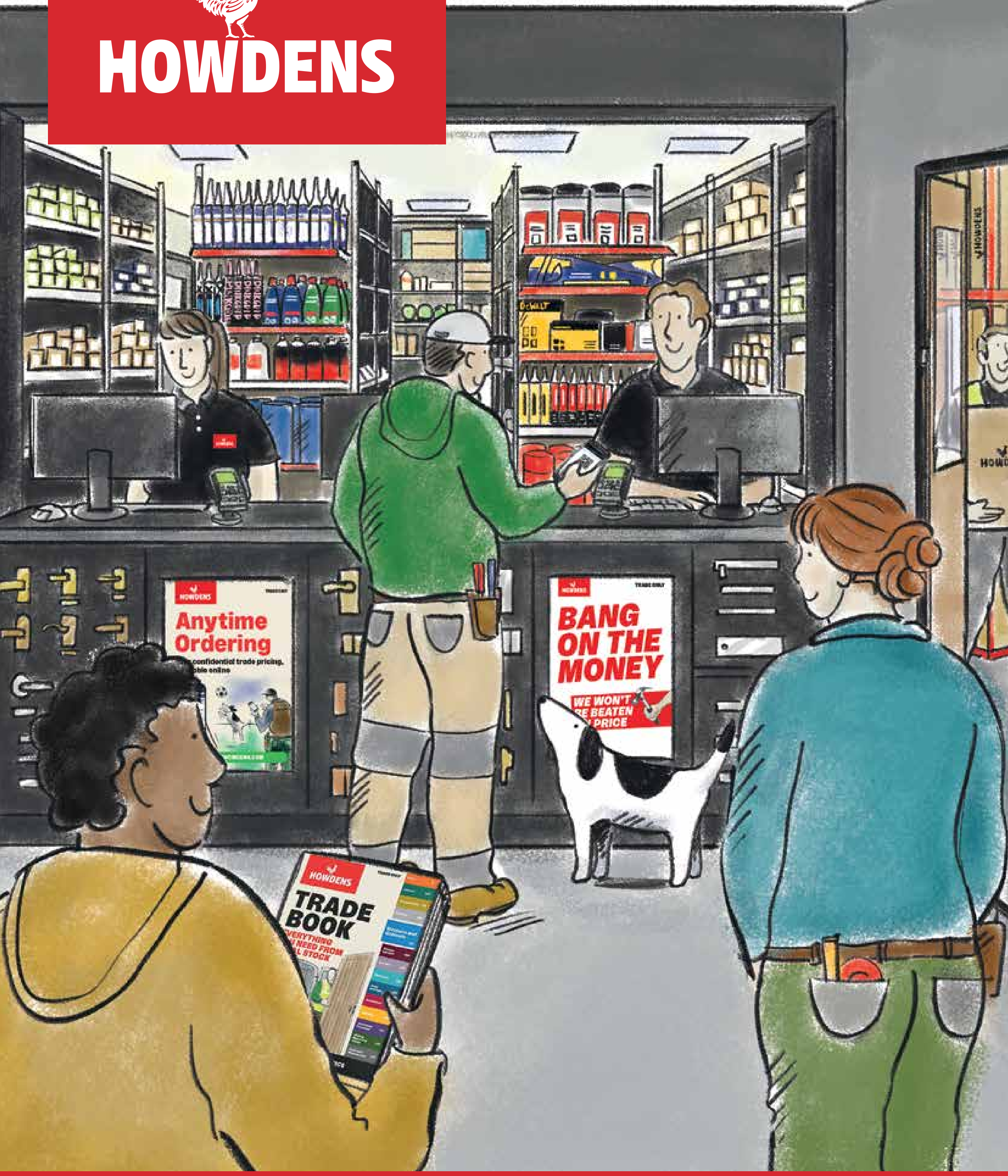
Annual Report and Accounts 2022
Howden Joinery Group Plc



Available through the Trade only

HOWDENS

Howdens - UK's #1 specialist trade-only kitchen supplier

We make the builder's life simpler. We help them to achieve exceptional results for their customers, and to profit from it.

We succeed by helping our customers to succeed.

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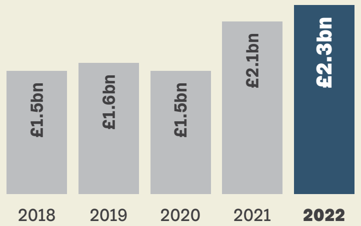
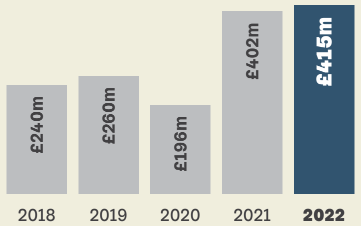
Performance in 2022

Financial highlights

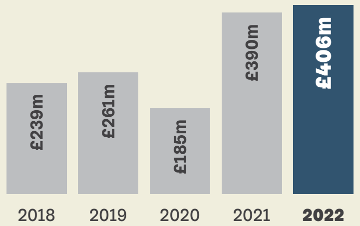
Revenue
£2.3bn



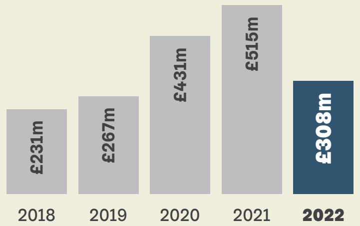
Operating profit
£415m



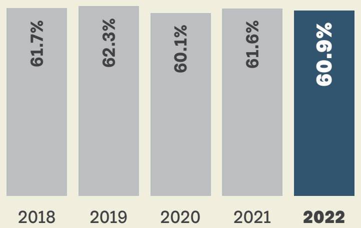
Profit before tax
£406m



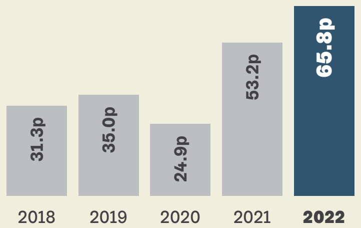
Net cash at year end
£308m



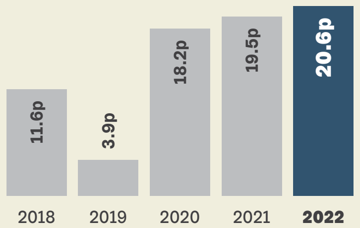
Gross margin
60.9%



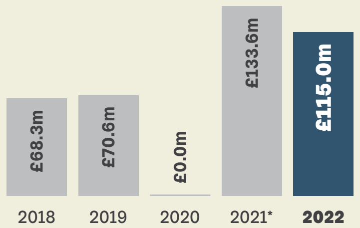
Earnings per share
65.8p



2022 FY dividend
20.6p

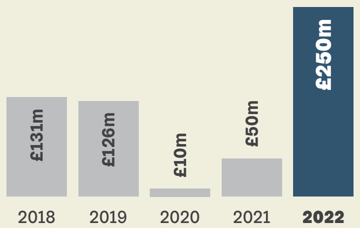


Dividends paid in year
£115m



* 2021 included a special dividend of £54.1m.

Share buybacks
£250m



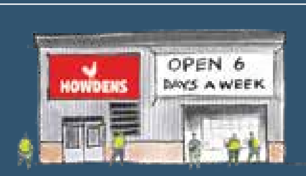
"Howdens achieved another set of strong results in 2022, with rapid progress on executing our strategic priorities and continued market share gains.

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

Andrew Livingston - CEO

Operational highlights

30 new UK depots



20 additional depots in France

5 new depots in Republic of Ireland

21 new kitchen ranges

Good progress on our ESG commitments

Making more product in our own factories

Continuing to strengthen our digital offering

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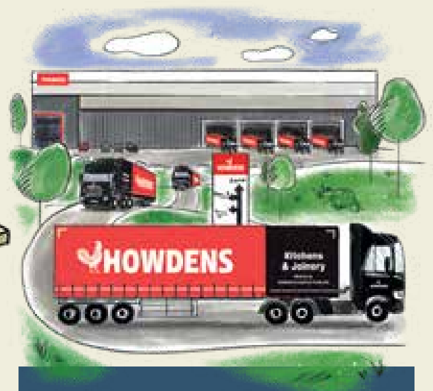
Howdens at a glance

The UK's largest specialist trade-only kitchen supplier



Global sourcing

Resources and relationships

- Global supply chain expertise
- Trusted supplier relationships give us access to the latest products at the best prices
- Responsible purchasing practices

UK manufacturing & distribution

Resources and relationships

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

Nationwide depot network

Resources and relationships

- Decentralised business model
- Empowered local depot managers, close to the trade
- Trusted customer relationships with around half a million builders
- Local depot network with a nationwide reach
- The right product. In stock in local depots at best local price

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

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

Supporting the builder

Resources and relationships

- Trade-only, with excellent service
- Helping our trade customers to succeed in selling to their customers:
  - Trade accounts support the builder's cashflow
  - Design and planning services
  - Home visits for end-users
  - Marketing materials
  - The right product. In-stock in local depots
- Competitive confidential pricing
- Digital tools to help the trade and end-users

Worthwhile for all concerned

Outcomes

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

Strategic report

How we create value

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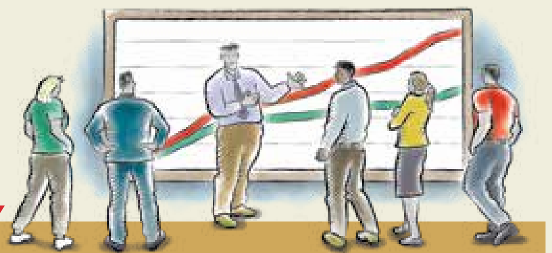
Our purpose-driven approach

Our purpose

To help our trade customers achieve exceptional results for their customers and to profit from doing so. When our customers succeed, we succeed and our stakeholders succeed.

See page 10

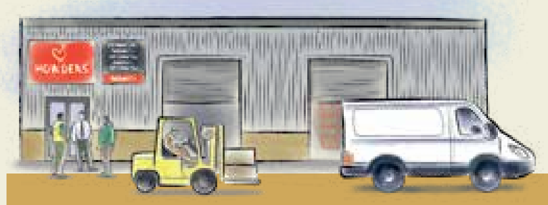
Our purpose drives our business model and shapes our strategic decisions



Strategy

Reach more builders. Offer them the best product, pricing, service and support. Generate profits for reinvestment and shareholder returns.

See page 13



Business model

Trade-only. In stock from local depots. Entrepreneurial depots supported by UK manufacturing and efficient sourcing and distribution.

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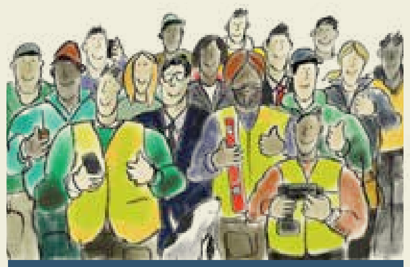
We respond to external opportunities and mitigate threats

Markets

See page 12

Risks

See page 36



Culture & values

Worthwhile for all concerned.

See page 11

Sustainability

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

See page 46

Governance

A clear governance framework. Operating with integrity.

See page 76

Culture is aligned with purpose, values and strategy

Sustainable behaviour preserves our culture, maintains focus on our business model, mitigates our risks and addresses the needs of our stakeholders

Our governance framework guides all decisions and outcomes

Our business model and strategy generate value for a range of stakeholders

Long-term value for our stakeholders

Long-term, sustainable growth and value for all stakeholders. Ensuring that our business positively impacts the world around us and the people in it.

