

Sustainability Matters

Introduction:

Why sustainability matters to us

Links to long-term value, our culture, our business model and our risks. Material areas and KPIs.



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Our impact on our stakeholders

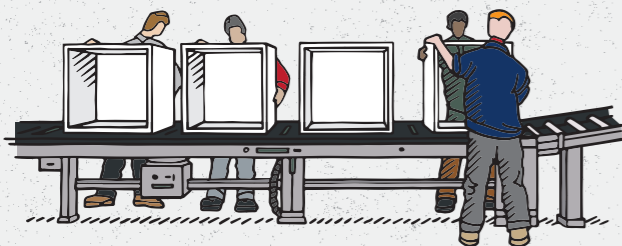
A summary of our social and environmental footprint.



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Sustainable supply chain

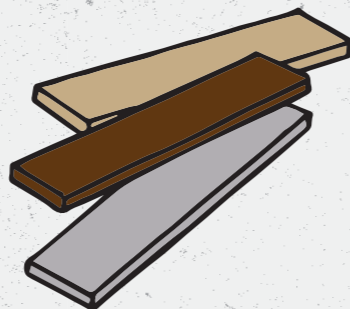
Timber management, supplier engagement and assessment, ethical procurement.



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Sustainable product

Efficient, durable, reliable products.



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Our people

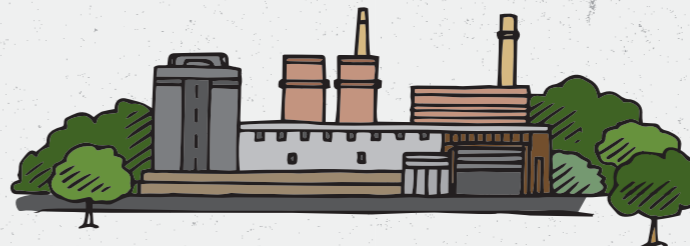
Keeping our people safe, offering them rewarding careers and a great place to work and grow.



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Our environment

Reducing waste, responsible operations, lowering emissions.



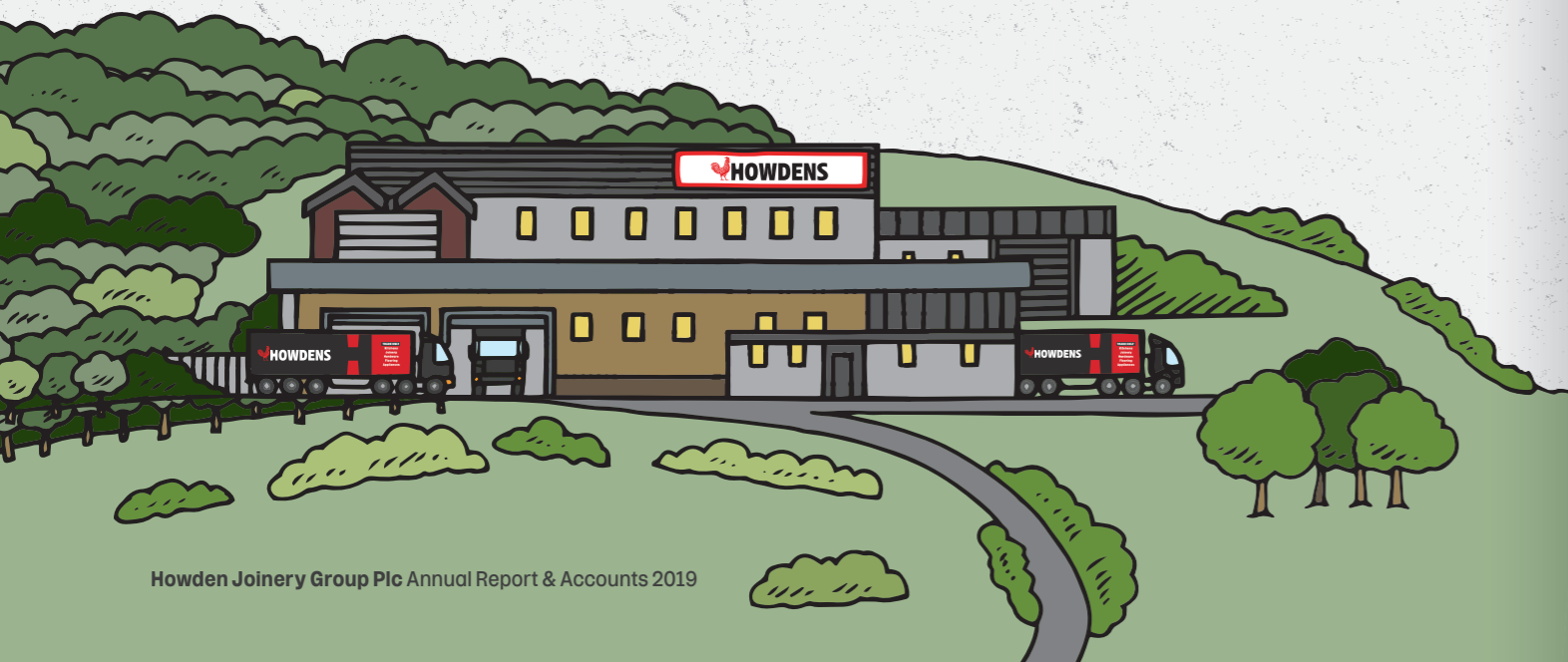
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Our communities

