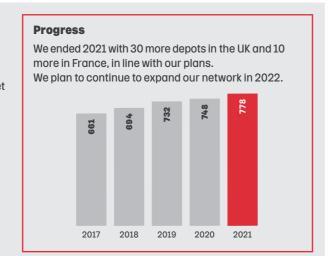
Why we measure it

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 France and will be opening in the Republic of Ireland in 2022.

Links to strategy, risks and remuneration

Reach more builders. Failure to maximise growth potential.

Deterioration of model & culture.



Health & Safety

Why we measure it

We have around 11,000 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

Progress Regrettably our rate of RIDDOR-reportable injuries increased from 2020 to 2021. We are taking actions to address this. See page 60 for more detail.

Use of FSC® or PEFC certified materials

Why we measure it

We use almost a third of a million cubic metres of chipboard and MDF in our factories. FSC® and PEFC are the two main certification bodies. Ensuring that all our MDF and chipboard is certified by them gives us assurance over their provenance. See page 62 for more details.

Links to strategy, risks and remuneration



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

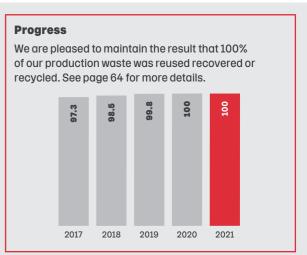
Non-Financial

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





Financial review

- Good progress on strategic initiatives
- Record growth in revenue and operating profit
- Strong cashflow with investments in inventory
- 19.5p 2021 full year dividend and £250m share buyback programme announced

Paul Hayes Chief Financial Officer

Howden Joinery Gro

PIC Annual Report & Accounts 2021

Financial results for 2021¹

Revenue

Total Group revenue of £2,093.7m was ahead by 35.3% (2020: 1,547.5m; 2019: £1,583.6m). UK depot revenue grew 35.4% to £2,043.4m (2020: £1,509.6m; 2019: £1,550.3m). UK revenue increased by 33.7% on a same depot basis² to £2,017.7m (2020: £1,508.8m); this excludes the additional revenue from depots opened in 2021 and 2020 of £25.6m (2020: £0.8m).

Depot revenue in Continental Europe was £50.4m (2020: £37.9m; 2019: £33.3m). On a local currency basis, revenue at our depots in France and Belgium increased by 37.3% and by 32.5%, respectively on a same depot basis².

Gross profit

Gross profit was £1,289.0m (2020: £930.0m; 2019: £986.2m). The £359m increase compared with 2020 reflected a positive volume and mix impact of £282m and higher pricing of £107m. There were also £30m of cost pressures reflecting the net impact of higher commodities, freight costs and foreign exchange. These factors contributed to an increase in gross margins of 150 basis points versus the prior year to 61.6% (2020: 60.1%; 2019 62.3%) as we appropriately balanced mix with higher overall volumes.

The £303m increase in gross profit compared with 2019 reflected growth in sales volumes of £254m and changes in price of £91m partly offset by £42m of product cost pressures. This included the net impact of significant increases in input costs including commodities, freight and transportation partially offset by initiatives to reduce costs.

Operating profit

Operating profit was strongly ahead of last year and 2019 at £401.7m (2020: £195.7m; 2019: £260.0m on a pre IFRS 16 basis) and the operating profit margin was 19.2% (2020: 12.6%; 2019 16.4%).

Selling and distribution costs and administrative expenses (SD&A) increased by 20.8% to £887.3m (2020: £734.3m; 2019: £726.2m). As expected, costs increased due to continued investments in areas across the business. Compared to 2020 this included £11m on UK depots opened in 2020 and 2021 and £13m on French depots in the period.

Revenue ¹ £m	2021	No. of depots	2020
Group:	2,093.7		1,547.
Howden Joinery UK depots - same depot basis ²	2,017.7	731	1,508.
UK depots opened in previous two years	25.6	47	0.8
Howden Joinery UK depots - total sales	2,043.3	778	1,509.
Howden Joinery Continental European depots	50.4		37.
Revenue €m			
France and Belgium - same depot basis ²	55.3	26	41.
Depots opened in previous two years	3.1	14	0.9
France and Belgium - total sales	58.4	40	42.

- 1 The information presented relates to the 52 weeks to 25 December 2021 and the 52 weeks to 26 December 2020 unless otherwise stated.
- 2 Same depot basis for any year excludes depots opened in that year and the prior year.

We also invested £28m in warehouse and transportation initiatives which included the investment in regional XDCs and £10m in promotional sales and marketing costs and digital platforms. £70m of additional costs were also incurred in the existing depot network as a result of the significant increase in volumes and there was also a £21m increase in other operating costs.

SD&A costs increased in 2021 compared with 2019 by £161.1m. Investment in executing our strategy included £33m on new depots in the UK opened since 2019, and £17m on new depots in France. Other growth initiatives included logistics investments of £38m (including XDCs) and £13m of marketing and digital investment. This was partly offset by £17m of the non-repeat benefit of depot closure costs in Germany and the Netherlands, and lease amortisation charges consequent upon adopting IFRS 16. Between 2019 and 2021 the increase in revenue in the older UK depots resulted in £50m of additional costs.



The net interest charge was £11.4m (2020: £10.4m; 2019: £0.7m credit, on a pre IFRS 16 basis) principally reflecting the additional interest expense on our lease liabilities. Profit before tax of £390.3m was strongly ahead of the prior year (2020: £185.3m; 2019: £260.7m).

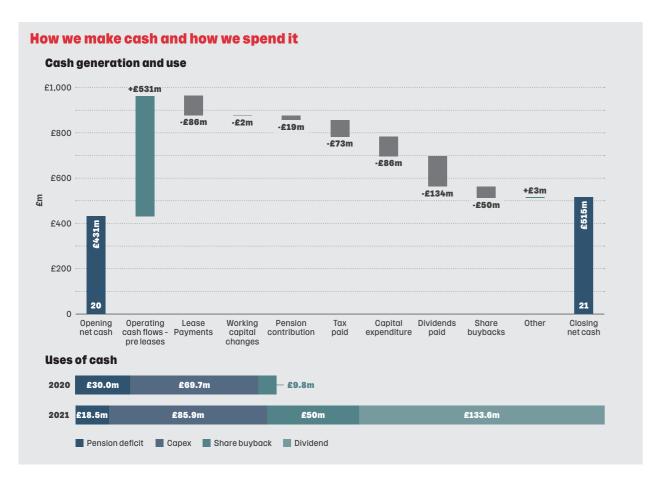
The tax charge on profit before tax was £75.8m (2020: £37.7m; 2019: £51.7m) as a result of the higher operating profit and represented an effective tax rate of 19.4% (2020: 20.3%; 2019: 19.8%). As a result, profit after tax was £314.5m (2020: £147.6m; 2019: £209.0m). Reflecting the above and the reduced share count following share buy backs, basic earnings per share were 53.2p (2020: 24.9p; 2019 35.0p).