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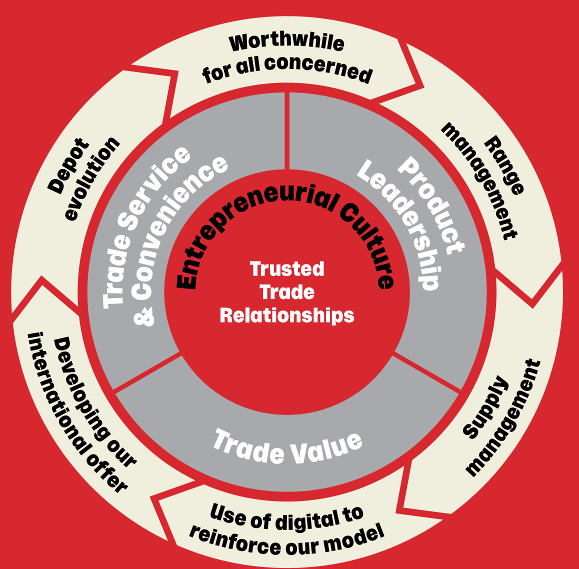
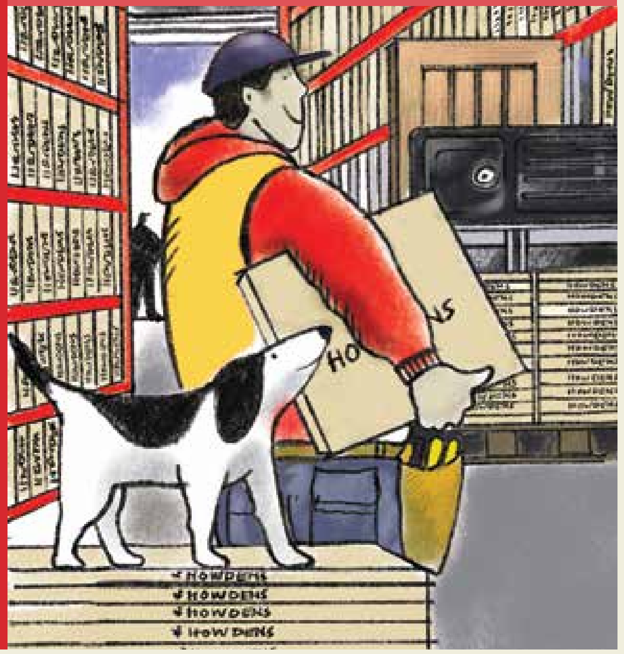
Our purpose

To help our trade customers achieve exceptional results for their customers and to profit from it.

When our customers succeed, we succeed.





Howdens' focus on serving our trade customers underpins everything we do. We believe the best way to source and install a kitchen is to work with your local tradesperson, and we are clear that the purpose and future success of our business lies in serving the trade market to the highest standards.

Our relationship with our trade customers has three key facets, each supported by our entrepreneurial culture.

Trade service and convenience

Depots located where our customers need them; monthly account facilities; product in-stock to get the job done including appliances, joinery, flooring and hardware. A design service to help customers choose and plan their kitchens.

Product leadership

Product design and testing facilities ensure that we offer the right product styles that are attractive to consumers; designed to be trade quality and easy to fit with the builders in mind ('fit and forget quality').

Trade value

Best local trade prices enabled by in-house manufacturing, long-term key supplier agreements and a low-cost depot operating model.

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Our culture and values

Howdens was founded on the principle that the business should be worthwhile for all concerned – customers, prospective customers, homeowners, tenants, local communities, our suppliers, our investors, our staff and their families.

This founding principle has shaped our business model and our strategic decisions for more than 25 years, and it continues to be at the heart of what we do.

Worthwhile for our trade customers

- Profitability, convenience, service, support
- Great product range for them to offer to their customers
- Outstanding service
- Trusted personal relationships - we do what we say
- Trade accounts and confidential discounts
- Design, planning and marketing support

Worthwhile for our staff

- A good wage, plus local profit-sharing and incentives, excellent rewards and recognition for outstanding performance
- An entrepreneurial culture, with central support
- A growing company with opportunities to develop and progress. Structured career development programmes

Worthwhile for our suppliers

- Strong and enduring relationships based on trust
- Working together to develop new products and deliver best service
- Scale - good opportunities for them to build a profitable business by working with us

Worthwhile for our other stakeholders

- Delivering consistent long-term value for shareholders with a growing dividend and return of surplus cash through share buybacks
- Helping end-users at each stage of their buying decision
- Important local employer in over 850 communities
- Giving back to charities and local communities
- Responsible purchasing and environmental policies

Our market

The kitchen market

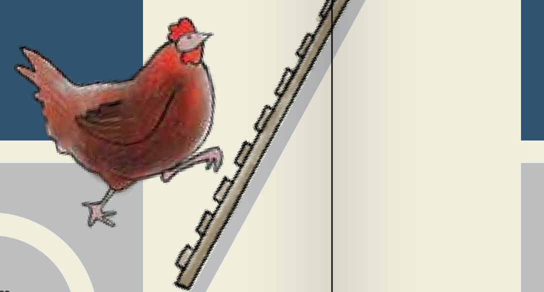
- **29 million homes in the UK. 18 million owned and 11 million rented**
- **UK kitchen and joinery market of £11.5bn[1]**
- **The market continues to shift from DIY to 'Do It For Me'**
- **Howdens sells to the Trade sector, who supply a broad range of markets, including owner-occupied homes, private rentals and social housing**
- **Our Contracts division supports the increasing demands of the new build market**

Structural drivers

- Population growth: by 2030 UK population will grow by 5% and will have 2m new citizens (ONS[2])
- Ageing UK housing stock will drive renovation. Average age of UK housing stock is 70 years (ONS[2])
- Healthy consumer balance sheets and high employment. UK consumers saved over £200bn during the pandemic (ONS[2])
- Increased end user interest in sustainable products. 44% of households are switching off or moving to more energy efficient appliances (NatWest)
- Entrepreneurial builders are well placed to win kitchens and joinery work as part of wider home refurbishment projects. They are supported by Howdens' in-stock, trade-only business model

Recent trends

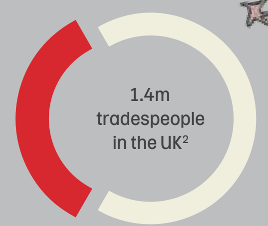
- Post pandemic UK hybrid working, at up to 5 times pre-pandemic levels, leads to increased wear and tear in the home
- Consumer mindset more focused on design and use of kitchen space to maximise flexibility (Howdens' proprietary data)
- An ageing population with significant purchasing power choosing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



Growing our market

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

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



1 Howdens estimates based on proprietary data.
2 Office of National Statistics.

Our strategy

Our purpose

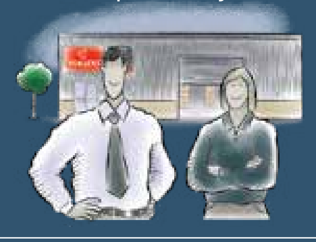
To help our trade customers achieve exceptional results for their customers and to profit from doing so.

Achieved via:

Our long-term strategic objectives

Reach more builders
Grow market share. Increase trade convenience.

Operational excellence
Increase customer service, efficiency, trade value and profitability.



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

Prudent financial management
Giving us the tools to do the job.

Measured by:

KPIs (page 28)

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

Underpinned by:

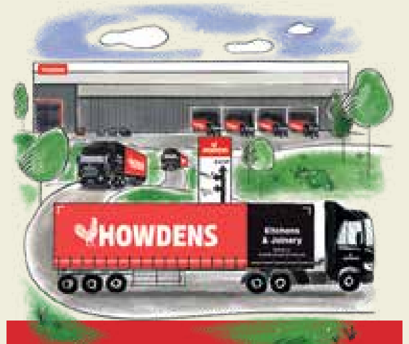
Our medium-term strategic initiatives (page 21)

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

Our resilient business model

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

What we do



1. Product manufacturing and sourcing

- Our manufacturing and sourcing experts ensure that we offer attractive products that are trade quality and easy to fit.
- We design and manufacture all of our own cabinets, around 5 million in 2022, as well as some cabinet frontals, worktops and skirting boards. We're agile and we keep the make vs. buy decision under review.
- We make what it makes sense for us to make in our UK factories and we buy other product in from our suppliers.
- We buy in thousands of different products from hundreds of trusted suppliers around the world, including appliances, joinery, flooring and hardware. We offer everything necessary to complete any kitchen.

2. Distribution

- Our in-house distribution operation delivers from our factories and central warehouses to our network of over 850 depots.
- No two deliveries are alike, and each one must be correct, complete and on time. We can guarantee this because we control our own distribution.

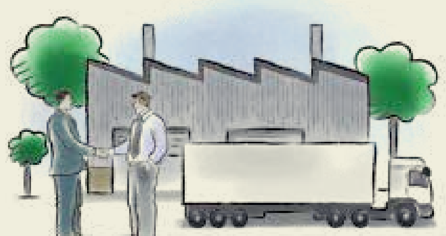
3. Depots designed for our trade customers

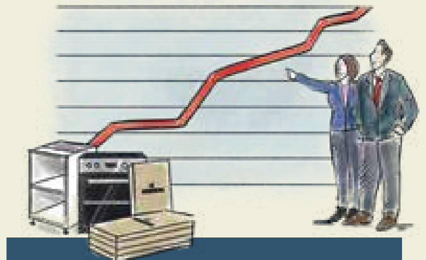
- Our business depends on entrepreneurial depot managers and the relationships between our highly motivated and incentivised depot teams and their local builders.
- A typical Howdens depot is in an edge-of-town location - more convenient for our trade customers, and cheaper to rent. Around 85% of our UK customers live within 5 miles of a Howdens depot.
- Our in-stock model means that builders can get the products they need at short notice, even when plans change part way through a job.
- We offer the builder quality products, excellent levels of service and trade accounts that allow them up to eight weeks to pay. We focus on helping our customers succeed. When they make money, we make money.

4. Consumers/ Homemakers

- Our 1,600 specialist kitchen designers support the builder by visiting the end-user's home, or work with them remotely using our new virtual design service, and helping them choose, plan and design their dream kitchens.

The value we create





1. Customers

- Save time and money with Howdens. Trade quality, full product range for the complete kitchen, available from stock at competitive, confidential prices.
- Trusted personal relationships providing outstanding service, from kitchen design to delivery and aftersales support.
- Trade accounts allow the builder to finish their project and get paid by their customer before they need to pay us. Online account management and anytime ordering tools help the busy builder.

2. Staff

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

3. Suppliers

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

4. Investors

- Long-term value creation, generating cash for further profitable investment in the business and to support a growing dividend.
- Surplus cash after investment and dividends is returned to shareholders through share buybacks.

5. Communities and environment

- Employment opportunities and good neighbour in over 850 communities.
- Supporting local and national charities.
- Responsible ESG practices and policies.
- See our Sustainability report on page 46.

Chairman's statement

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

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

Peter Ventress
Chairman

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

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

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

Financial performance

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

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

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

Strategic initiatives

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

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

Our people

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

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

Chairman's statement continued

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

Capital allocation and returns to shareholders

Our approach to capital allocation is unchanged. We focus on achieving sustainable profit growth by investing in and developing our vertically integrated business. We also want to maintain and grow our ordinary dividend in line with earnings to reward shareholders with an attractive ongoing income stream. After allowing for these uses of cash, Howdens remains committed to returning any surplus capital to shareholders.

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

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

Governance

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

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

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

Looking ahead

The Group performed strongly in 2022 and while the macroeconomic and geopolitical environment is uncertain, our business model is resilient, and we start the new financial year in a position of strength, leveraging our scale and expertise to continue to support our customers.