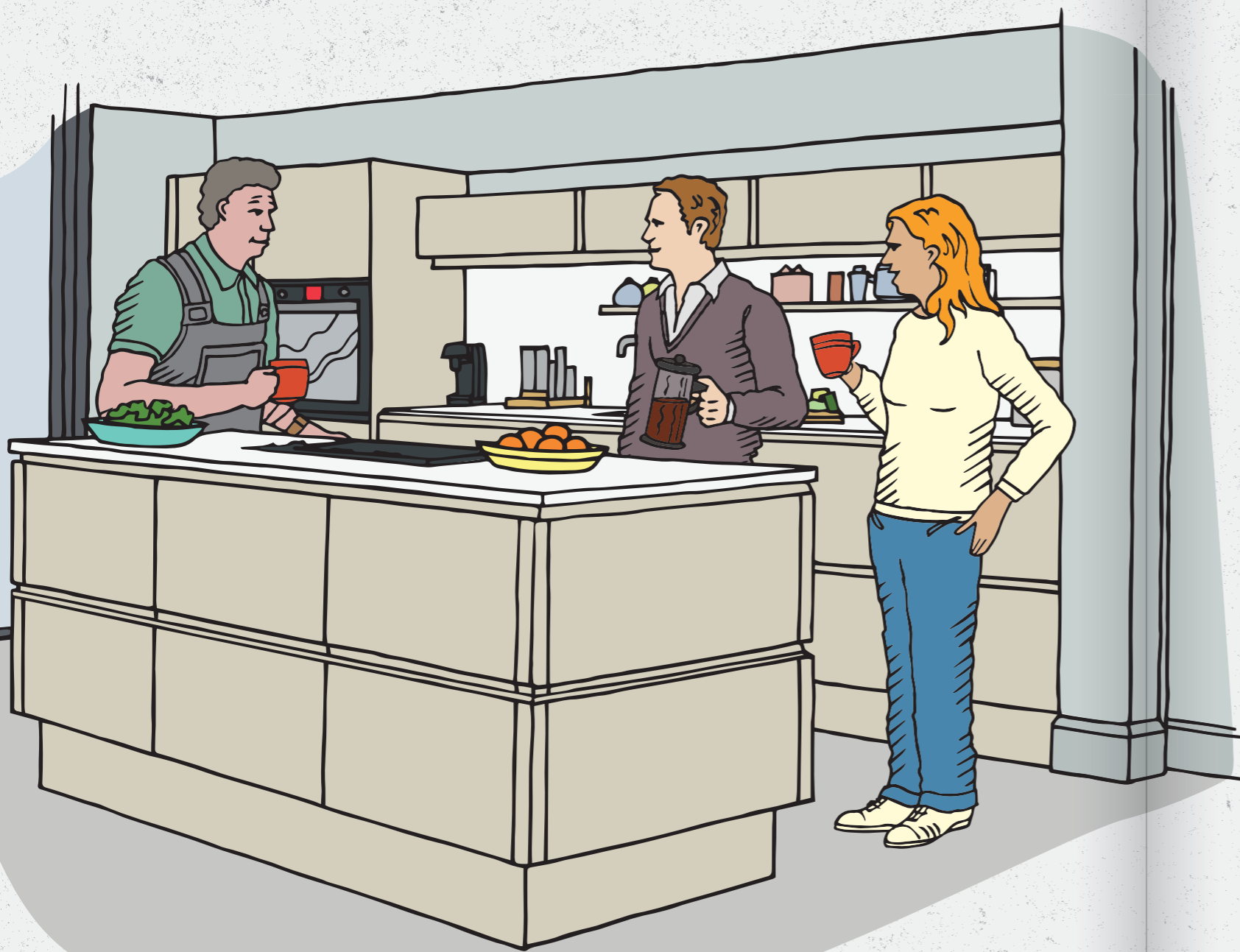
Local community projects, our national partnership with Leonard Cheshire, Community Kitchens.



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Sustainability Matters



Sustainability Matters

Why Sustainability Matters to us

SUSTAINABLE BEHAVIOUR GENERATES LONG-TERM VALUE

Howdens is a growing business, with exciting prospects for the future. Sustainable behaviour will help us continue to grow over time in a way that preserves our culture, maintains focus on our business model, mitigates our risks and addresses the needs of our stakeholders.

SUSTAINABILITY BEHAVIOUR IS PART OF OUR CULTURE

When we talk about the Howdens culture, we describe it 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 operate in.

SUSTAINABLE BEHAVIOUR SUPPORTS OUR UNIQUE BUSINESS MODEL

Sustainable behaviour gives us a competitive advantage.

Lowest cost production in our dedicated 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 both our suppliers and customers means that our relationships with them need to work for all parties over the long term.