During 2020 we were granted a patent on a new plastic leg design which we have incorporated into our cabinets. We applied for the patent in 2017 and there is a potential to claim tax relief under HMRC patent box rules. We will review the potential scale of any claim with our advisers before deciding whether to make a claim under these rules.



1 The information presented relates to the 52 weeks to 25 December 2021 and the 52 weeks to 26 December 2020 unless otherwise stated.

Financial review continued



Cash

The net cash inflow from operating activities was £437.4m (2020: £329.2m). Net working capital increased by £1.7m due to higher levels of business activity. Debtors at the end of the period were £39m higher than at the beginning of the period, creditors were £84m higher and stock was £47m higher due to our actions to increase levels of safety stock to support our customers. Capital expenditure was £85.9m (2020: £69.7m). Corporation tax payments were £73.1m (2020: £32.2m), and dividends amounted to £133.6m (2020: nil). Share buy backs totalled £50.0m (2020; £9.8m) and the cash contribution to the Group's pension schemes in excess of the operating charge was £18.5m (2020: £22.2m). The interest and principal paid on lease liabilities totalled £85.8m (2020: £87.6m).

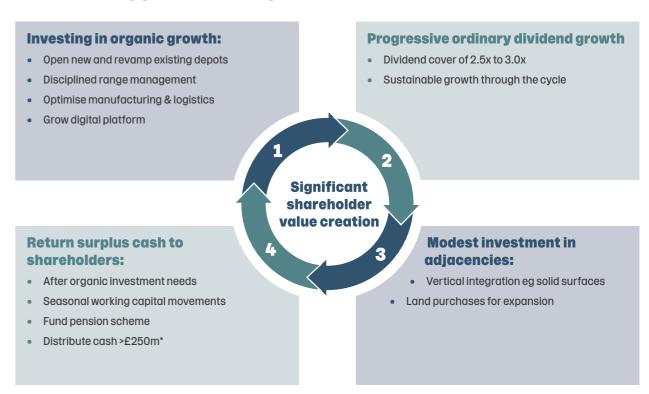
Reflecting the above, there was a net cash inflow of £84.6m (2020: £163.3m), leaving the Group with net cash at year end of £515.3m (26 December 2020: £430.7m). The Group has access to a £140m asset backed lending facility which remained undrawn at the balance sheet date.

Capital allocation and returns to shareholders

Our approach to capital allocation has primarily focused 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

Within its definition of surplus capital, the Board believes it is appropriate 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 that has only recently moved into a small surplus.

Howdens' approach to capital structure



^{*} broadly equivalent to gearing of 0.7x Net Debt to EBITDA after taking into account total lease liabilities.

Howdens has a prudent risk appetite towards balance sheet management, an approach which has been borne out over the past two years with the balance sheet being a source of great strength through the challenges of the pandemic. While in the crisis phase of COVID-19 the Board took decisive action to conserve capital, but as markets have recovered, we have progressively reinstated our capital priorities including the return to paying dividends in 2021 and also the return of surplus capital in the second half of the year. These returns were only initiated after having repaid all government support received early in the pandemic.

The Board has reviewed its capital allocation policy considering the current economic environment to ensure it is clearly defined and retains a disciplined approach to enhance shareholder value. This prioritises our strategy of continuing to invest in depots, manufacturing and logistics capabilities and related strategic investments while delivering a progressive dividend. Our policy will be that where net cash is excess of £250m we expect to return surplus cash to shareholders which provides sufficient headroom to support organic growth, our working capital requirements and ongoing investments in our strategic priorities. At this level of net cash, the balance sheet will remain strong with a leverage of approximately 0.7x EBITDA after taking into account lease liabilities.

On this basis, the Board has decided that the Group will undertake a £250m share buyback programme which we aim to complete over the next 12 months. This is in addition to the £50m share buyback programme announced with the half-year results, which was completed during the second half

During 2020, no interim dividend was paid, but a final dividend of 9.1p per ordinary share and a special dividend of 9.1p per ordinary share were paid in June 2021 in respect of 2020. Taking into account the Group's prospects and strong financial position, in July 2021 the Board declared an interim dividend of 4.3p per ordinary share. The Group's unchanged dividend policy is to target a dividend cover of between 2.5x and 3.0x and Board is recommending a final dividend for 2021 of 15.2p per ordinary share, giving a total dividend of 19.5p per ordinary share. The final dividend will be paid on 20 May 2022 to shareholders on the register on 8 April 2022.

Financial review continued

Pensions

At 25 December 2021, the defined benefit pension scheme was in a surplus at £141m (26 December 2020: deficit of £48m) on a IAS 19 basis. This movement from a deficit to a surplus was primarily a result of an increase in the net discount rate which was a benefit of £113m, a £25m cash contribution and an increase in asset returns of £58m. The current service, administrative and finance charges totalled £7m. The defined benefit pension scheme closed for future accrual from 31 March 2021. The scheme's funding level on an IAS 19 basis was 104.1% (2020: 99.0%) at the end of the financial year and in accordance with the scheme rules, deficit contributions were suspended in July 2021.

Current trading and outlook for 2022

Current trading

The following table shows sales in the first two periods of the new financial year (to 19 February 2022) in absolute terms, on a same depot (LFL) basis¹ and adjusted for working days.

				ods 1-2 isted*	
Revenue growth (%)	%	LFL%	%	LFL %	
UK depots	17.1	15.6	19.5	18.0	
Continental European					
depots**	21.4	18.9			

^{*} compared with 2021 which had 38.5 trading days, 1 more than 2022. Continental European depots are the same in both 2021 and 2022.

We have made an encouraging start to 2022 and are confident in our resilient business model across changing market conditions. We are continuing to execute and invest in our strategy and see many attractive medium-term opportunities for profitable growth and increased volumes.

We are currently offsetting inflationary pressures through price management and cost control, underpinned by our service-led business model and the scale of our manufacturing and sourcing operations.

We remain watchful of macro-economic uncertainties and vigilant for any potential headwinds in our markets.

During the second half of 2022 we will be trading against record revenue comparatives which includes our all-important peak trading period.

While it is still early in the new financial year, we have, at present, the momentum for another successful year in 2022 and the plans in place to deliver one.

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.