I am proud to have joined Howdens. It is a great business with a clear strategy, well defined executional plans and huge growth potential. Looking ahead, we remain excited about the significant structural growth opportunities in our markets and our ability to generate further sustainable long-term value for all our stakeholders.

Peter Ventress
Chairman

6 March 2023

Further reading

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

Chief Executive's statement

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

Andrew Livingston
Chief Executive Officer

Perspectives on 2022 results

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

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

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

Operational highlights

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

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

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

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

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

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

Chief Executive's statement continued

We have moved our ESG agenda forward.

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

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

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

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

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

Importance of our business model

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

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

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

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

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

Size of the UK kitchen market

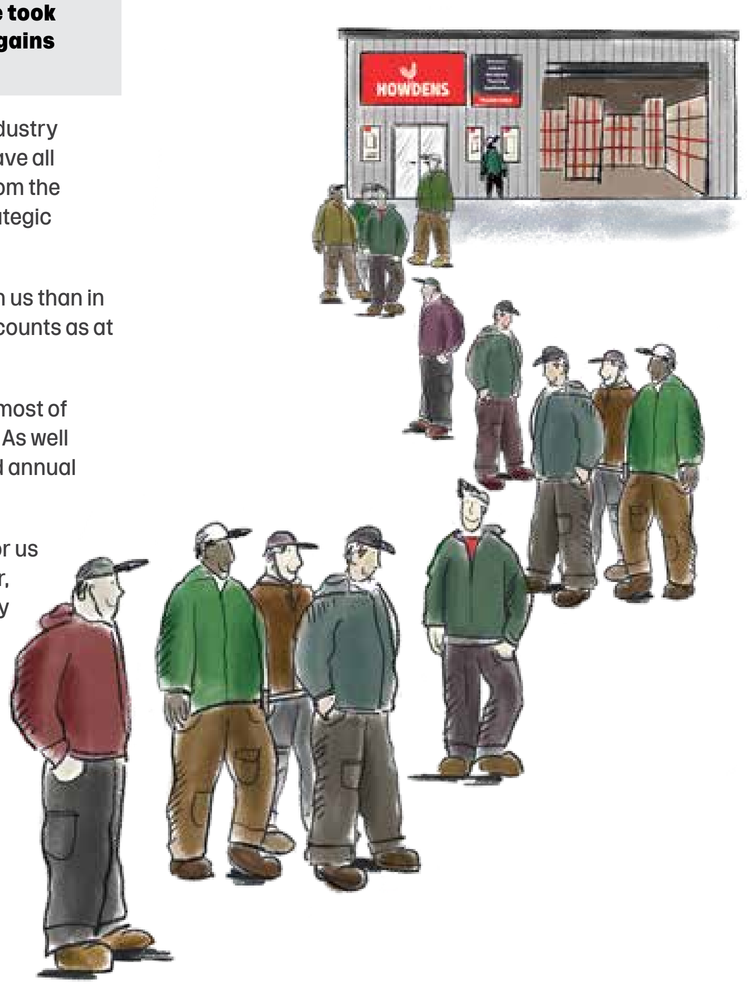
We believe the opportunities for the Howdens model are greater than we previously thought, and we are investing in the business accordingly.

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

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

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

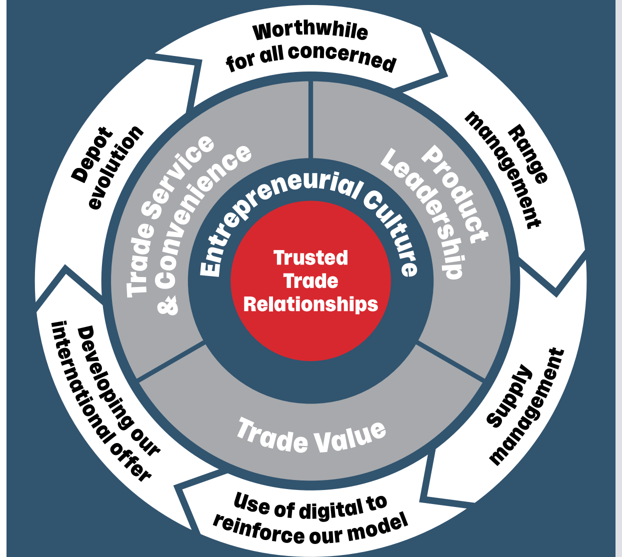
Prior to any change in market volumes, this gives us total addressable markets of around £11.5 billion in the UK versus the £2.26 billion of UK sales we achieved in 2022.



Update on strategic initiatives

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

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



1) Evolving our depot model

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

We are opening all new depots in our updated format which is designed to provide the best environment in which to do business and to make space utilisation and productivity gains in a cost-effective way, by using vertical racking in the warehouse section of the depot.

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

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

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

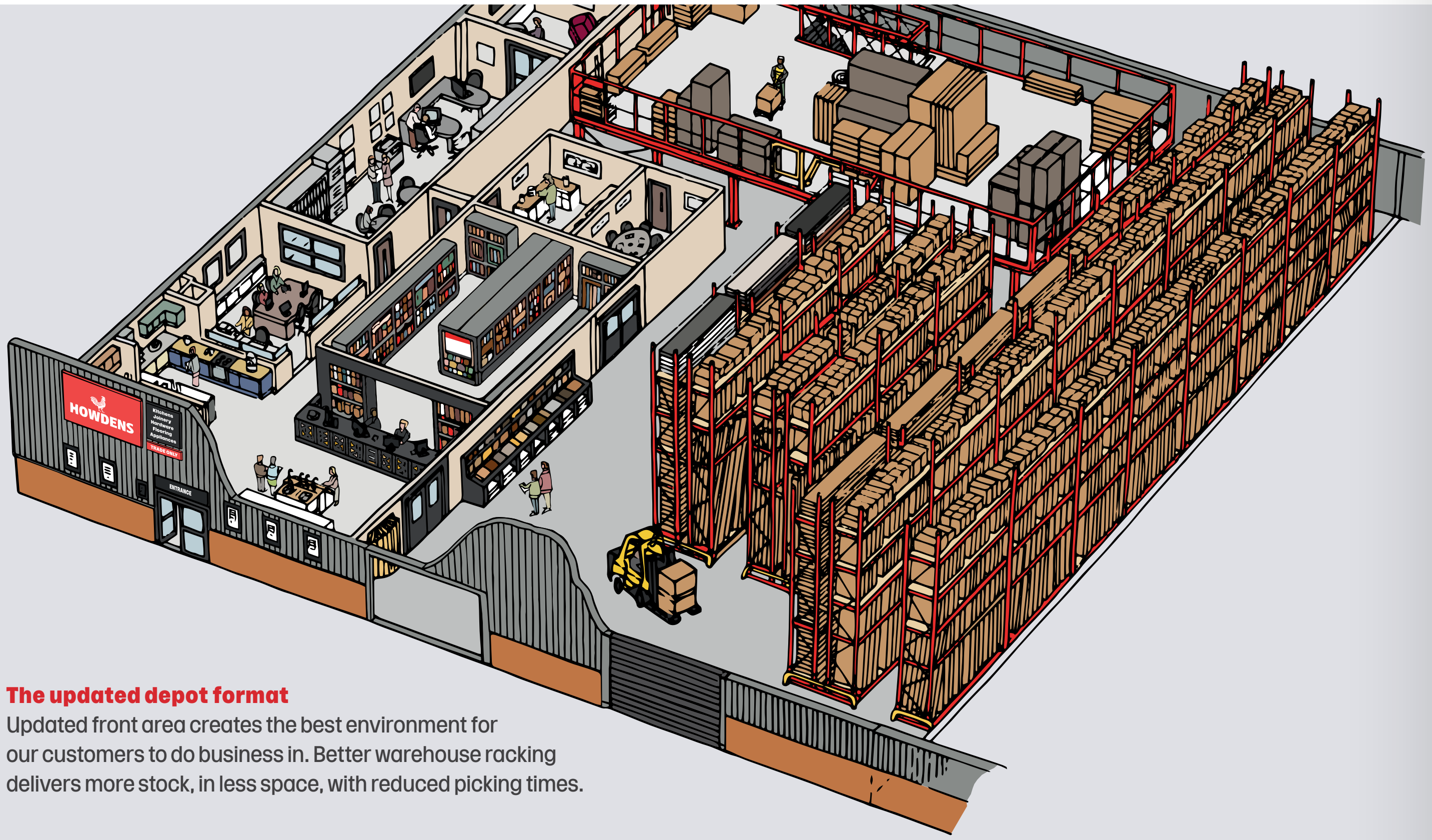
The scale and scope of the revamps has been refined and, in 2023 we will shorten the reformatting timetable in some cases, reducing disruption to the refit and lowering, where appropriate, costs by modifying the scope and scale of some revamps to maintain incremental returns.

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

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

Chief Executive's statement continued

Update on strategic initiatives continued



The updated depot format
Updated front area creates the best environment for our customers to do business in. Better warehouse racking delivers more stock, in less space, with reduced picking times.

2) Improving product range and supply management

Range management

As product lifecycles shorten, managing the number of kitchen ranges efficiently is crucial for both our customers, who want best availability, and for profitability.

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

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

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

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

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

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

Strategic Report
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Additional Information

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

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

Features of our 2023 new product introductions will include:

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

Manufacturing and supply chain

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

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

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

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

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

Chief Executive's statement continued

Update on strategic initiatives continued

Regional cross-docking centres (XDCs)

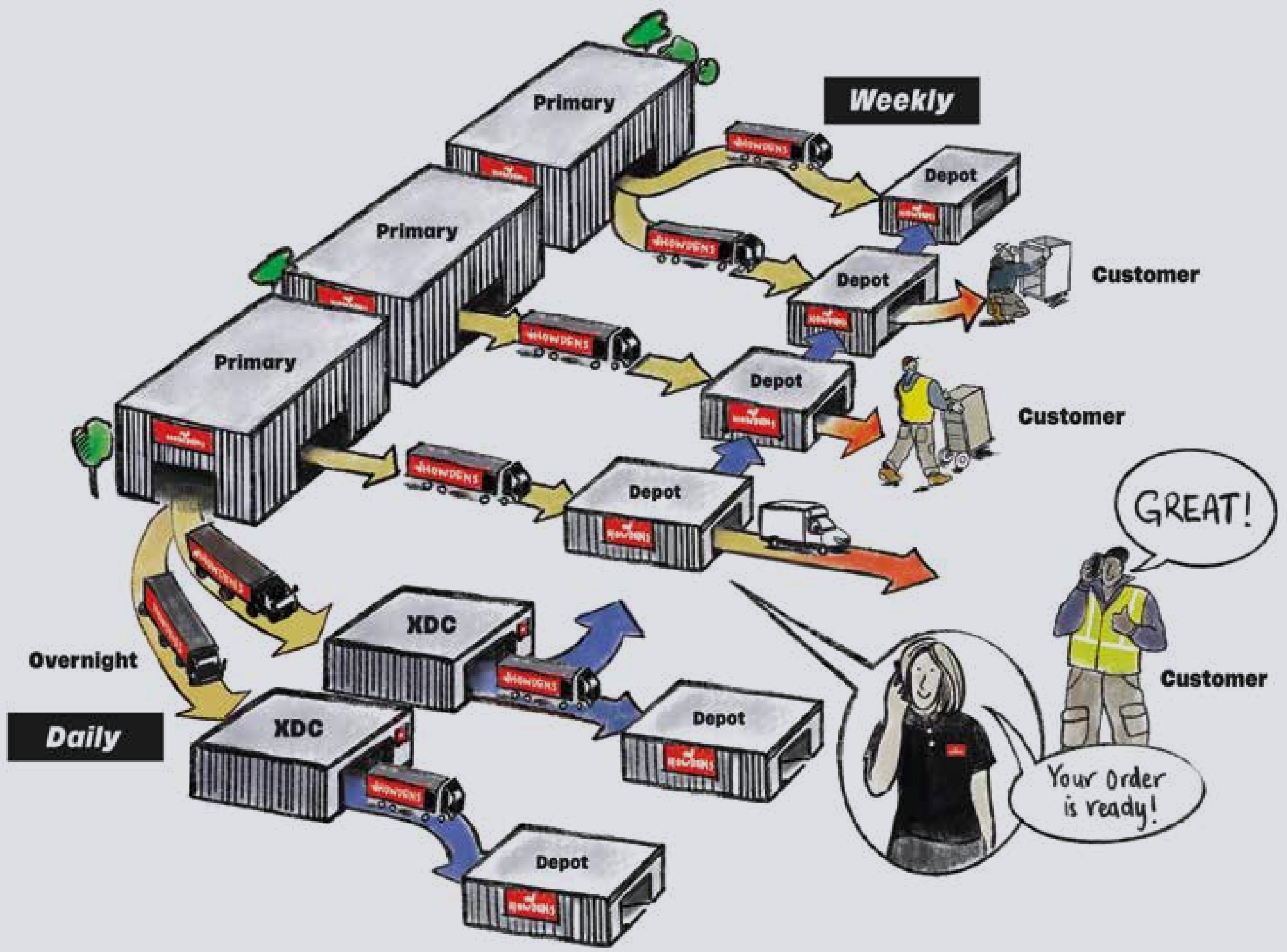
The roll out of our XDC programme was completed early in the new financial year and the service is now available to nearly all UK mainland depots.