We have over 750 depots in the UK and Europe, and the relationships that those depots rely on to trade profitably mean that our success relies on us being a good neighbour in each of those communities.

SUSTAINABLE BEHAVIOUR MITIGATES OUR RISKS

We discuss our principal risks on pages 40 to 47. Sustainable behaviour helps us to address some of those risks.

For example, we place a great emphasis on looking after our people. We invest in keeping them safe, developing their skills, and offering them rewarding careers and 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 the 'Interruption to continuity of supply' risk, and energy-efficient, safe, tested and durable product mitigates our 'Product design relevance' risk.

THE BOARD LEADS 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 on our website at www.howdenjoinerygroupplc.com/sustainability/group-health-safety-and-sustainability-policies.

WHAT ARE THE MATERIAL SUSTAINABILITY AREAS FOR US AND OUR STAKEHOLDERS?

We've organised this report into five sections, reflecting the main areas of importance to us and to our stakeholders:

- People:** keeping them safe, offering rewarding careers.
- Sustainable supply chain:** sustainable sourcing, shared values throughout the supply chain, active monitoring of suppliers.
- Sustainable product:** safe, traceable, energy-efficient and durable.
- Environment:** reducing waste, responsible operations, lowering emissions.
- Communities:** local community projects, our nationwide work with Leonard Cheshire Disability, Community Kitchens.

OUR SUSTAINABILITY KPIS

Our sustainability KPIs cover safety, use of wood from certified sources and re-use, recovery and recycling of waste. You can find them on pages 54, 56 and 58.

Our impact on our stakeholders

ENVIRONMENT

240,000m³ of chipboard from sustainably managed UK forests

99.8% of manufacturing waste recycled or reused

12,000 tonnes of waste sawdust converted to energy to heat our factories



PEOPLE

450 apprentices in training. Tailored apprentice programmes across the Group

10,000 full-time jobs with prospects. In UK manufacturing, in over 750 local depots and in distribution, systems and support

100% of employees in share ownership schemes, or similar

Top 25 Best Big Companies to Work For

PEOPLE

£440m of wages, salaries and benefits paid to our employees

Responsible for all or part of the pensions of over **18,000** people

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

Employing people in over **750** communities

WIDER ECONOMY

£70m of rent paid to around 650 commercial landlords

£330m of tax generated or collected. Corporation tax, NI, PAYE and VAT

£270m of working capital extended to over 400,000 small businesses in our peak trading period. No fees, up to 8 weeks to pay

£61m capital investment in the year. Investing in UK manufacturing and distribution. Expanding our depot network in the UK and France

SHAREHOLDERS

£126m returned to shareholders in dividends and buybacks

COMMUNITY & CHARITY

15th year of our national partnership with Leonard Cheshire. £0.75m donated in 2019. Supporting young, disabled adults to find valuable roles within their communities

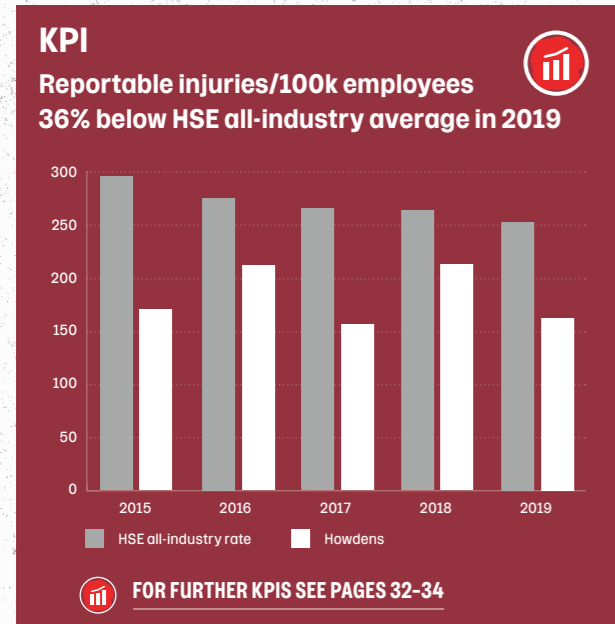
3,600 other charity donations. £1.5m given to local charities and community activities across our network

Our people

Keeping them safe and healthy, offering them rewarding careers

Keeping our people safe and healthy

Focusing on a safety culture, supporting employees' physical and mental health



We have around 10,000 employees and we want all of them to go home, safe and healthy every day.

We are pleased that our safety KPI – the level of RIDDOR reportable injuries – continues to be significantly below the UK industry average, and we continue to invest in safe behaviours, processes and machinery to continue to maintain and improve these high standards.

In 2018 we reported in detail on our Safe to Trade programme for our depot network, and Safe to Supply for our factories and logistics network. In 2019 we extended this to the solid surface fitters involved in kitchen and worktop fitting with Safe to Fit.

Safe to Fit offers practical safety guidance to our own employees as well as subcontractors and our customers, to reduce risks associated with processing and installation of solid stone products. The final element of our 'Safe to..' strategy is Safe to Support, for our colleagues in support functions, which will give us a unified but tailored approach across the whole business.