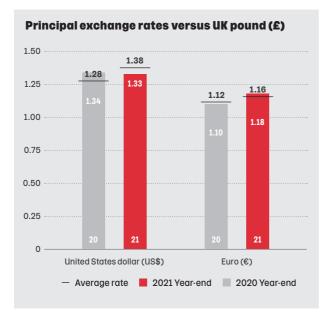
The Group finances its operations by using cash flows from operations, and it has access to an asset-backed loan facility if additional financing is required. Treasury operations are managed within policies and procedures approved by the Board. The main potential risks arising from the Group's financial 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 favourable impact of exchange rates on currency transactions in the year was £5.2m. The principal exchange rates affecting the profits of the Group are set out in the following table.



¹ Same depot basis for any year excludes depots opened in that year

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, asset-backed, bank facility which allows borrowing of up to a maximum of £140m, dependent on the actual levels of stock and trade debtors held at any time. The facility was not used at any point during 2021 and is in place until December 2023.

The Group's committed borrowing facility contains certain financial covenants. The covenants are tested every four weeks and are based around: (i) fixed charges; (ii) tangible net worth; and (iii) earnings before interest, tax, depreciation and amortisation (EBITDA) for Howden Joinery Limited.

In addition, our pension trustees, who carry a charge over the share capital of Howden Joinery Limited, have a separate covenant test around the EBITDA of Howden Joinery Limited.

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 2021 year end, the Group had £515m of net cash and £138m of funds available to borrow under the committed borrowing facility.

Interest rate risk

The Group has not had any borrowings during 2021 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 2021 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

23 February 2022

^{**} excludes 5 French depots which will be closed in 2022.



Risk management

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.

In 2022 we are enhancing the way in which we document and monitor risk appetite to further develop the understanding of what is an acceptable level of risk to take for the different types of risks we are exposed to.

Climate-related risks

Identification

In 2021 we developed our approach further to improve our climate risk insight. We use a combination of our long-standing, bottom-up process and horizon scanning to identify climate-related risks. During the year we conducted specific climate risk assessments with subject matter experts across the whole business focusing on both the physical and transitional risks of climate change.

Management

The business manages climate-related risk in our operational teams, led by the relevant Executive risk owner. The operational teams are responsible for mitigation, in line with our wider risk approach.

Integration into our risk management

We consider climate-related risks as part of our operational risk management process and we record this in our risk registers, albeit that they tend to have longer timelines. Using the business-owned risk management approach is the best way to ensure mitigations are dealt with effectively. We use a specific emerging risk identification and management approach, with dedicated reporting to the Executive and Board.

Our next steps

We will continue to develop our climate risk approach. Planned activities for 2022 and beyond include:

- Continuing to improve our risk identification process, incorporating more data streams and trends.
- Challenging the business on the effectiveness and accuracy of mitigation plans, including evidence of progress.
- Implementing specific climate-focused risk register reviews and developing our Executive and Board reporting.

Emerging 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. In 2021 we enhanced our approach to improve risk insight over three separate risk horizons:

Horizon One - (Current issues out to 12/18 months) - Typically operational in nature and already 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 are:

- Climate (see our TCFD reporting starting on page 52)
- Digital development
- People

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 consider and agree 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 agreed 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 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 Supply Chain

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.



- 2 Market conditions
- 3 Business model & culture
- 4 Maximising growth
- 5 People

- Cyber security
- 8 Product
- 9 Business continuity & resilience

COVID-19

COVID-19 continues to have an effect on our business. Our rapid implementation of an appropriate governance framework and risk mitigations during 2020 allowed us to maintain a safe working environment and continue to trade throughout 2021. Over the year we have learned that several of the actions we took were key to ensuring the impact of COVID-19 was minimised. These actions included:

- Working closely with our suppliers and optimising stockholding for high-risk products.
- Using our supply chain resilience to respond to inbound transport disruption.

- · Rapid roll out of new IT platforms allowing our staff to continue to work and serve our customers.
- · Prompt deployment of equipment and training for employees to enable remote working.

These actions continue to help deal with the impacts of COVID-19 into 2022, including our ongoing management of new variants. Further to this, our learning will help us be better prepared for any future pandemics as well as improve our wider business continuity management approach.

Links to strategy









Brexit

The Trade and Cooperation Agreement that came into force at the end of the transitional period on the 24 December 2020 provides a framework for trade between the UK and the EU. 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 Tariffs or auotas on imported goods leading to higher prices.
- Exit from the customs arrangements Supply chain delays due to new customs regime and increased administrative burden.

- No regulatory co-operation regulatory uncertainty should standards diverge, potentially affecting sales of UK goods in the EU and vice versa and product risks.
- Strategy & Business Plan Risks
- Consumer/Investor uncertainty Potentially impacting on sales and future growth strategy.
- Currency and stock market volatility Increased costs due to currency fluctuations.

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.

2021 Principal risks

The arrows alongside each risk show the year on year change

1. Supply chain (0) P



Over 2021 the scoring of this risk has increased as a result of ongoing global supply chain difficulties.

Risk and impact

- Howdens is an in-stock business. Our customers expect this and rely on it.
- 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 into 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 investing in new warehouse space to support our distribution capabilities and equip them for growth and peak trading.
- . Increased stock holding of at-risk products to help ensure continuity of supply during continued Brexit uncertainty & COVID-19 difficulties.
- We obtained Authorised Economic Operator (AEO) preferred importer/ exporter status to reduce potential customs delays.

Mitigation actions in 2021

- Increased our safety stocks further to reduce the potential risk of global supply constraints.
- Increased warehousing capacity with the use of our third distribution centre in Raunds.
- Increased the number of deliveries to our depots during our peak trading period to ensure availability.
- · Secured HGV driver resources ahead of demand, ensuring continuity of supply to the depots.

Principal risks and uncertainties continued

2021 Principal risks continued

The arrows alongside each risk show the year on year change

2. Market conditions (R) P F

Risk and impact

• Our products are mostly sold to small builders and installed in owneroccupied 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 experience in managing both selling prices and costs, and remain agile to take swift action as required.
- We have a good track 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 2021

- Maintained focus on continuing COVID-19 impacts across our supply chain
- Frequent scenario planning based on latest information to ensure our plans were appropriate to changing market conditions.

3. Business model & culture (R)(0)(P)



Risk and impact

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

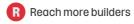
Mitigating factors

- 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.

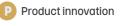
Mitigation actions in 2021

- Regular 'Town Hall' meetings held to bring together teams and discuss our successes and challenges ahead.
- Embarked on our ESG programme enhancement, with a key element focusing on re-enforcing our core values and further embedding our equality, diversity and inclusion standards.
- Howdens' Worthwhile foundation created to further develop our charitable efforts and support our business model through training of our builder customers.