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

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

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

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



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

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

3) Developing our digital platforms

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

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

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

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

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

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

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

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

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

4) Expanding our international operations

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

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

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

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

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

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

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

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

Chief Executive's statement continued

Prospects for 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

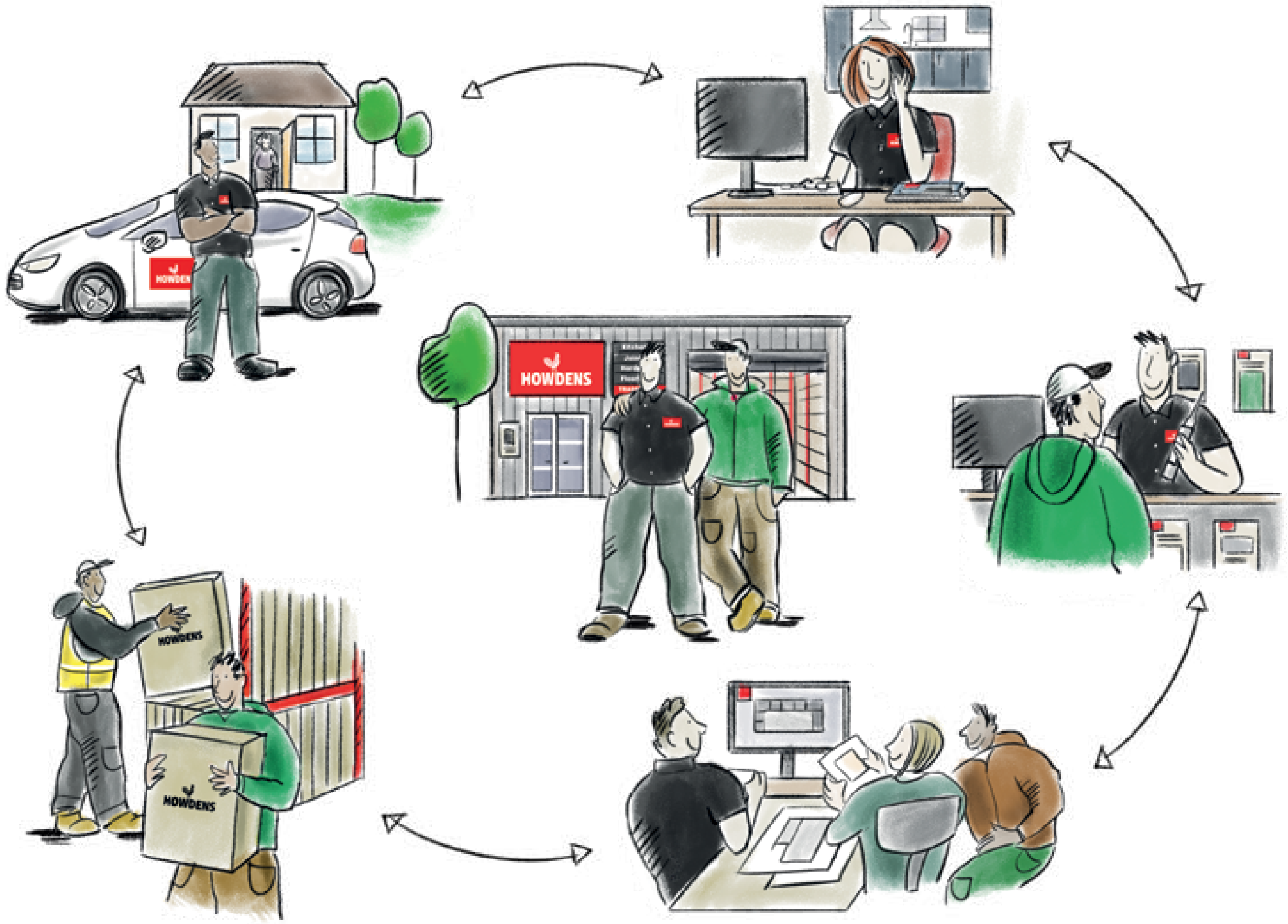
We are mindful of the challenges current macro-economic conditions including ongoing inflationary cost pressures, and we are trading against record prior year comparators.

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

Andrew Livingston
Chief Executive Officer

6 March 2023

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



Key performance indicators

Financial

Sales

Why we measure it

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

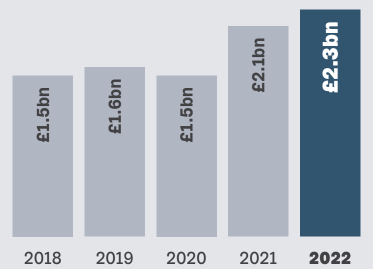
Links to strategy, risks and remuneration

Reach more builders | Failure to maximise growth potential

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

Progress

Total Group sales of £2.3bn in 2022, up 10.8%.



Profit before tax

Why we measure it

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

Links to strategy, risks and remuneration

Operational excellence | Prudent financial management

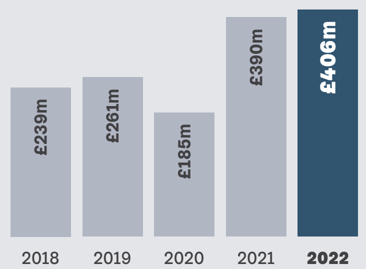
Failure to maximise growth potential

Deterioration of model & culture

Executive Committee and senior management bonuses are directly linked to PBT

Progress

Profit before tax in 2022 increased to £406m.



Links to:

Strategy | Risk | Remuneration

Cash

Why we measure it

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

Links to strategy, risks and remuneration

Prudent financial management

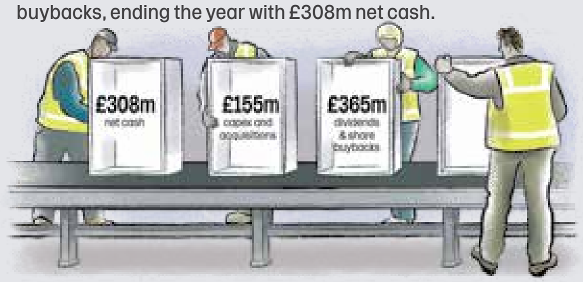
Invest in our strategic priorities

Return surplus cash to shareholders

Executive Committee and senior management bonuses are directly linked to cash generation targets

Progress

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



Non-Financial

Depot openings

Why we measure it

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

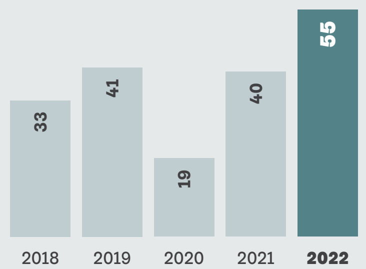
Links to strategy, risks and remuneration

Reach more builders | Failure to maximise growth potential

Deterioration of model & culture

Progress

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



Health & Safety

Why we measure it

We have over 12,000 employees working in our factories, our logistics operation, our support sites and our depots and we need to keep them all safe at work.

Links to strategy, risks and remuneration

Operational excellence

Health & Safety

Progress

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

Use of FSC® or PEFC certified materials

Why we measure it

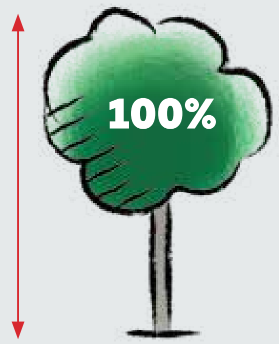
We use almost a third of a million cubic metres of chipboard and MDF in our factories. FSC® and PEFC are the two main certification bodies. Ensuring that all our MDF and chipboard is certified by them gives us assurance over their provenance. See pages 66 and 67 for more details.

Links to strategy, risks and remuneration

Product innovation

Product relevance | Continuity of supply

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



Production waste recycling

Why we measure it

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

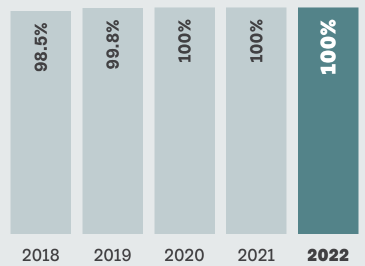
Links to strategy, risks and remuneration

Operational excellence

Prudent financial management

Progress

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



Financial review

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

Paul Hayes
Chief Financial Officer

Financial results for 2022[1]

Revenue

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

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

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

Gross profit

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

Operating profit

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

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

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

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

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

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

1 The information presented relates to the 52 weeks to 24 December 2022 and the 52 weeks to 25 December 2021 unless otherwise stated.
2 Same depot basis for any year excludes depots opened in that year and the prior year.
3 2022 includes additional 3rd party sales generated by the Sheridans solid work surface business acquired in the period.

Tax, profit after tax and basic earnings per share

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

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

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

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

Cash

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

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

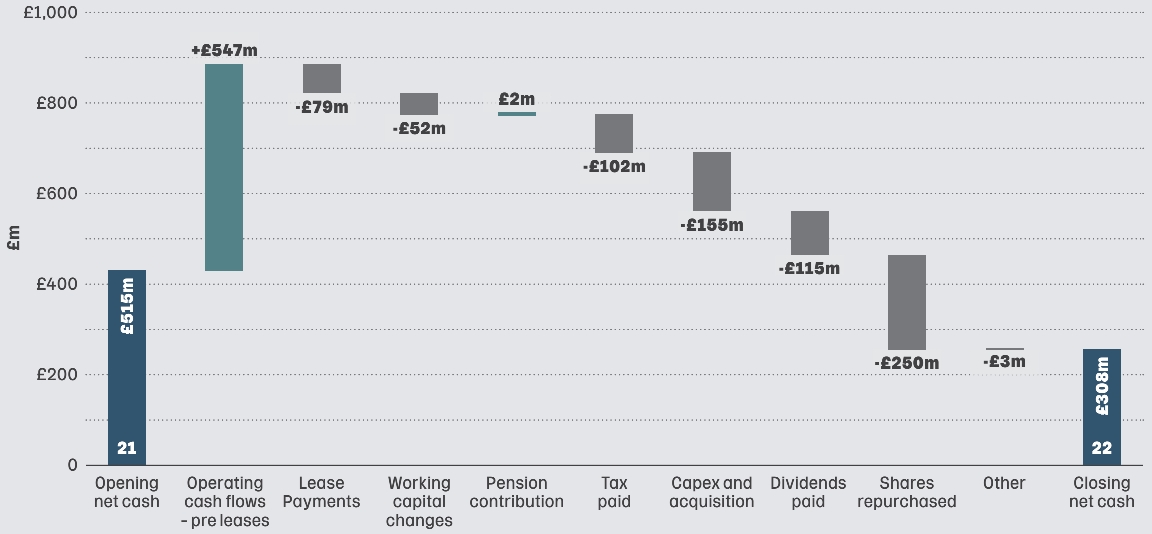
Reflecting the above, there was a net cash outflow of £207.3m (2021: cash inflow of £84.6m), leaving the Group with cash at the year end of £308.0m (25 December 2021: £515.3m).