Our focus on building robust systems and processes has given us strong foundations to drive the maturity of our safety culture forward. The 'Safe To..' programme is built on strong safety leadership, engagement and inclusion of everyone in safety, and working towards a fair and just culture where everyone takes responsibility for themselves and others – an interdependent culture.

Given our focus on driving further improvement through developing a strong safety culture, we welcome the new global health and safety standard ISO 45001. This builds upon the outgoing standard, OHSAS 18001 – which we have held since 2008 – with an increased emphasis on safety leadership, culture and employee participation.

We are very pleased to have achieved ISO 45001 certification in 2019 for our factories and logistics network, and our objective is to have the new standard in place across the whole Group by the first half of 2021.

We continue to work with other leading companies and external consultants to share best practice, to help us benchmark and to learn and challenge ourselves. We hope that these actions will improve our safety record even further in the future.

We also recognise the benefits of supporting our employees' mental health and wellbeing, both at work and at home. Our free and completely confidential Employee Assistance Program is available to all employees and offers mental and physical health support, counselling, coaching, help with challenging life situations and legal advice.

Offering rewarding careers

Great rewards, great opportunities to develop, great place to work

We pay a good basic salary; all of our pay rates are above living wage and most of them are well above it.

We also offer a range of benefits, including pension schemes which we contributed £57m to in 2019, for the benefit of our 18,000 current and past employee members. We give free shares to all our people who stay with the company for at least three years so that they can share in our growth.

Part of our culture and our business model is that we offer staff the chance to get significant bonuses for exceptional performance. Depot, manufacturing and warehouse staff bonuses are directly linked to the specific profitability or productivity of their area, so teams are directly rewarded for their hard work.

We offer rewarding career opportunities because we want to recruit the best people, and when we've found them we want to keep them. We're very proud that a lot of our staff choose to stay with us to develop their careers. When carrying out some analysis of our HR records during 2019, we found that almost half of our staff have been with Howdens for more than 5 years, and 85% of manager vacancies had been filled by existing employees.

We also employ 450 apprentices throughout the business, offering a range of worthwhile futures and high-quality nationally-recognised qualifications to people across the country. We work with local colleges to develop bespoke apprentice programmes, tailored to the specific skills and development needs of our apprentices, and which also fit the needs and demands of a growing modern business. See a video about our apprentice programs on our website here: www.howdenjoinerygroupplc.com/about/our-people.asp

We've increased the number of apprentices in the business in 2019 and we currently have apprentices working and learning skills in areas such as sales, customer service, warehouse work, senior leadership, business admin, HR, manufacturing, engineering, IT, design, truck driving and business improvement techniques. These programmes offer development opportunities for all levels – from school leavers learning foundation skills to experienced staff doing master's degree level qualifications.

Find out more about working with Howdens, and see our current vacancies on our careers website at <https://careers.howdens.com>.

Employee engagement:

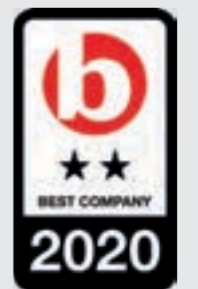
Best Big Companies to Work For 2020

As part of our employee engagement activities, we have taken part in the Sunday Times Best Big Companies to Work For assessment process every three years since 2010. This involves a comprehensive survey, sent in confidence by an independent third party to every one of our employees.

The survey asks them for their views on their manager, their team, their wellbeing, personal growth and future prospects, whether they think they get a fair deal, the company as a whole, the leadership, and whether they think that Howdens gives back to society and has a positive impact.

We are very pleased that our employees' views have led to us being in the top 25 Best Big Companies to work for on every occasion, as well as being awarded a 2 Star Best Companies accreditation which recognises 'an outstanding commitment to workforce engagement'.

We also won a special 'Giving Something Back' award, recognising the work we do in our communities, with particular recognition given to the volunteer On-Call Firefighter and Emergency Medical Responder teams that operate from our factory and warehouse sites and work with their local Fire and Rescue Services to save lives and support their local communities.



Sustainable supply chain

Sustainable sourcing, actively engaging with our supply chain

Sustainable sourcing

Timber management and chain of custody, shared values throughout the supply chain

KPI

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



FOR FURTHER KPIS SEE PAGES 32-34

In 2019 we used 237,000 cubic metres of chipboard and 44,000 cubic metres of MDF in our factories - that's enough to fill the Royal Albert Hall more than three times. We use either FSC or PEFC certified chipboard & MDF in our manufacturing process. All the new kitchen ranges we introduced during 2019 were from one of these certified sources.

This 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.

Active engagement with our supply chain

Supplier assessments, risk-based testing, ethical procurement

We know that there will always be potential ethical, social and environmental risks in our supply chain, and we are committed to understanding, identifying, and minimising them as much as possible. We will only trade with a supplier when we have carried out a thorough risk assessment and are satisfied that we have credible evidence that they meet our high standards.