Links to strategy









4. Maximising growth (R) (P)



Risk and impact

- We see a significant potential for growth. This brings both opportunities and challenges.
- 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

Mitigation actions in 2021

- · Converted more UK depots to the new depot environment.
- Opened more depots in the UK.
- · Opened more depots in France.
- · Strengthened our solid worksurface offering with the introduction of Howden Work Surfaces.
- Improved our service offering through our core logistics sites to ensure our ability to support growth.

5. People (R) (O)



Risk and impact

- The success of our business is so fundamentally driven by our people, their strength of spirit, drive, and unwavering customer focus.
- 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
- We use the Remuneration Committee to ensure that key staff 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.

Mitigation actions in 2021

- We continued to ensure our working environments remained COVID-19 safe for all of our workers and brought in remote working for all of our offices, in line with Government advice, to reduce the Health & Safety risk to all personnel.
- Wellbeing programme introduced, with targeted training for our staff based on their role.
- Equality, diversity & inclusion (EDI) Programme further developed with specific goals established.
- · Increase in apprenticeship offerings.
- Joined the Government Kickstart employment programme and supported several new Kickstart roles.

Principal risks and uncertainties continued

2021 Principal risks continued

The arrows alongside each risk show the year on year change

6. Health and safety (R)(0)



Risk and impact

- Howdens is about people and relationships. We have over 800 depots, 11,000 employees, hundreds of suppliers and hundreds of thousands of customers.
- Care for the health and safety of employees, customers, suppliers and everyone who comes into contact with Howdens is integral to our values and to our behaviours.
- 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
- Most importantly, we make sure we keep talking about health and safety at every level of the business, led by the Executive Committee.
- Rapid implementation of a COVID-19 governance framework and risk mitigations secured a safe working environment as the pandemic developed.

Mitigation actions in 2021

- Maintained COVID-19 safe practices in line with government advice.
- Increased Health & Safety Advisor resources in the France to support ongoing expansion.
- Continued to provide regular updates to all staff on our response to changing COVID-19 guidance and regulation in all the countries in which we operate.

7. Cyber security (R) (0) (F)



Risk and impact

- 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
- 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, or a financial loss.

Mitigating factors

- We place focus on training our people in cyber security, as we recognise that these risks are not always technical, and awareness is our first point of
- 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 2021

- We continue to review our cyber security posture and engage with third party expertise to provide insight and assurance.
- Further development of our multi-factor authentication (MFA) and tools for staff required to work remotely owing to Government guidance.
- Face to face, targeted awareness training at key staff meetings throughout the year.

Links to strategy









8. Product 0 P



Risk and impact

- Ensuring that we have products 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. 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 and availability.
- 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 endusers, 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 2021

- 17 new kitchen ranges launched.
- · Solid worksurface offering brought in-house.
- Restructured our product team providing greater insight and resilience.
- · Further developed our website and marketing offering to builders and endusers to provide new tools to make their lives easier.

9. Business Continuity & Resilience (R)(0)(F)



Risk and impact

• We have key business operations and locations in our infrastructure that are critical to business continuity. These operations are essential for ensuring our customers can get the product and services they want when they need them. 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.

Mitigation actions in 2021

- · Ongoing monitoring of the potential COVID-19 impacts on the continuity of our operations.
- · Reviewed our continuity plans covering our sourcing and logistics approaches to support peak trading.

Sustainability Matters

Worthwhile for all concerned





















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Why Sustainability matters to us

Generating long-term value

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

Part of our culture

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

Supporting our business model

Sustainable behaviour gives us a competitive advantage.

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

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

We have around 800 depots in the UK and Europe. Each one of them relies on strong local relationships to trade profitably, so we need to be a good neighbour in each of those communities.

Mitiaatina our risks

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

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

Developing and maintaining sustainable supplier relationships mitigates our 'Interruption to continuity of supply' risk. Energyefficient, 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-healthsafety-and-sustainability-policies. In 2021 the Board set up a Sustainability Committee, whose report begins on page 142.

Our 2021 TCFD implementation project

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

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

The material sustainability areas for us and our stakeholders

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

People: keeping them safe, offering rewarding careers.

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

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

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

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

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

Our sustainability KPIs. commitments and targets

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

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

Our vision

UK's leading responsible kitchen business

A sustainable product offering, responsibly manufactured or sourced, that meets the needs of the builder and the end-consumer



A unique and sustainable culture

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



Leader in risk and resilience governance

An agile and resilient business, proactively managing ESG risks, with transparent high-quality stakeholder reporting.





Our four strategic commitments

Zero waste to landfill

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.

Carbon neutral manufacturing

Carbon neutral manufacturing by the end of 2021.

Best practice in UK behavioural safety and wellbeing

Maintain international safety standard ISO 45001 in our manufacturing and distribution operations. Achieve ISO45001 in our depot network by the end of 2021.

Highly effective ESG reporting and disclosure

Progressive, phased implementation of highquality TCFD reporting. Implement the ISS ESG reporting platform in 2021.

See more on pages 50 to 51.



Underpinned by:

Our material sustainability areas

People

Keeping our 11,000 employees safe and well. Supporting their growth, offering them great rewards for success, and opportunities to grow with us.

Sustainable supply chain

Certified raw materials from sustainable sources. Responsible purchasing, working with our international network of over 250 main suppliers. Efficient distribution.

Sustainable product

Continuous research and evolution of our products and packaging. Refining our efficient manufacturina processes and working with our suppliers on bought-in product.

Our environment

Reducing waste, lowering emissions, working with the Carbon Trust to achieve continuina improvements.

Communities

Being a responsible member of over 800 local communities in the UK and internationally. Supporting a range of local and national charities.

See more, starting at page 60.

Howden Joinery Group Plc Annual Report & Accounts 2021

Our four ESG strategic commitments

Progress on our four ESG strategic commitments



Environment

UK's leading responsible kitchen business

Zero waste to landfill



Progress in 2021

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

It's a lot more challenging to achieve zero waste to landfill in our network of almost 800 UK depots. From a baseline of 60% of depot waste avoiding landfill in 2019, we set the target of getting to over 95% by the end of 2022. We've exceeded that in 2021, with 99.1% of depot waste avoiding landfill, and we are busy trying to find solutions for the remaining 0.9%.

Worthwhile for all concerned

Carbon neutral manufacturing





Progress in 2021

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

Manufacturing accounts for around 40% of our total Scope 1 and 2 emissions, and is entirely under our control, so it makes sense for us to start there. Our approach was to reduce emissions as much as possible with current technology or renewable energy, and then to offset residual emissions with Gold Standard carbon offsets (shown on the independent GSF Registry here: https://registry.goldstandard.org/credit-blocks/details/227403).