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

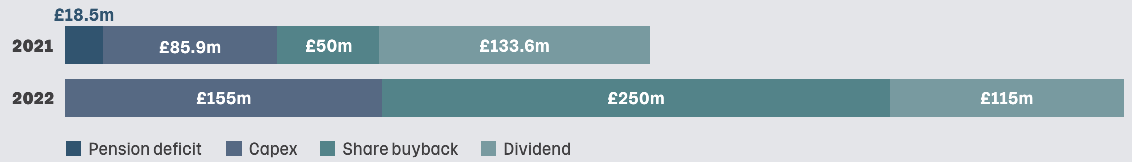
Financial review continued

How we make cash and how we spend it

Cash generation and use



Uses of cash



Capital allocation and returns to shareholders

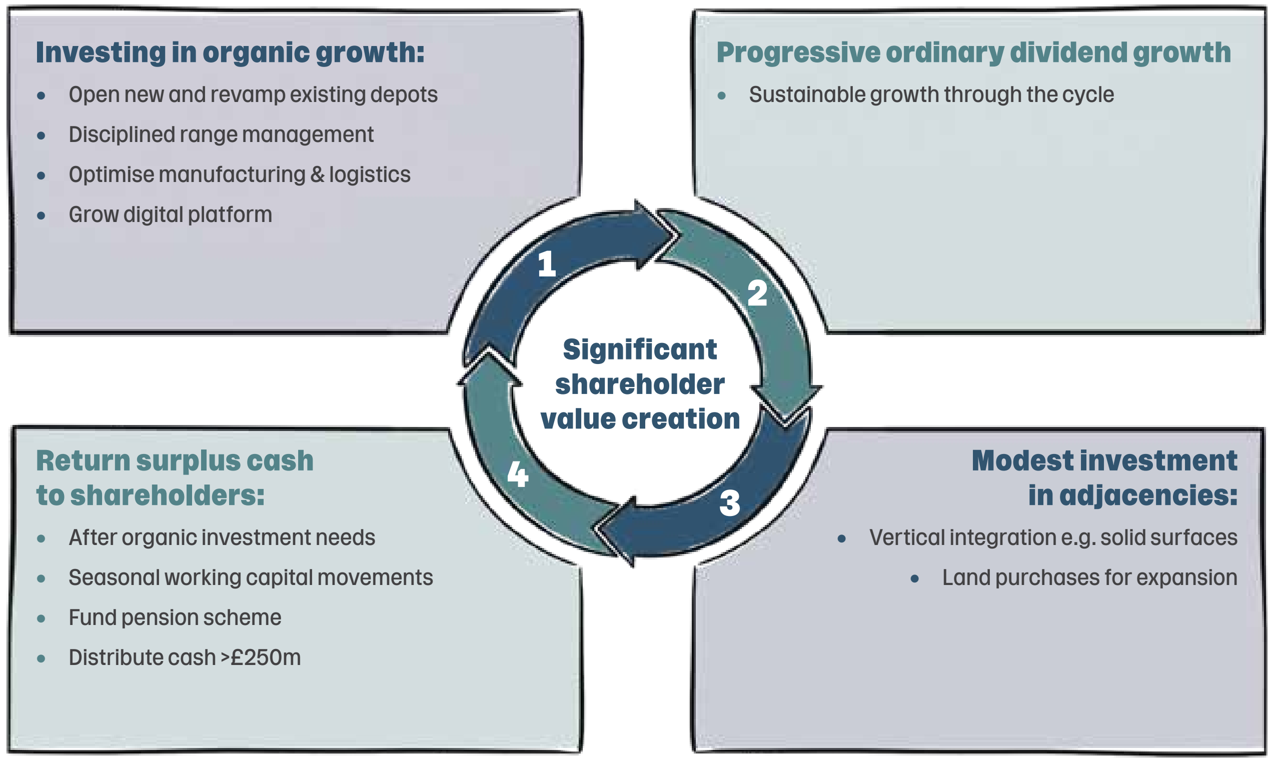
We have a well-established policy for capital allocation. We focus on achieving sustainable profit growth by investing in and developing our business. We also want to maintain and grow our ordinary dividend in line with earnings to reward shareholders with an attractive ongoing income stream. After allowing for these uses of cash, Howdens remains committed to returning any surplus capital to shareholders.

Within its definition of surplus capital, the Board's objective is for the Group to be able to operate through the annual working capital cycle without incurring bank debt, noting that there is seasonality in working capital balances through the year, particularly in advance of our peak trading period in the second half. We also take into account that the Group has a significant property lease exposure for the depot network, and a large defined benefit pension scheme. Our policy remains that when year end cash is in excess of £250m we expect to return surplus cash to shareholders. This provides sufficient headroom to support organic growth, our seasonal working capital requirements and ongoing investments in our strategic initiatives, while maintaining a strong balance sheet.

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

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

Howdens' approach to capital structure



Acquisitions

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

Pensions

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

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

Financial review continued

Current trading and outlook for 2023

Current trading

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

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

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

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

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

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

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

2 As previously indicated FY2023 has an additional 53rd week in December representing around £17m of additional operating costs with no incremental sales.

Use and management of financial instruments, and exposure to financial risk

The Group holds financial instruments for one principal purpose: to finance its operations. The Group does not currently use derivative financial instruments to reduce its exposure to interest or exchange rate movements.

The Group finances its operations by using cash flows from operations, and it has access to a £150m revolving credit facility if additional financing is required. Treasury operations are managed within policies and procedures approved by the Board. The main potential risks arising from the Group's financial instruments are foreign currency risk, counterparty risk, funding and liquidity risk and interest rate risk, which are discussed below.

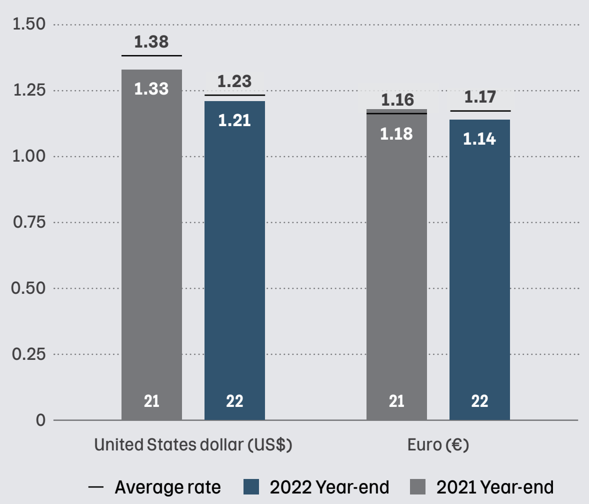
No speculative use of derivatives, currency or other instruments is permitted. The Treasury function does not operate as a profit centre and transacts only in relation to the underlying business requirements.

Foreign currency risk

The most significant currencies for the Group are the US dollar and the euro. It is the Group's current policy that routine transactional conversion between currencies is completed at the relevant spot exchange rate. This policy is reviewed on a regular basis.

The net adverse impact of exchange rates on currency transactions in the year was £0.7m. The principal exchange rates affecting the profits of the Group are set out in the following table.

Principal exchange rates versus UK pound (£)



Counterparty risk

Group Treasury policy on investment restricts counterparties to those with a short-term credit rating at least equivalent to Standard and Poor's A-1 or Moody's P-1. It also places limits on the maximum amount which can be invested with a single counterparty. The Group continuously reviews the credit quality of counterparties, the limits placed on individual credit exposures and categories of investments.

Funding and liquidity

The Group's objective with respect to managing capital is to maintain a balance sheet structure that is both efficient in terms of providing long-term returns to shareholders and safeguards the Group's ability to continue as a going concern. As appropriate, the Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, the returns of capital to shareholders, the level of capital expenditure, or by issuing new shares.

The Group has a committed, multi-currency, revolving credit facility which allows borrowing of up to a maximum of £150m. The facility was not used at any point during 2022 and is in place until September 2027. More details of this facility are given in note 19 to the financial statements.

The Group's latest forecasts and projections have been stress-tested for reasonably possible adverse variations in trading performance and show that the Group will operate within the terms of its borrowing facility and covenants for the foreseeable future.

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

Interest rate risk

The Group has not had any borrowings during 2022 and does not consider interest rate risk to be significant at present.

New accounting standards

None of the new accounting standards that came into effect during 2022 had a material implication for the Group.

Cautionary statement

Certain statements in this Annual Report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

By order of the Board

Paul Hayes
Chief Financial Officer

6 March 2023

Risk management and principal risks

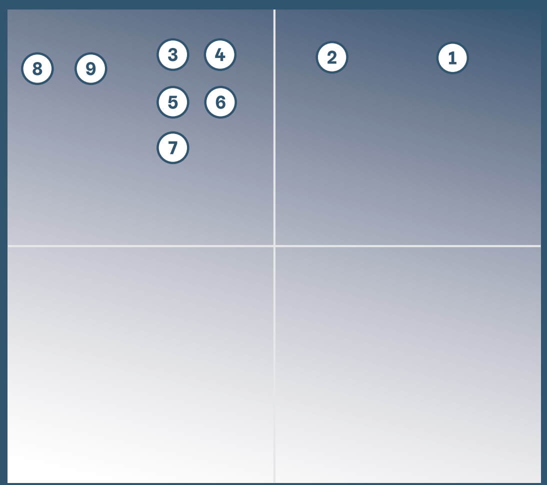
At a glance

Our principal risks

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

See page 39

Our risk heat map



See page 39

Our risk appetite is adaptive

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

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

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

Our most significant emerging risks

Geopolitical

Digital

Climate-related risk:

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

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Risk management

Our approach to risk, and emerging risks

Our approach to risk

When we look at risks, we specifically think about internal and external drivers of operational, hazard, financial and strategic risk areas over short, medium and long-term timescales. We consider the effects they could have on our business model, our culture and our strategy which we set out starting at page 8, and which we encourage you to refer to as you read this section.

Risk appetite

'Risk appetite' describes the amount of risk we are willing to tolerate, accept or seek. Our risk appetite is determined by the nature of the risk and how that risk could affect us.

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

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

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

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

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

We handle climate risk in the same way as our other risks, albeit that time horizons may be longer. We have continued to develop our climate risk approach during 2022, more detail on our this can be found in our TCFD section at page 54. Over 2022 our key climate risk developments include:

Risk identification

We have engaged with some of our key stakeholders, including our insurers, to understand how their focus on climate risk is likely to change going forward and the impact it will have on us.

Risk management

We have developed a risk assessment approach that is modelled on the British Standard (BS EN ISO14091) and tailored to meet our needs, that enables robust prioritisation of risk exposures for treatment.

Integration into our risk management framework

We have integrated climate risks into our operational risk registers which benefit from clear ownership and formal review as part of our regular risk process.