In 2019 we have continued to strengthen our approach to reducing supply chain risks. We make our expectations clear in our supplier contract terms and conditions, which include specific ethics and sustainability clauses. We also have a Supplier Code of Conduct where we set out what we expect and how we will monitor that suppliers are complying.

After clearly setting out our standards and expectations, we then work to understand the specific risk profile of each supplier.

In 2018 we started to use Sedex, a leading worldwide platform for sharing responsible sourcing data, to help us assess supplier risk and to verify any specific mitigations which may be in place. Sedex is used by over 50,000 members in over 150 countries. It is a place where suppliers can share a wide

We are also a member of the Timber Trade Federation which requires our commitment to implementing an environmental due diligence system to fulfil the Federation's responsible purchasing commitments.

We continually look to improve our processes and our awareness of timber sourcing risks. This includes attending workshops run by The Office for Product Safety and Standards who monitor and enforce the Timber Regulations, so that we can keep up to date with the latest developments.

We only want to work with suppliers who share our ethical values. We are clear about our expectations and we aim to align them through our whole supply chain.

Every year we bring our main suppliers together at a forum to talk about shared issues. This benefits both us and our suppliers, and is an example of the principle that our business needs to be 'worthwhile for all concerned'.

As well as talking to our suppliers about product development, we use the supplier forum as an opportunity to repeat and reinforce our expectations for sustainability and ethical behaviour. We tell our suppliers what we need from them and we work together to come up with solutions.

range of sustainability data and accreditation information for their companies and their individual operating sites, as well as the results of independent third party sustainability audits.

We encourage all our suppliers to become members of Sedex. For those who are not, we use a combination of specific questionnaires and targeted verification processes - which may include us commissioning an independent sustainability audit.

We need our people to understand and demonstrate best practice and integrity, so we've given them training to support them in their dealings with suppliers. All of our buyers and our compliance team have taken and passed the Chartered Institute of Procurement and Supply's Ethical Procurement & Supply training, and we have a rolling programme of refresher training on Modern Slavery and Anti-Bribery.

There is more information about the work we do to safeguard against human rights violations, in both our own business and our supply chain, in our modern slavery statement. You can find this in the Sustainability section of our investor relations website.

Sustainable product

Offering our customers a range of high-quality, durable products

We need to offer our customers and end-users a range of high-quality products which are durable, energy-efficient and responsibly produced, as well as looking good and offering excellent value for money.

We have direct control of these factors with the cabinets, frontals and worktops that we make in our UK factories. We know where the raw materials are sourced from, and we can test the finished products to levels beyond industry standards in our own test laboratories. This allows us to be confident offering a 25 year guarantee on our cabinets, for example. It's part of our mission statement: 'No-call-back quality'.

For the product we buy in, our aim is to develop long-lasting and trusted relationships with responsible suppliers. As the UK's number one kitchen brand, we can offer suppliers sufficient volume to make it worth their while committing investment funds to develop efficient products to our demanding specifications. It's part of our culture: 'Worthwhile for all concerned...creating the conditions that allow everyone to succeed'. It also allows us to offer a three-year warranty on all our Lamona appliances.

We're always working in our factories and with our suppliers to make our product offer more sustainable.

Some of our current highlights are shown below:

A Lamona heat-pump tumble dryer

- Co-developed with a long-term supply partner, requiring the supplier to commit to significant R&D expenditure in a project that lasted several years
- A unique product on the market - the first integrated heat-pump tumble dryer. Required the supplier to re-engineer the pump to fit into an integrated appliance
- We can encourage suppliers to do this because we have sufficient scale
- A+ energy rating. Uses 41% less energy than the product that it replaced.
- 98% recyclable at the end of its life

B Lamona dual cavity single oven

- Top and bottom fans with dividing shelf in the middle
- Allows you to just heat half of the oven, or to heat both halves to different temperatures, saving energy. Also allows you to use the whole oven as one space if you need it
- 91% recyclable at the end of its life

C Lamona dishwasher

- A++ rated
- Saves an average of 560 litres of water/yr over our standard dishwasher, and is 5db quieter
- 84% recyclable at the end of its life