Worthwhile for all concerned

S

Social

A unique and sustainable culture

Best practice in UK Behavioural Safety and wellbeing - ISO 45001



Work complete in depots, independent audit in progress

Progress in 2021

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

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

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

Worthwhile for all concerned

G

Governance

Leader in risk and resilience governance

Highly effective ESG reporting and disclosure, including KPIs

TCFD and ISS implementations are underway

Progress in 2021

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

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

Worthwhile for all concerned

Alignment to UN SDGs

Our material SDGs

 ${\bf UN\,SDG\,description}$ and relevant targets under each SDG



'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.



'Ensure sustainable consumption and production patterns'

SDG targets: 12.2, 12.5, 12.6, 12.7.

Our material SDGs

UN SDG description and relevant targets under each SDG



'Take urgent action to combat climate change and its impacts'

SDG targets: 13.1, 13.2.



'Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests... and halt biodiversity loss'

SDG targets: 15.1, 15.2.

Howden Joinery Group Plc Annual Report & Accounts 2021

Our TCFD reporting

Our progress on TCFD implementation

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

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

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

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

TCFD recommended disclosure	Our disclosure	Developments in 2021	Focus areas for 2022 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 The Board considers climate risks as part of its overall risk review processes described in detail at page 38 The Board monitors our progress on key climate-related commitments via in-person reports from our Director of ESG 	The Board set up a Sustainability Committee to oversee sustainability strategy, consider strategic proposals from management and make recommendations to the Board. Their report is on page 142 The Sustainability Committee also consider Howdens' position on emerging climate issues, metrics and targets and our commitment to other climate-related goals	 The Sustainability Committee will meet regularly during 2022 and make recommendations to the Board as appropriate The Director of ESG will report to the Sustainability Committee at each meeting. There will be a detailed review of the Group's roadmap to Net Zero
B. Describe management's role in assessing and managing climate-related risks and opportunities.	 The Exec's job is to execute Group strategy and implement programmes to manage and mitigate climate risks and take advantage of opportunities The Director of ESG advises both the Board and the Exec 	Management engaged external specialists in TCFD implementation (Top Tier Impact Strategies Limited) to give support as we carry out climate materiality impact assessments and scenario planning	 Management will review the materiality impact assessments and scenario analysis in 2022 The Director of ESG will work with the Executive Committee to develop sustainable strategies during the year
STRATEGY			
A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	 We've completed our initial climate materiality assessment and are reviewing the draft results Once we've thoroughly reviewed them, we'll able to talk about our material risks and opportunities in more detail 	Implemented a comprehensive TCFD project across the business Interviewed over 30 key stakeholders to identify potential material climate risks and opportunities Carried out an initial review and assessment of materiality	 Scrutinising and testing the results of our initial review with operational areas, ExCo and Board Building material risks and opportunities into our strategic planning
B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	 We're at the beginning of our journey on the impact of risks and opportunities We've done a physical climate risk assessment over various timeframes, and we're reviewing the results. Once we've done this, we'll be able to think how best to build them into our strategy and planning 	Physical climate risks assessments of supply chain locations Built three climate transition scenarios specific to our business Carried out initial impact workshops with Group-wide participants	Exploring ways of building material risks and opportunities into strategic and financial planning and decision making
C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	 We've constructed draft climate impact scenarios based on our initial assessment of material risks, including one aligned with below 2°C Once we've reviewed the results of these draft scenarios and are happy that they are sufficiently robust, we will be able to understand their impact on our strategy in more detail and use them to model potential financial impacts 	 Working towards Howdens-specific scenario planning has been a big part of our TCFD project We've taken specialist external advice We've built our initial scenarios from scratch, based on detailed stakeholder interviews and our initial assessment of materiality 	 Testing the draft scenario results. Discussing with management, ExCo and Board. Building financial models from the scenarios Further iterations of the scenarios, with refinement of inputs as necessary Identifying the implications for our risks, opportunities, metrics and strategy

Our TCFD reporting continued

TCFD recommended disclosure	Our disclosure	Developments in 2021	Focus areas for 2022 and beyond
RISK MANAGEMENT			
A. Describe the organisation's processes for identifying and assessing climate-related risks.	We combine our long-standing, bottom-up risk process with improved identification of medium and longer-term risks through horizon scanning. See pages 38-39 for more detail	Built the outputs of our inherent climate risk assessment into operational risk registers Worked with advisor to refine our process for assessing climate risks Adapted our risk process to capture key climate metrics and targets	 Continue to improve our risk identification process, incorporating more data streams and trends Assess key metrics and targets, and the operational plans to meet them
B. Describe the organisation's processes for managing climate-related risks.	 We manage climate-related risks in the same way as our other risks (see page 38), albeit that time horizons may be longer A member of the Exec owns each risk and leads the relevant operational teams as they control day-to-day risk management and mitigation 	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
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 page 39 The main difference between climate-related risks and other risks is that we typically use longer time horizons when looking at climate risks	 Implemented a new emerging risk identification and management approach, with dedicated reporting to Exec and Board Started project to capture Board risk appetite for climate risks 	 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 63 and page 64 We're reviewing the outputs of our detailed 2021 TCFD project to see if this suggests extra or alternative KPIs, as well as to identify whether there are any other important climate-related metrics	First iteration of an ESG metrics dashboard for the business Beginning to consider how climate-related metrics might build into consideration of future investment decisions	Internal review and stakeholder consultation of any potential new KPIs Consider appropriate scope of assurance over climate-related data
B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	 See our SECR reporting, starting on page 64 We consider the risks relating to emissions as part of our overall climate risk reporting, summarised on page 57 	 Assessed our material sources of Scope 3 emissions and investigating how we can report on them and what assumptions that would involve Selected appropriate assumptions and started to investigate which of our Scope 3 emissions we can try to gather reliable data on 	Continue to refine assumptions for Scope 3 emissions where we don't have all the information. Beginning to report Scope 3 emissions where we have reliable data
C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	We are currently researching and developing these targets as part of the overall TCFD implementation process	Research and development of potential new TCFD metrics and targets, based on the outcomes of the TCFD implementation project so far	Develop quantitative metrics and targets for material climate risks and opportunities and assign to the senior executive team

Our TCFD reporting continued

Main risks and opportunities from our scenario modelling so far

Details of the scenarios

As we describe in the 'Strategy' section of our TCFD reporting on page 52, we've begun our work on climate scenario planning in 2021. We looked at both physical and transition risks and held a series of workshops with stakeholders from across the business to identify and discuss material risks and opportunities. Our discussions concentrated on the time period to 2030, which we further split into short term (to 2023), medium term (to 2026) and long term (to 2030).