Emerging risks - none of which are principal risks

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

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

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

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

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

Key areas of emerging risk remain:

Climate

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

Digital

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

Geopolitical

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

We consider tax risks and our tax strategy as part of our operational risk management. We operate a specific tax risk register with risks owned by senior staff members and with Executive oversight. We do not consider taxation as a principal risk to Howdens. Our Group UK tax strategy may be found at www.howdenjoinerygroupplc.com/governance/group-uk-tax-strategy

Risk management continued

The risk management process

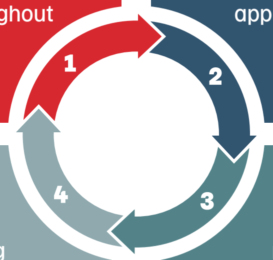
The main steps in the process are set out below:

1 Identification

Functional management and leaders formally identify risks twice a year providing both a bottom-up and a top-down perspective. We record these in functional risk registers for each area of our business. We also conduct ad hoc reviews of new and emerging risks throughout the year as they arise.

2 Assessment

We assess risks using a Group-wide scoring mechanism that considers both the likelihood of occurrence and the potential impact. We prioritise them by their risk score and an assessment of the level of exposure against our risk appetite is conducted. Risk that exceed our appetite may require additional risk response.



4 Monitoring and reporting

We provide a consolidated key risks report to the Executive Committee and Board for review, using escalation criteria previously set by them. Mitigation plans and the progress against them are also reported. The Board considers and agrees the key risks, appetites and mitigation strategies which are fed back to risk owners. We conduct this exercise twice yearly and it is used to determine the Group's principal risks.

3 Response

Risks that require a response have additional mitigation strategies agreed and a future action plan drawn up together with a timeframe. We assign responsibility for implementation of action plans.

Risk governance

Key activities

Risk monitoring and reporting

- We determine our principal risks from the key risk report and agree them with Executive Committee and Board.
- Executive Committee and Board challenge and agree the Group's key risks, appetites and mitigation strategies twice yearly.
- Key risks, assessments and responses are consolidated into a key risk report.

Risk response

- Where risks exceed our appetite, mitigation plans are drawn up by functional leaders and agreed with the Executive Committee.

Risk assessment

- Risks are prioritised using a Group-wide scoring mechanism and are compared to our risk appetite.

Risk identification

- We conduct operational risk register reviews regularly to monitor current and emerging risks.
- We review internal/external emerging issues prior to each register review.

People responsible

Top-down

Board

Executive Committee

Audit Committee

Risk team

Functional leaders

Operational management

Risk team

Bottom-up

Reports/documents

Principal risks

We consolidate the principal risks from the key risk report. These are those risks that we consider could have a potentially material impact on our operations and/or achievement of our strategic objectives.

Key risk report

We consolidate our key risk report from the risk registers. This report outlines the highest scoring risks, emerging risk issues, the biggest influences to our risk profile and changes to the risks reported. The key risk report also provides a Group-wide perspective on risks escalated.

Risk register

We record risk registers for each functional area, aligned with the operating model of the business. The register includes all of the information required to accurately capture the risk and is maintained on our risk management information system. We identify an owner for each risk register responsible for its maintenance as well as the risks it contains.

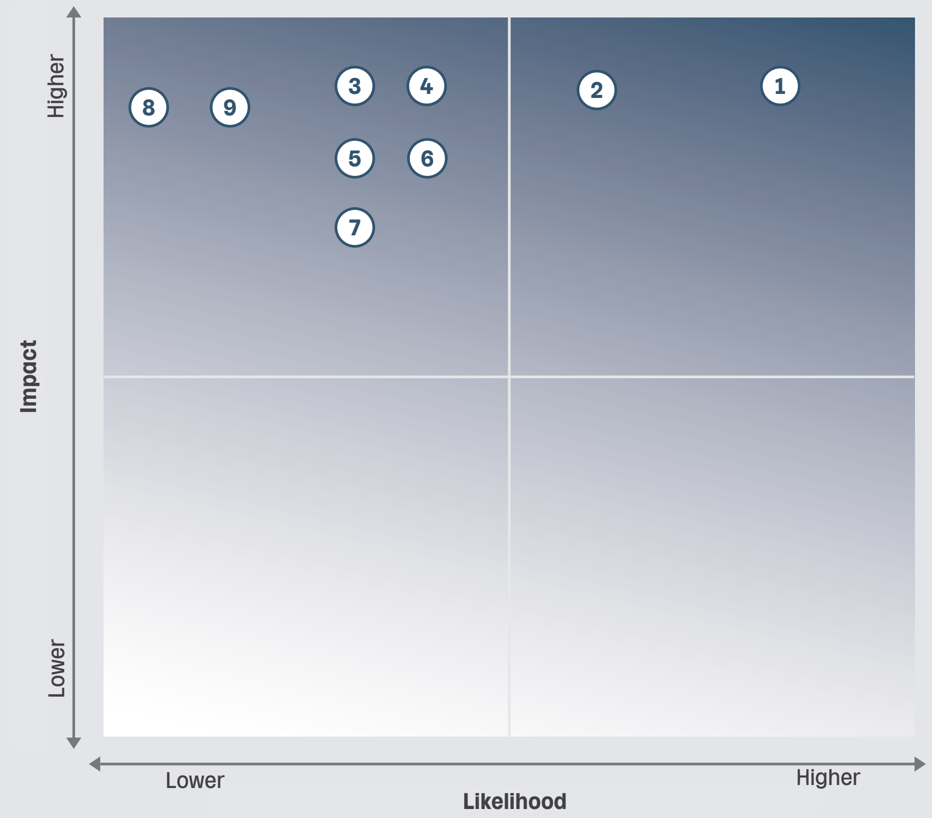
Principal risks and uncertainties

Principal risks

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

Risk heat map

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



Risk

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

Brexit

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

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

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

COVID-19

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

Principal risks and uncertainties continued

2022 Principal risks

The arrows alongside each risk show the year on year change

1. Market conditions R P F

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

Risk and impact

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

Mitigating factors

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

Mitigation actions in 2022

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

Risk appetite

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

Links to strategy

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

2. Supply chain O P

Risk and impact

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

Mitigating factors

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

Mitigation actions in 2022

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

Risk appetite

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

Principal risks and uncertainties continued

2022 Principal risks continued

The arrows alongside each risk show the year on year change

3. Maximising growth R O P

Risk and impact

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

Mitigating factors

- The opportunities and challenges related to growth are a major area of focus throughout the business, at all levels.
- We continue to invest in our depot environment, people, services, and systems, and our manufacturing and distribution capabilities to equip them for growth.
- Growth activities are reviewed in the light of our risk appetite, values, business model and culture.
- Plans to continue with our expansion of our operations in France, and other territories.

Mitigation actions in 2022

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

Risk appetite

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

4. People R O

Risk and impact

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

Mitigating factors

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

Mitigation actions in 2022

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

Risk appetite

The success of our business is driven by our people and their unwavering customer focus. We have a low appetite for people risk and work hard in ensuring that they feel valued, rewarded appropriately, and have opportunities to develop and progress in their Howdens career.

Links to strategy

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

5. Health and safety R O

Risk and impact

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

Mitigating factors

- Since the beginning of our business, we have invested in safe ways of working. We have developed dedicated health and safety teams and formalised systems that help us stay safe.
- We monitor, review, and update our practices to take account of changes in our environment or operations and in line with best practice and changing legislation.
- Most importantly, we make sure we keep talking about health and safety at every level of the business, led by the Executive Committee.

Mitigation actions in 2022

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

Risk appetite

Care for the health & safety of employees, customers, suppliers and everyone who comes into contact with Howdens is integral to our values and to our behaviours. We put a great deal of effort into identifying and managing health & safety issues before they occur and have a very low appetite for Health & Safety risks.

6. Cyber security R O F

Risk and impact

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

Mitigating factors

- We place continuous focus on training our people in cyber security, as we recognise that these risks are dynamic, not always technical and awareness is our first point of control.
- We employ complex technical IT security controls to protect our information and our key systems. We regularly engage external specialists to validate the effectiveness of our controls against industry best practice.
- We have robust disaster recovery and business continuity plans, and we test them regularly.
- We adopt a continuous improvement approach to IT security and continue to invest in the security of our systems.

Mitigation actions in 2022

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

Risk appetite

We depend on a core set of critical IT systems which are fundamental to the day to day running of the business. These systems are at risk from increasingly sophisticated security threats. We have a very low appetite for cyber security risk and manage IT security closely to secure the confidentiality, integrity and availability of these systems.

Principal risks and uncertainties continued

2022 Principal risks continued

The arrows alongside each risk show the year on year change

7. Business model & culture R O P

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

Risk and impact

- If we lose sight of our values, model, or culture we will not successfully service the needs of the local small builder and their customers, and our long-term profitability may suffer.

Mitigating factors

- Our values, business model and culture are at the centre of our activities and decision-making processes, and they are led by the actions of the Board, Executive Committee, and senior management.
- The Board and Executive Committee regularly visit our depots and factories, our logistics and support locations and hold events to reinforce the importance of our values, model, and culture.
- Regular 'Town Hall' meetings are held to bring together teams and discuss our successes and challenges ahead.
- Worthwhile foundation in place to further develop our charitable efforts.

Mitigation actions in 2022

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

Risk appetite

Our future success depends on continuing to maintain our values, our unique business model, and our locally enabled, entrepreneurial culture. To secure this we have a very low appetite for risks that can adversely impact on our business model and culture and put great emphasis on identifying issues and addressing them early.

Links to strategy

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

8. Product O P

Risk and impact

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

Mitigating factors

- Our dedicated product team regularly refresh our offerings to meet builders' and end-users' expectations for design, price, quality, availability and sustainability.
- We work with external design and brand specialists and attend product design fairs to monitor likely future trends.
- Our local depot staff have close relationships with their customers and end-users, and we actively gather feedback from them about changes in trends.
- We work with our suppliers, to develop new and improved products for the future, some of which are unique to Howdens. Several new products were introduced during the year across all product categories.

Mitigation actions in 2022

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

Risk appetite

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

9. Business continuity & resilience R O F

Risk and impact

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

Mitigating factors

- We maintain and regularly review our understanding of what our critical operations are.
- We ensure resilience by design, building high levels of protection into key operations and spreading risk across multiple sites where possible.
- We ensure appropriate business continuity plans are in place for these and have a Group wide incident management team and procedures established.
- We regularly review our continuity plans covering our sourcing and logistics approaches to support peak trading.

Mitigation actions in 2022

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

Risk appetite

Our key operations are essential for ensuring our customers can get the product and services they want when they need them. To secure this we maintain a very low appetite for Business Continuity risk, ensuring that critical functions are resilient and appropriate business continuity plans are in place to protect them.

Sustainability matters

Worthwhile for all concerned

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Why Sustainability matters to us

Sustainability generates long-term value

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

Sustainability is part of our culture

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

Sustainability supports our business model

Sustainable behaviour gives us a competitive advantage and builds business resilience.

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

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

We have over 850 depots in the UK and Europe. Each one of them relies on strong local relationships to trade profitably, so we need to be a good neighbour in each of those communities.

Sustainability mitigates our risks

We discuss our principal risks beginning on page 39. Sustainable behaviour helps us to address some of those risks.

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

Developing and maintaining sustainable supplier relationships mitigates our 'Interruption to continuity of supply' risk. Energy-efficient, safe and durable product mitigates our 'Product design relevance' risk.