D Cabinets

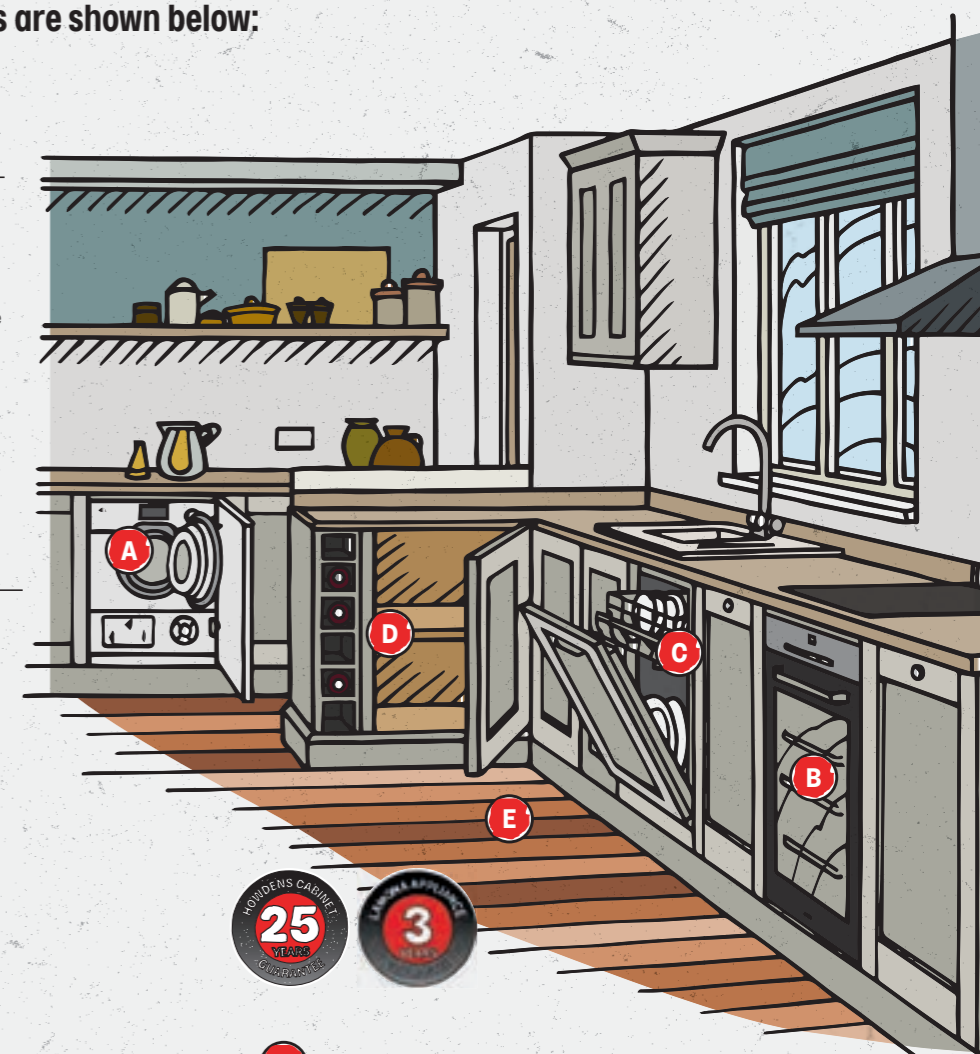


- Made in our own UK factories from 100% FSC or PEFC compliant raw materials, sourced from UK forests
- 25 year guarantee - we know it's made to last
- Cabinet foot made out of recycled plastic



E Howdens bamboo flooring

- Twice as durable as oak - can be sanded and refinished up to 5 times
- Bamboo is renewable and much faster-growing than hardwood
- 25 year residential guarantee



Our environment

Reducing waste, responsible operations, lowering emissions

Reducing waste

Reducing amounts to landfill, highly-efficient production, turning production waste into energy

KPI
Total % of production and warehouse waste reused, recovered and recycled

99.8%



FOR FURTHER KPIS SEE PAGES 32-34

We're very pleased to have improved our KPI from last year's figure of 98.5% to this year's 99.8%. We are even more pleased that by the end of 2019 we had managed to find a way of recycling the one remaining element of waste so that we will be operating at 100% in 2020.

Highly-efficient production is one of our strategic aims as it gives us a competitive cost advantage. Over the years we've invested in efficient production machinery and in software that takes the constantly-changing production mix, and maximises the number of panels that we can get from each sheet of chipboard. We've also worked with our chipboard supplier to develop a new size of board that allows us to minimise cutting waste even further.

100% of all packaging used in our manufacturing is from recycled or certified sources

100%



Nevertheless, the sheer scale of our manufacturing operations means that we still generate a lot of sawdust waste. At both of our factories, we have invested in biomass boilers which burn this waste to produce heat. They allow us to reuse waste, they reduce our emissions and they save us the cost of the equivalent bought-in fuel.

In 2019, we converted 12,000 tonnes of sawdust into energy at our Howden and Runcorn sites. This is enough sawdust to fill 15 Olympic swimming pools. Burning it onsite means that it doesn't have to be transported elsewhere to be reused. It also saves us money. We generated 46,000 MWh of energy from our biomass boilers in 2019, equivalent to the average annual electricity consumption of around 12,000 households.

Responsible operations

Energy-efficient factories and warehouses

All our factories, warehouses and transport sites hold the ISO 14001 standard for Environmental Management. This assures us that we have sustainable processes in place, and it encourages us to look for improvements.

2019 initiatives in our factories should give us an aggregate energy saving of around 0.8 million kWh per year, the equivalent of the annual energy use of 50 average homes. Our total electricity used in manufacturing was 4% less than last year, despite a 5% increase in factory production volumes.

The cumulative effect of the energy saving projects in our factories since 2010 means that despite manufacturing 45% more finished goods per annum in 2019, we used 18% less electricity to make them.

Safe and efficient transport fleet

Our sustainability-award-winning transport fleet drives over 16 million miles per year, so it needs to be efficient and safe.