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

- Where governments and regulators act quickly and take the lead with a series of measures aimed at achieving the Paris Agreement targets. This scenario envisages swift action, a high level of legislation and emphasis on mechanisms such as carbon pricing and financial incentives for decarbonisation.
- 2) Where lack of agreement between governments leads to an initially slow pace of change, but where a series of social tipping points see a response to climate change which is led by citizens putting pressure onto governments and companies to act.

3) Where there is some commitment from governments, companies and citizens to a net zero transition, but where these commitments aren't always fully developed or enforced, and may sometimes be overridden by political, commercial or individual concerns in the short and medium term, requiring more severe policy action and enforcement in the longer term.

Results and next steps

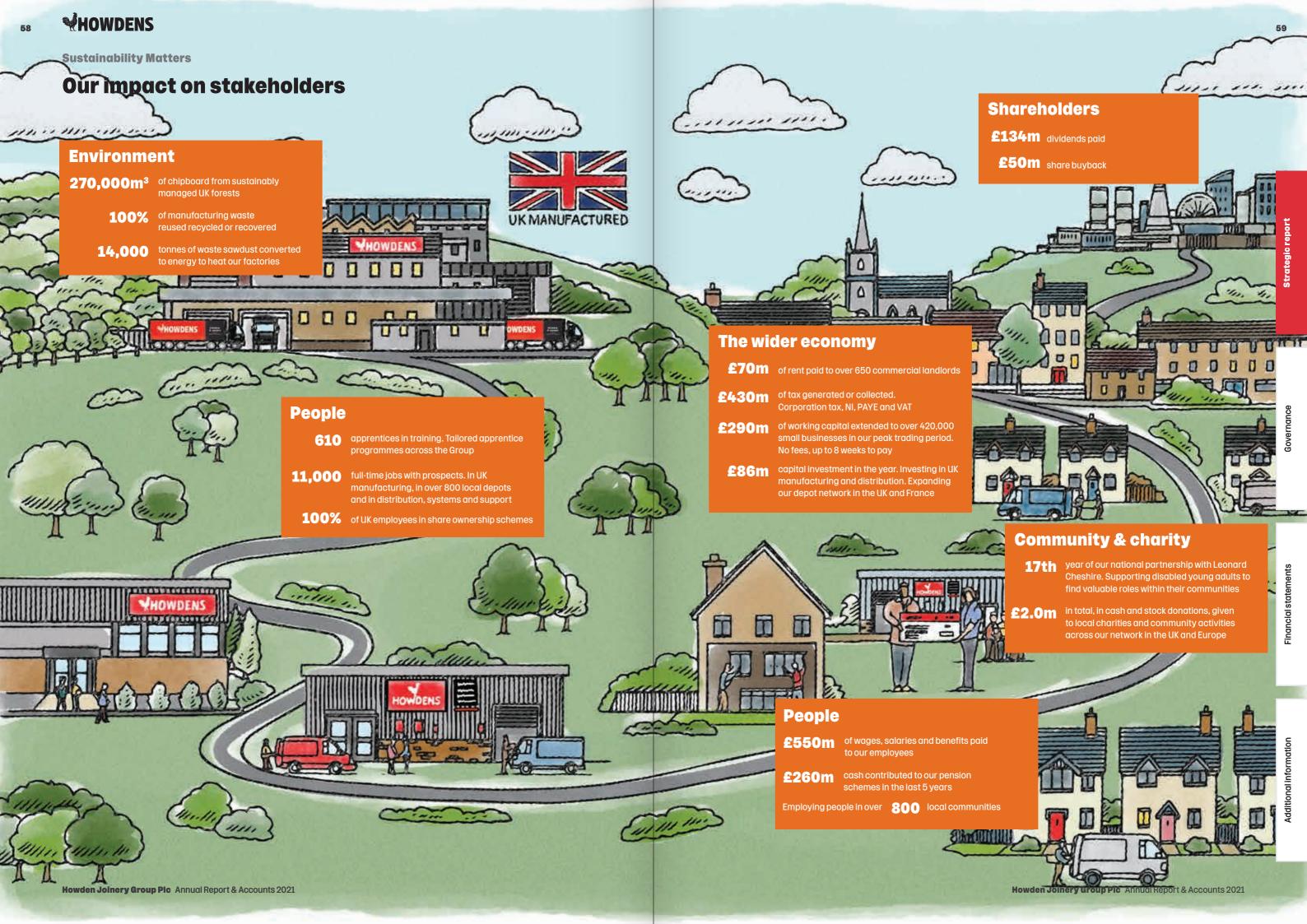
Our initial scenario modelling work has given us an increased understanding of the qualitative impacts of climate change on our business across various time horizons, although we recognise that it is an iterative and dynamic process.

The results of our scenario modelling agreed with the results of our existing business risk management process starting on page 38, in that they did not identify any significant short-term climate-related risks.

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

Opportunities	
Brand	Delivering on our aim to be the UK's leading responsible kitchen business and creating a brand that is recognised as a leader in managing climate-related risk could result in increased sales, greater brand awareness, increased market share and increased attractiveness to current and future employees
Cost reduction	Continuing to focus on energy efficiency, pushing through our targeted improvements and taking future steps on the path to decarbonisation could lead to a lower cost base. Relevant factors could be things such as: - Access to grants, subsidies and favourable tax treatment for adopting decarbonisation technologies - Absolute reductions in energy consumption will lower costs, particularly in times of rising energy prices, extended application of carbon pricing and an increase in the underlying carbon price
Access to capital	Building a climate resilient strategy and communicating it effectively to the market could increase the demand for our shares and could also give us access to lower-cost bonds and loans.
Product design	Taking the lead in producing sustainable products before our competitors could increase our competitive advantage and market share.

Risks Sourcing 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 • Trade tensions between countries with different Paris Agreement emission-reduction targets • Some current raw materials could increase in cost or become unavailable in the future, so alternatives would have to be found **Operations** The physical risk to our operations from climate change e.g., extreme weather events and rising sea levels could require additional capital expenditure or could interrupt operations. We have carried out a physical risk assessment of our locations in the UK and on our key suppliers' locations around the world, based on the latest climate science. Our assessment looked at physical risks such as coastal flooding, rising sea levels, heat stress and drought in certain regions and locations, using timeframes up to 2030. Our assessment didn't highlight any significant risks in the short-term. Our next step is to carry out further analysis of possible medium and long-term risks so that we can quantify them and take appropriate mitigating actions if necessary. Decarbonisation of e.g. our distribution and depot fleets could require transitional investment and/or **Decarbonisation** adjustments to current working practices. **Customer** Failure to meet customer demands for sustainable products could reduce market share. expectations