The Board and Executive Committee lead our commitment to sustainability

The importance of sustainable behaviour is recognised right through the business. You can see the Board's Statements of Intent on Health & Safety and Sustainability at: www.howdenjoinerygroupplc.com/sustainability/group-health-safety-and-sustainability-policies. The Board's Sustainability Committee met regularly throughout the year and their report begins on page 144.

TCFD reporting

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

Our TCFD reporting begins on page 54.

The material sustainability areas for us and our stakeholders

On pages 64 to 70 we report on progress in our five material sustainability areas:

People: keeping them safe, offering rewarding careers.

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

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

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

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

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

Our sustainability KPIs, commitments and targets. ESG and remuneration.

Our sustainability KPIs cover safety, use of wood from certified sources, and avoiding sending waste to landfill. You can find them on pages 64 to 68.

Our 2020 ESG strategic review resulted in four strategic commitments, which we report on at pages 50 and 51. It also resulted in a number of additional targets and research projects in each of our material areas, which we report on under the relevant area.

As we work towards the commitments, learn more about the targets and research projects, and move further down our road to Net Zero this may lead to new KPIs and key metrics in the future.

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

Our vision

UK's leading responsible kitchen business

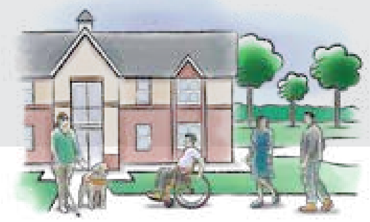
A sustainable product offering, responsibly manufactured or sourced, that meets the needs of the builder and the end-consumer

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.



Represented by:

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

Achieve carbon neutral manufacturing by the end of 2021, and maintain that status as the business grows.

Best practice in UK behavioural safety and wellbeing

Maintain international safety standard ISO 45001 in our manufacturing and distribution operations. Achieve ISO 45001 in our depot network.

Highly effective ESG reporting and disclosure

Progressive, phased implementation of high-quality reporting.

See more on pages 50 and 51.

Underpinned by:

Our material sustainability areas

People

Keeping our 12,000 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 manufacturing processes and working with our suppliers on bought-in product.

Our environment

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

Communities

Being a responsible member of over 850 local communities in the UK and internationally. Supporting a range of local and national charities.

See more, starting at page 64.

Our four ESG strategic commitments

Progress on our four ESG strategic commitments

E Environment
UK's leading responsible kitchen business

Zero waste to landfill

100% Manufacturing & distribution

99.7% Depots

Progress in 2022

In 2020 we achieved zero waste to landfill in our manufacturing and distribution, and we have maintained that in 2022. Rather than sending our waste offsite to be burnt for energy recovery, we took the slower but more responsible method of using the principles of the 'Waste Hierarchy' and maximising the amount that we can reuse, recover or recycle.

It's a lot more challenging to achieve zero waste to landfill in our network of over 800 UK depots. From a baseline of 60% of depot waste avoiding landfill in 2019, we set the target of getting to over 95% by the end of 2022. We exceeded that target in 2021, and at the end of 2022 we have 99.7% of depot waste avoiding landfill, and we are busy trying to find solutions for the remaining 0.3%.

Worthwhile for all concerned

Carbon neutral manufacturing

100% Achieved in 2021

CARBON TRUST PAS 2060 CARBON NEUTRAL

Progress in 2022

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

Manufacturing accounts for a significant proportion of our total Scope 1 and 2 emissions, and is entirely under our control, so it makes sense for us to start there. Our approach was to reduce emissions as much as possible with current technology or renewable energy, and then to offset residual emissions with Gold Standard carbon offsets (shown on the independent GSF Registry here: https://registry.goldstandard.org/projects/details/583).

Worthwhile for all concerned

S Social
A unique and sustainable culture

Best practice in UK Behavioural Safety and wellbeing - ISO 45001

100% Manufacturing & distribution

100% UK depot network

Progress in 2022

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

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

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

Worthwhile for all concerned

G Governance
Leader in risk and resilience governance

Highly effective ESG reporting and disclosure, including KPIs

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

Progress in 2022

This year's TCFD reporting starts on page 54.

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

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

Worthwhile for all concerned

Alignment to UN SDGs

Our material SDGs	UN SDG description and relevant targets under each SDG
8 Decent work and economic growth	'Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all' SDG targets: 8.4, 8.5, 8.6, 8.7, 8.8.
12 Responsible consumption and production	'Ensure sustainable consumption and production patterns' SDG targets: 12.2, 12.5, 12.6, 12.7.
13 Climate action	'Take urgent action to combat climate change and its impacts' SDG targets: 13.1, 13.2.
15 Life on land	'Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests... and halt biodiversity loss' SDG targets: 15.1, 15.2.

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Net Zero commitment

We have identified the major steps to achieve Net Zero emissions

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

On track to set near and long-term targets

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

Suppliers are critical to achieving our targets

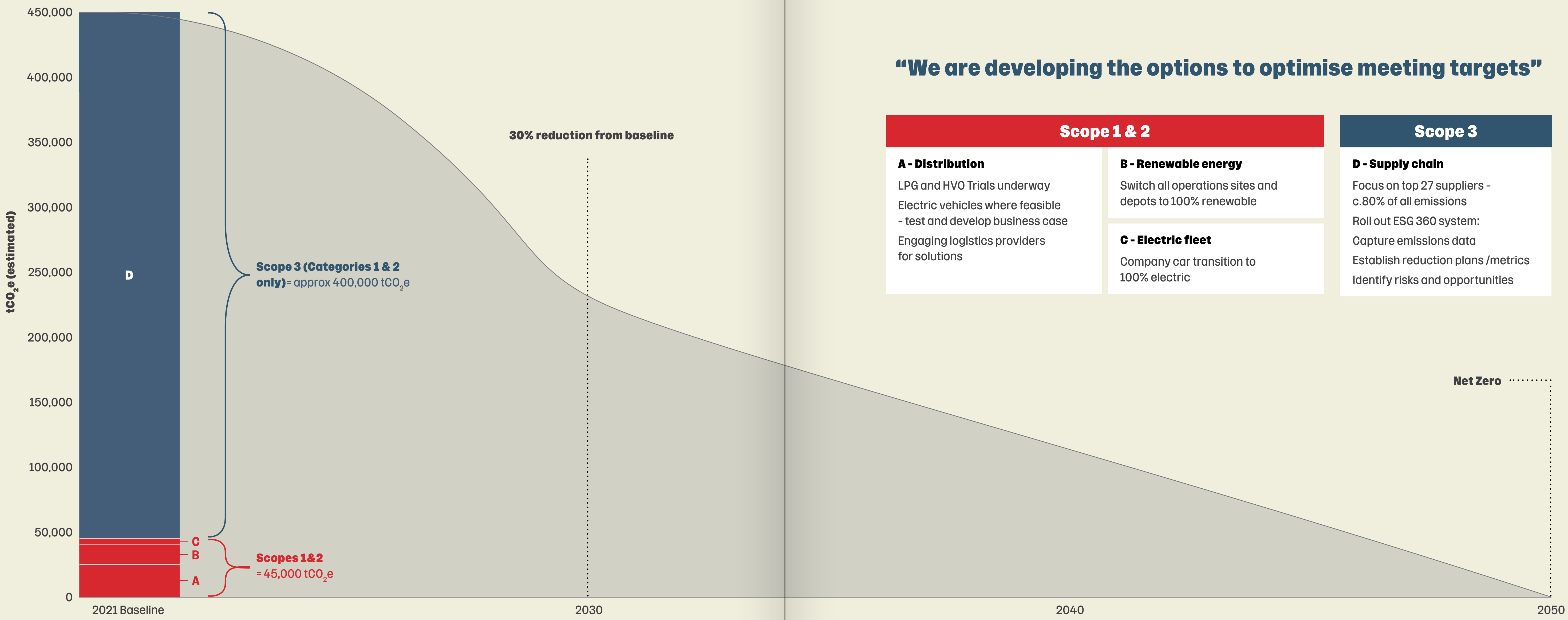
- Top 27 suppliers are circa 80% of all our emissions
- Primarily European based, some in the Far East
- Making more product ourselves and controlling our own freight helps reduce emissions

Key activities

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

Costs of change

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



"We are developing the options to optimise meeting targets"

Scope 1 & 2		Scope 3
A - Distribution LPG and HVO Trials underway Electric vehicles where feasible - test and develop business case Engaging logistics providers for solutions	**B - Renewable energy** Switch all operations sites and depots to 100% renewable **C - Electric fleet** Company car transition to 100% electric	**D - Supply chain** Focus on top 27 suppliers - c.80% of all emissions Roll out ESG 360 system: Capture emissions data Establish reduction plans /metrics Identify risks and opportunities

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

Our approach to TCFD

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

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

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

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

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

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

Compliance with the TCFD recommendations

The following pages set out the 11 TCFD recommended disclosures, showing where we are now, the progress we've made this year, and our main areas of focus for the future.

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

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

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

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

TCFD recommended disclosure	Our disclosure and developments in 2022	Focus areas for 2023 and beyond
GOVERNANCE CONTINUED		
B. Describe management's role in assessing and managing climate-related risks and opportunities.	• It is the Executive Committee's (ExCo) responsibility to execute Group strategy and implement programmes to manage and mitigate climate risks and take advantage of opportunities. The role of the ExCo is set out on pages 84 and 85 of the Corporate Governance report. • The ExCo are therefore responsible for delivery of the climate-related targets determined by the Board, which are considered in detail in this Sustainability report. • The Director of ESG advises both Board and ExCo and reports to the Sustainability Committee at each of their meetings on progress against targets and other initiatives. He presented at both of the Sustainability meetings in 2022. • ExCo reviewed the TCFD materiality impact assessments and scenario analysis in 2022. • The Director of ESG worked with ExCo to develop sustainable strategies during the year. • ExCo engaged our top 30 suppliers and held a specific supplier conference to build a coalition of partners on the journey to Net Zero.	• ExCo members will be assigned key responsibilities on managing climate risks and opportunities. • We will continue to engage with our supply chain in 2023.
STRATEGY		
A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term.	• We scrutinised and tested the results of our initial climate risk and opportunity assessment with operational areas, ExCo and Board. No significant short or medium-term climate-related risks were identified. • We deployed technology to collect climate-related risk and opportunity data directly from our key suppliers. • We give more detail on the potential risks and opportunities starting at page 58.	• Further quantification of climate risks and opportunities after obtaining further data from the value chain.
B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	• We did a physical climate risk assessment over various timeframes in 2021, and we have reviewed the initial results. • We have continued to explore ways of building potential risks and opportunities into strategic and financial planning. • We give more detail on possible impacts starting on page 58. • We discuss our Net Zero commitment on page 52. Once we have approval and external validation of our SBTi Net Zero targets as being aligned with the Paris agreement, we look forward to publishing them.	• An ESG/climate screening, including use of scenarios, will be incorporated into the due diligence process for major capital expenditure decisions. • Direct data collection from the value chain is currently in progress to establish a clear picture of various risks and opportunities.