All of our trucks are of the latest and most efficient European standard. We then add further measures to the standard vehicles to increase efficiency.

We also invest in safety and energy-efficiency training for our drivers. We combine this with 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 who need help to improve.

We keep looking for further improvements and we continue to work with industry bodies and truck manufacturers in trials of new technology.

Lowering emissions

Efficient operations lead to reduced emissions

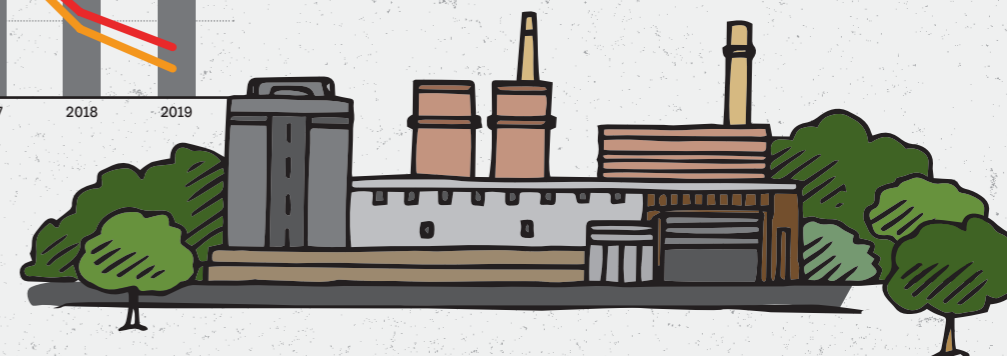
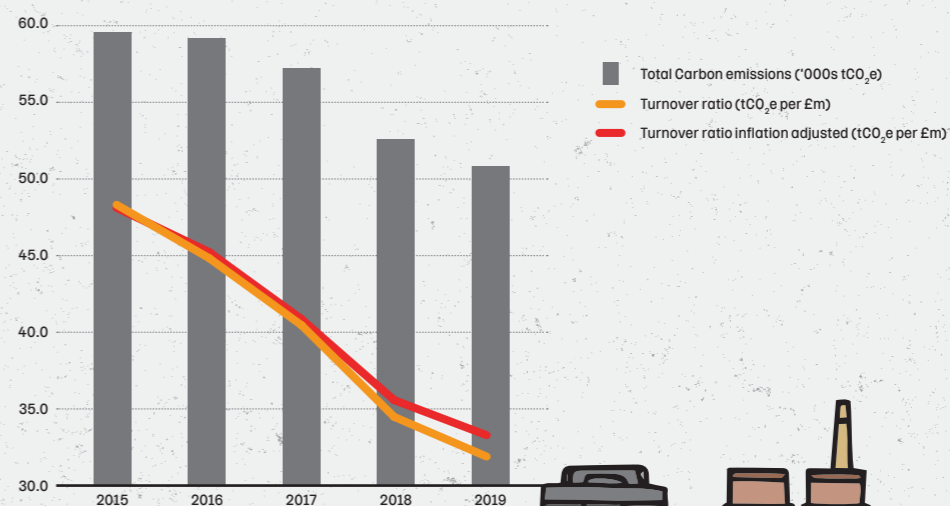
GREENHOUSE GAS AND EMISSIONS REPORTING

We are pleased to report that our total emissions have reduced in 2019 despite an increase in turnover.

Turnover increased by 4.8% in 2019, whilst the turnover ratio decreased by 7.6% and the inflation adjusted turnover ratio decreased by 6.4%. We will continue to look for further improvements. Our record over the past five years is shown on the chart below.

	Total CO ₂ Emissions (Tonnes) 2019	Total CO ₂ Emissions (Tonnes) 2018
Scope 1 - Direct: Gas	2,622	3,472
Scope 1 - Direct: Diesel	28,705	26,683
Scope 1 - Direct: Other fuels	690	898
SCOPE 1 - DIRECT: TOTAL	32,016	31,053
Scope 2 - Indirect: Electricity	18,517	21,130
SCOPE 2 - INDIRECT: TOTAL	18,517	21,130
TOTAL (Scope 1 and 2)	50,532	52,183
Turnover (£m)	1,583.6	1,511.3
Turnover ratio (tCO₂e per £m)	31.9	34.5
Inflation adjusted turnover ratio (tCO₂e per £m)	33.3	37.0

Emission source data is converted to carbon tonnes using the conversion factors published by Defra. Source data includes meter readings for electricity and gas and purchasing records for other fuels.



Our communities

Local community projects

Local involvement on a nationwide basis, thousands of donations, £1.5m contributed

Each of our depots, and every one of our manufacturing, distribution and support sites, has an important role in the life of its local community. Each site depends on the local community for its success and growth; for customers and staff.

Our culture is based on personal relationships and individual accountability, and we encourage our people to support and engage with local activities and charities.

We make our products, time and cash available for staff to get involved in all sorts of ways. This year we have donated 40 kitchens to local good causes, and paid for them to be fitted. These kitchens go into places like village halls and community centres, as well as to organisations that provide education and employment skills training for young adults with additional needs. It helps them to continue to serve their neighbourhoods.