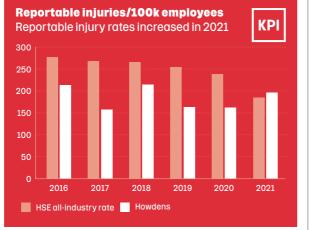
Sustainability Matters

Our people

Keeping our people safe and healthy

2021 highlights

- Our safety KPI has increased from 162 RIDDOR1 reportable injuries per 100,000 employees in 2020 to 196 in 2021. This is also above the 2020/2021 HSE All-Industry rate of 185, although the HSE have publicly said that their rate in 2020/21 is likely to be an underestimate and will not give a meaningful comparison.
- Despite the increase in RIDDOR-reportable injuries, our Injury severity rate has remained flat from 2020 to 2021 at 33.4 hours lost per 100,000 hours worked.
- Our working practices were significantly disrupted in 2021 by COVID-19 working restrictions on social distancing, COVID-19 fatigue and the 'Pingdemic'. These factors all reduced operating capacities in a year of record demand. We were busier than ever and we employed more people than ever - all of whom were fully trained but were gaining experience. These factors were key contributors to the unwelcome rise of injuries that we reported as RIDDORS because they resulted in absences from work for more than 7 days.



- Our priority for 2022 is to return to pre-COVID standards, to reduce reliance on modified working conditions and to ensure that all of our colleagues are able to work consistently safely.
- We actively promote employees to report all injuries and incidents, no matter how minor, because we know that a mature health and safety culture is built on full, open and blame-free reporting.
- In 2021 we also supported our employees' mental health and wellbeing through our 'Safe to talk' programme. Sponsored by Andy Witts, the Chief Operating Officer of our Trade division, the programme was launched with a video message from Andy emphasising that it's 'OK not to be OK', encouraging staff to seek help and reminding them of the confidential independent helpline, available to all staff, to help them with a range of health and wellbeing issues.
- We were awarded Highly Commended status by the Institute of International Risk and Safety Management (IIRSM) in the 'Outstanding risk management practice' category, recognising our approach to managing safely through COVID-19.

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

COMMITMENT:

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

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

TARGET:

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

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

ONGOING WORKS

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

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

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

ONGOING WORK:

Develop a Group wellbeing strategy in 2021.

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

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

Rewarding careers, opportunities to develop and thrive

2021 highlights

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

The fast track for Vicky

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



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

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

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

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

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

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

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

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

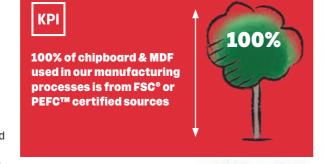
Sustainability Matters

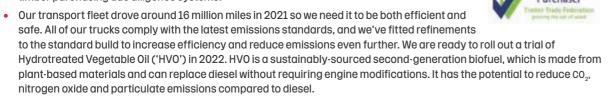
Sustainable supply chain

Certified wood, responsible purchasing, efficient distribution

2021 highlights

- We used over 270,000 cubic metres of chipboard and 61,000 cubic metres of MDF in our factories in 2021 enough to fill the Albert Hall more than 3 times - so we need to know where our timber comes from.
- FSC® or PEFC certification means that the wood comes from responsibly-managed forests and that we have independent documented evidence of an unbroken chain of ownership all the way from the forest to us - via the mill, the importer and our suppliers.
- We are also members of the Timber Trade Federation and are recognised by them as a 'Responsible Purchaser', which means that we have third-party assurance on our timber purchasing due diligence systems.





- We also invest in safety and energy-efficiency training for our drivers. We combine this with the latest in-cab telemetry and a system of daily debriefs where driver behaviour is assessed against energy-efficiency and safety targets. We reward drivers who reach the highest standards and we work with any drivers who need help to improve. In recent years, we have invested in training our own new drivers via a driving apprenticeship scheme.
- All of our buyers and our compliance team have taken and passed the Chartered Institute of Procurement and Supply's Ethical Procurement & Supply training, and we have a rolling programme of refresher training on Modern Slavery and
- · Our Modern Slavery Statement can be found here: https://www.howdenjoinerygroupplc.com/governance/modernslavery-statement.

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

TARGET to reduce fuel consumption:

MPG improvement targets for our distribution fleet. Targeting a 1% improvement by 2021, with a further 2% by 2023.

2021 update: We are slightly ahead of target for 2021 and are making progress towards our 2023 target. Against a 2020 baseline of 9.89 MPG, we have achieved a 1.3% improvement with our 202112 month rolling average of 10.02 MPG. Given that our distribution fleet covered around 16 million miles in 2021, this increase in efficiency reduced our emissions by just over 250 tonnes of CO., as well as saving money by using less fuel per mile.

TARGET to increase energy use efficiency:

CO. KG/M3 emission targets for our distribution fleet. Targeting a 5% reduction in 2021, with a further 2% by 2023.

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

Sustainability Matters

Sustainable product

Product development and re-engineering. Sustainable sourcing strategy

2021 highlights

Sustainability is integral to our new product development

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

Making sustainability part of business as usual



Improving the sustainability of our products by design

Product re-engineering

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

Our sourcing strategy

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

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

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

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

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

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

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

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

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

Sustainability Matters

Our environment

Reducing waste, responsible operations, lowering emissions

2021 highlights

- Maintaining zero to landfill in 2021 in our manufacturing and logistics operations. We were very pleased to achieve this in 2020 through our approach of removing or minimising the use of resources in the first instance, and then maximising the amounts of waste that we can reuse, recycle and recover. We have maintained this performance in 2021 and this is our target for the future.
- Less than 1% to landfill in our UK depots in 2021. This
 metric is part of one of our main ESG commitments, and
 we've made significant progress in 2021. See page 50 for
 more details.
- ISO 14001. Our manufacturing, warehousing and transport are certified to ISO 14001 Environmental Management System. This assures us that we have sustainable processes in place and encourages us to look for improvements.

KPI

100% of production

and warehouse

waste reused.

recovered or

recycled

• Sawdust-to-heat. In 2021 we converted 14,000 tonnes of sawdust into energy in biomass boilers at our Runcorn and Howden factories. This is enough sawdust to fill 17 Olympic swimming pools, and it would otherwise have to have been transported elsewhere to be reused. Using it to heat our factories also saves us money. We generated over 40,000mWh of energy from our biomass boilers, equivalent to the average electricity consumption of over 11,000 households.

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

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

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

SECR Reporting

Energy efficiency initiatives

We have held the Carbon Trust Standard for Carbon since 2012, with a commitment to reduce TCO_2 e/£m turnover by 2.5% p.a. Examples of our main measures to achieve this were replacing inefficient assets with energy-efficient equipment (such as LED lighting, efficient extraction system drive motors, compressed air system optimisation with leak detection), and logistics fleet efficiencies through driver training and trailer fill optimisation. Our new warehouse campus of 1.6m ft² at Raunds is built to a BREEAM Very Good status, and we started decarbonisation of our car fleet with 150 hybrid & electric vehicles introduced in 2021.