We also support thousands of small local projects with cash donations. Typical donations may be just a few hundred pounds, but they will make a big difference. They might cover things like:

- Helping local hospices to fund vital care for patients or counselling for bereaved families.

- Donating cash to local air ambulance charities, helping them to keep on providing essential emergency services.
- Buying kit for a local children's sports team.
- Donating cash to a local hospital's appeal for vital equipment.
- Donating stock to help renovate facilities at a local community centre or scout hut.

In 2019, we've made over 3,600 separate donations which have involved us giving cash or products worth £1.5m.

Our culture of giving back to the local community also shows in the actions our people take as individuals. Every year, we support our people as they take the Howdens culture and make it personal. They give up their time and put themselves to the test to raise money for all sorts of local and national causes. Some of the amazing things our people do are showcased in a video on our website here: www.howdenjoinerygroupplc.com/about/our-people.asp

We hold the Charities Aid Foundation Gold Award in recognition of the high level of employee participation in payroll giving. As an example, in 2019 a team of nine from our East Midlands region raised over £19,000 for a local children's hospital by completing a gruelling million metre row.

Leonard Cheshire

15th year of partnership. £750,000 donated, 27 inclusive kitchens donated, 'Can Do' projects

We've had a successful partnership with Leonard Cheshire since 2004 it continues to grow. In 2019 we have donated cash and goods worth £0.75m.

Leonard Cheshire's aim is to support individuals to live, learn and work as independently as they choose, whatever their ability. They work for a fairer, more inclusive society that recognises the contributions that we all make and where we can all play our part.

Like Howdens, they value local relationships, and their work supports people to be active and proud members of their local communities.

Our work with Leonard Cheshire is currently focused in two areas:

- Designing and fitting inclusive kitchens in their care homes and day centres so that disabled people can live more independently.

- Helping young people living with disabilities to play an active role in their communities through Howdens' sponsorship of the 'Can Do' volunteering programme.

Inclusive kitchens

Howdens are experts at designing inclusive and democratic kitchens that can help a wide range of people with different needs. This could range from features that help the youngest and oldest members of multi-generational families, to features that can help people with limited mobility, sight or other additional needs.

All of our kitchen ranges are available with a variety of inclusive features such as easy access cabinets, pull-down shelves and pull-out storage, variable-height worktops for sinks and preparation areas, high-contrast work surfaces and cupboards to help with limited sight, and raised plinths to allow wheelchairs to pass below.

There is an obvious fit between our skills in inclusive kitchen design and the needs of Leonard Cheshire's residents. We have pledged to supply and fit inclusive kitchens from our range wherever they are needed in any of Leonard Cheshire's homes across the country, and we have been doing this for many years. In 2019 we fitted a further 27 kitchens nationwide.

One of the kitchen users commented: "I struggle with my disability every day and find baking a great way to improve the mobility in my arms. For me it's like occupational therapy in that it keeps my hand movement going. At first, I struggled to maintain a grip on items, but I'm building strength now."

The manager of one of the Leonard Cheshire homes where we fitted an inclusive kitchen told us: "Having a fully accessible kitchen for our service users is extremely important for their independence. I couldn't begin to describe the hours of freedom and joy, and the levels of independence this kitchen will bring to our residents."

Can Do

We began to support the Can Do programme in 2010 and we are its single biggest funder. Can Do is a skills development programme for people aged 16-35 with a disability or long-term health condition. It gives them the chance to develop important life and work skills, boost their self-confidence, give back to their community and add something to their CV.

It does this by supporting them to devise and take part in a range of projects in their local community. The participants design their projects according to their specific needs and interests, so they cover a wide range of activities.

In 2019, for example, projects have ranged from community sports events to garden renovation to making videos to raise awareness. The Can Do programme provides these activities in a safe environment where young disabled people can step out of their comfort zone to develop their skills, while mixing with their peers and having the opportunity to gain a City & Guilds qualification.

Howdens support has helped Can Do expand from four locations in 2010 to 24 locations in 2019, supporting 3,000 young people per year through meaningful projects in their local communities.

90% of participants said that they had learnt new skills which would help them in the future.

Some feedback from Can Do participants in 2019 were: "I now feel far more confident in myself and have gained more skills. I have also tried things I've never done before.", that it "gave me a good sense of independence", and "I have achieved a lot in a short time on Can Do and there's a lot of improvements to master in the future".

Case Study

Community kitchens

During 2019 we worked with one of our suppliers, NEFF, to donate new kitchens to two community centres, in Leeds and London. The aim behind these community kitchens is to bring local residents together to share recipes and learn new skills.

With a national decline in cooking skills, the project provides a space for people of all generations to share recipes, cook, socialise and eat well together, as well as catering for community events.

Home cooking skills are crucial to healthier, more sustainable diets. In response to local demand, the kitchens run courses to support people to build life skills in cooking, and also budgeting, self-reliance and caring for their own health through better diets.

Our depots are at the heart of local communities, so we're proud to support initiatives like this.