Use of renewable energy sources and carbon offsets

Since January 2021, our UK manufacturing sites bought all grid electricity from renewable sources backed by Renewable Energy Guarantees of Origin. This avoided equivalent carbon emissions of $4,125\,\mathrm{tCO}_2\mathrm{e}$. This is reflected in our market-based emissions which we are reporting for the first time in 2021. Our factories at Howden and Runcorn are heated by biomass boilers with fuel certified as sustainable and recognised under the Renewable Heat Incentive scheme by OFGEM. In 2021, these boilers generated $41,882\,\mathrm{mWh}$ of heat. In 2021, we also purchased $12,648\,\mathrm{tCO}_2\mathrm{e}$ of Gold Standard carbon offsets in support of our achievement of carbon neutrality at our Howden and Runcorn manufacturing sites. Details of the offsets, together with a link to the independent certification registry are on page 50.

SECR - Emissions reporting

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

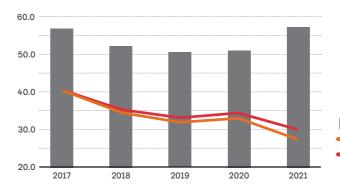
Emissions reporting methodology

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

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

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

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





Total Carbon emissions - Gross ('000s tCO₂e)

Carbon Intensity ratio (tCO₂e per £m) - Gross (location based)

Carbon Intensity ratio inflation adjusted (tCO₂e per £m) - Gross (location based)

Sustainability Matters

Our communities

Local and national donations and partnerships

2021 highlights

Giving back to local communities

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

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

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

Inspiring and motivating young people

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

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



Solutions for independent living

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

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

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

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

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

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

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



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. Pages 38 to 45 give more detail on these risks, their potential impacts and mitigations, and include a discussion of the effects of COVID-19 and Brexit.

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 Directors note that the Group is currently holding additional amounts of fast-moving stock items as a specific mitigation against supply chain disruption, and they consider that the other effects of these risks would be reflected 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 2021, as well as early weeks' trading in 2022. They have reviewed the Group balance sheet at December 2021, particularly noting that the Group is debt-free, has cash and cash equivalents of £515m, and has appropriate stock levels.

They have also considered three financial modelling scenarios prepared by management:

1. A 'base case' scenario. This is based on the final 2021 Group forecast, made in November 2021 and including the actual results of the 2021 peak sales period.

The basis of this scenario has been approved by the Board. It assumes future revenue and profit growth in line with management and market expectations as well as significant capital expenditure to support that growth and cash outflows for dividends and share buybacks.

2. A 'severe but plausible' downside scenario.

This scenario starts with the base case described above and models a going concern period where those sales are down by 7% and margin is down by 2%.

This level of reduction in sales and margin has been chosen as it replicates the worst fall ever experienced in the Group's 25-year history. It is worse than the combined effect of COVID-19 and Brexit on 2020 actual performance where sales were down 2.3% on the previous year and margin was down by 2%.

This scenario includes capital expenditure which is lower than in the base case, but which is still in line with our announced strategic priorities for growth, namely: new depot openings and refurbishments; additional investment in our manufacturing sites, and additional investment in digital. This scenario models a reduction in most of the variable cost base in line with the reduction in turnover. It includes dividends at a level of dividend cover in line with the Group's stated policy, but it assumes no share buybacks.

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 remaining cash positive over the whole going concern period, without the need to borrow or take further mitigating actions.

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

Results of scenario testing

In the first two scenarios the Group has significant cash 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 plausible downside scenario before the Group would have to draw on borrowing facilities or take further mitigating actions. The likelihood of this level of fall in sales was considered to be remote.

Going Concern and Viability statements continued

Going Concern continued

Borrowing facilities available but not included in the scenario modelling

The Group has a bank facility which allows borrowing of up to £140m, which expires in December 2023 and whose other main details are set out in note 19 to the financial statements. The facility has not been used at any time since it was set up. All the going concern scenarios are modelled on the basis that the Group does not draw on this facility.

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 they have a reasonable expectation that the Group will have adequate resources to continue 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 December 2021 of 6515m
- Debt-free. Consistently cash-generative. Proven ability to maintain strong cash balances whilst also investing for arowth and returning cash to shareholders.
- £140m borrowing facility. Unused, but available if needed.
- Strong relationships with suppliers and customers, built on trust
- 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 38 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.

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 2024. 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.

- 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 an increase in sales and profit, capital expenditure in line with our plans for growth and investment in our strategic priority areas, and cash outflows for shareholder returns.
- 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 3-year period. It assumes that sales recover cautiously. On gross margin, which had been modelled at 2% down on the base case over the going concern period, the model assumes an improvement of 1% each subsequent year, thereby returning to the base case margin level by the end of the viability assessment period. It assumes capex which is less than the base case, but which is still in line with investing in our strategic priorities, dividends in line with our current level of dividend cover, and no share buybacks.
- 3. In the reverse stress-test scenario, the model assumed a phased recovery of margin and profit on the same bases as for the severe but plausible downturn scenario. This was 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 be cash positive at any point in the viability assessment period, without borrowing or taking further mitigating actions.

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 cash over the viability assessment period and would not need to use its lending facility.

The reverse stress-test showed that the level of fall in sales required in the first year of the viability assessment period before the Group would need to use its borrowing facility at any point over the viability period was over three times the fall modelled in the severe but plausible downturn scenario.

None of the scenarios relied on the Group making use of its lending facility.

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 2024.



Further reading relevant to going concern and viability

Principal risks and mitigations, including a review of the risks arising from COVID-19 and Brexit	Pages 38 to 45
Management actions to secure stock availability	Page 24
Trading results	Pages 32 to 37, and the Financial Statements
Balance sheet	Page 149
Details of our £140m borrowing facility	Page 169
Auditor's report, with details of their work and conclusions on going concern and viability	Pages 186 to 194

Other Directors' statements

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, Directors' Remuneration Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors are required to prepare Group Financial Statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and have chosen to prepare the Parent Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the Parent Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the Financial Statements.
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.
- Make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Section 172(1) statement

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

The Directors are required to include a statement of how they have had regard to stakeholders and the other factors set out in section 172(1)(a) to (f) when performing their duty. The full s.172(1) statement may be found on pages 82 and 83. On page 83, 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 145 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 strateay.

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

Andrew Livingston

Paul Hayes

Chief Executive Officer Chief Financial Officer