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

TCFD - building climate resilience continued

TCFD recommended disclosure	Our disclosure and developments in 2022	Focus areas for 2023 and beyond
STRATEGY CONTINUED		
C. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• We constructed draft climate impact scenarios in 2021, based on our initial assessment of material risks, including a scenario aligned with below 2°C. • In 2022 we tested the draft scenario results, discussed with management, ExCo and Board, and started the process of building financial models from the scenarios (with a focus on carbon price). • The results of our testing showed the resilience of our current strategy, in that no significant short or medium-term climate-related risks were identified.	• Further iterations of the scenarios, with quantification of risks and opportunities. • Identifying the implications carbon pricing with various scenarios including various options for decarbonisation.
RISK MANAGEMENT		
A. Describe the organisation's processes for identifying and assessing climate-related risks.	• We combine our long-standing, bottom-up risk process with improved identification of medium and longer-term climate transitional and physical risks through horizon scanning. See pages 37 and 38 for more detail. • We assess and prioritise climate risk using an approach that is modelled on British Standards (BS EN IS014091), based on risk impact (the expected adverse effect that may occur from exposure to the risk) and our adaptive capacity (our ability to adapt to potential consequences and to take advantage of opportunities). • We have built the outputs of our inherent climate risk assessment into operational risk registers. We have adapted our risk process to capture key climate metrics and targets. • We have engaged with our stakeholders, including our insurers, to understand how their focus on climate risk is likely to change going forward.	• Continue to improve our risk identification process, incorporating more data streams and trends. • Assess key metrics and targets, and the operational plans to meet them. • Review the external environment for changes in climate risks and new mitigation strategies (through our brokers, insurers external professional bodies and forums). • Board will formalise a risk appetite for climate-related risk.
B. Describe the organisation's processes for managing climate-related risks.	• We manage climate-related risks in the same way as our other risks (see pages 37 and 38), albeit that time horizons may be longer. • A member of the ExCo owns each risk and leads the relevant operational teams as they control day-to-day risk management and mitigation. • In 2022 we carried out a specific, climate-focused round of risk register reviews to educate operational teams with the aim to ensure that we manage climate risks as effectively as other risks.	• Challenge the business on the effectiveness and accuracy of mitigation plans, including evidence of progress. • Climate risks remains an emerging risk currently, emerging risks are escalated as necessary to the Group ExCo and Board.
RISK MANAGEMENT CONTINUED		
C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• They have always been part of our overall risk identification and management process described in detail at pages 37 and 38. • They are recorded in our Group and functional risk registers alongside our other operational, financial and strategic risks. • They are formally reviewed twice a year as part of this process to ensure they accurately reflect our current risk exposure. • One key difference between climate-related risks and other risks is that we typically use longer time horizons when looking at climate risks. • In 2022 we implemented a new emerging risk identification and management approach, with dedicated reporting to Exec and Board. We also started a project to capture Board risk appetite for climate risks.	• Continue with specific climate-focused risk register reviews. • Continue to develop reporting to Exec and Board.
METRICS AND TARGETS		
A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	• We have long-standing KPIs on use of FSC® and PEFC raw materials and on production waste recycling - we report on these at page 66 and page 68. • In 2022 we reviewed the outputs of our detailed 2021 TCFD project to see if this suggests extra or alternative KPIs, as well as to identify whether there are any other important climate-related metrics. • We developed the first iteration of an ESG metrics dashboard for internal review and stakeholder consultation of any potential new KPIs. • We began consideration of how climate-related metrics might build into consideration of future investment decisions.	• Further internal review and stakeholder consultation of potential new KPIs will take place with formalisation of key metrics. • An external TCFD readiness assurance project has been carried out with satisfactory results. • As part of the ESG due diligence process for investment decisions, specific metrics will be created as part of the ESG strategy.
B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	• See our SECR reporting, starting on page 68. • We consider the risks relating to emissions as part of our overall climate risk reporting, summarized above. • We have estimated our material sources of Scope 3 emissions (category 1). • Selected appropriate assumptions and started to investigate which of our Scope 3 emissions we can try to gather reliable data on.	• We are currently in the process of collecting and measuring the full Scope 3 emissions (15 categories) and will complete our baseline year (2021) calculations by Q1 2023.
C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• We are currently researching and developing these targets as part of the overall TCFD implementation process. • We have carried out research and development of potential new TCFD metrics and targets, based on the outcomes of the TCFD implementation project so far.	• Finalising quantitative metrics and targets for material climate risks and opportunities and assign to the senior executive team.

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TCFD - building climate resilience continued

Main risks and opportunities from our scenario modelling so far

Details of the scenarios

We began our work on climate scenario planning in 2021. We looked at both physical and transition risks and held a series of workshops with stakeholders from across the business to identify and discuss potential significant risks and opportunities. Our discussions concentrated on the time period to 2030, which we further split into short-term (to 2023), medium-term (to 2026) and long-term (to 2030).

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

1) **Less than 2°C scenario:** Where governments and regulators act quickly and take the lead with a series of measures aimed at achieving the Paris Agreement targets. This scenario envisages swift action, a high level of legislation and emphasis on mechanisms such as carbon pricing and financial incentives for decarbonisation.

2) Where lack of agreement between governments leads to an initially slow pace of change, but where a series of social tipping points see a response to climate change which is led by citizens putting pressure onto governments and companies to act.

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

Results and next steps

Our initial scenario modelling work has given us an increased understanding of the qualitative impacts of climate change on our business across various time horizons, although we recognise that it is an iterative and dynamic process. The results of our scenario modelling agreed with the results of our existing business risk management process, which we describe in more detail starting on page 37, in that they did not identify any significant short or medium-term climate-related risks.

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

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

Overview of opportunities	Time horizon	Impact	Mitigation actions
OPPORTUNITY: Area of impact - Brand			
Delivering on our aim to be the UK's leading responsible kitchen business and creating a brand that is recognised as a leader in managing climate-related risk could result in increased sales, greater brand awareness, increased market share and increased attractiveness to current and future employees.	Medium to long-term (2025-2030)	Increased sales. Greater brand awareness. Increased market share. Stronger employee retention/ relations.	Upskilling staff and promoting awareness of our stance regarding SBTi and Net Zero ambitions. Sustainable customer offering and bringing the suppliers on the Net Zero and sustainability journey with us.
OPPORTUNITY: Area of impact - Cost reduction			
Continuing to focus on energy efficiency, pushing through our targeted improvements and taking future steps on the path to decarbonisation could lead to a lower cost base. Relevant factors could be things such as: • Access to grants, subsidies and favourable tax treatment for adopting decarbonisation technologies • Absolute reductions in energy consumption will lower costs, particularly in times of rising energy prices, extended application of carbon pricing and an increase in the underlying carbon price.	**Grants and subsidies:** short to medium-term (2022-2025) **Absolute reductions in energy consumption:** medium to long-term (2025-2030) **Deployment of Decarbonisation technologies such as hydrogen:** medium to long-term (2025-2030)	**Capitalise on energy opportunities:** installation of solar/ wind etc., will help in reducing costs and lead to carbon emission savings. **Own energy generation:** by accessing grants and subsidies and deploying latest decarbonisation technologies.	Reducing energy consumption will help mitigate the impact of rising energy prices/ carbon pricing. Deploying new renewable technologies with grants will lower the own capex requirements and improve energy security.
OPPORTUNITY: Area of impact - Access to capital			
Building a climate resilient strategy and communicating it effectively to the market could increase the demand for our shares and could also give us access to lower-cost bonds and loans.	Short to medium-term (2022-2025)	Increased demand for shares. Access to sustainable finance opportunities.	Clearly communicating our sustainability and climate resilient actions to our existing and future investors.
OPPORTUNITY: Area of impact - Product design			
Taking the lead in producing sustainable products before our competitors could increase our competitive advantage and market share.	Medium to long-term (2025-2030)	The future sustainability of our assets: develop sustainability metrics to be employed at the point of design.	Implementing circular practices will promote the 'worthwhile' image of our brand and will help us lead by example.

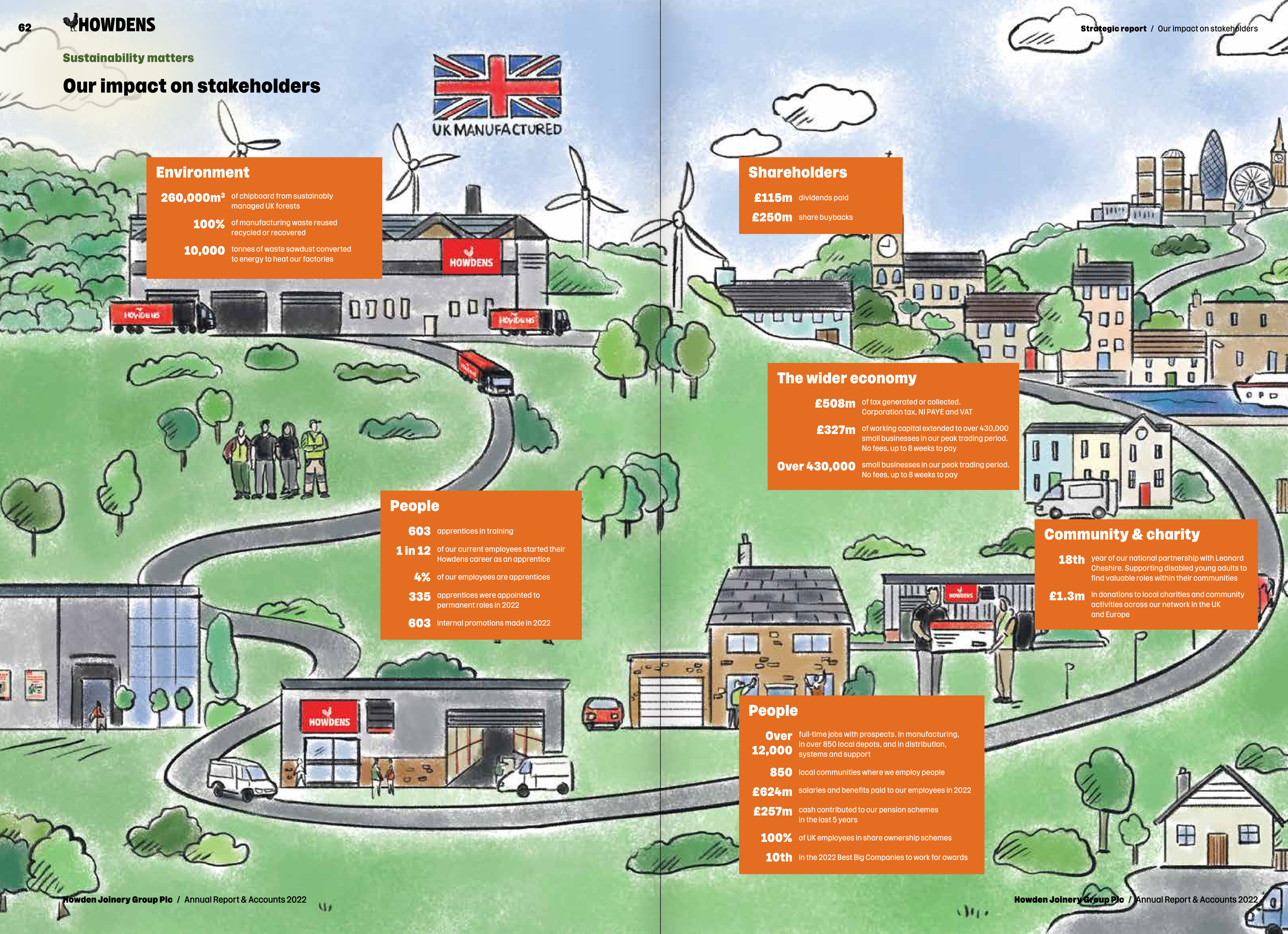
TCFD - building climate resilience continued

Overview of risks	Time horizon	Impact	Mitigation actions
RISK: Area of impact - Sourcing			
Future physical or legal barriers arising from climate change could bring challenges to sourcing some of our products in the future - principally items which we currently source from overseas. Causes could be things such as: • Carbon pricing • Pressure on supply chains to decarbonise, especially in emerging markets • Some current raw materials could increase in cost or become unavailable in the future, so alternatives would have to be found.	**Carbon pricing:** medium to long-term (2025-2030) **Pressure on supply chains to decarbonise:** medium to long-term (2025-2030) **Raw materials cost increase/ unavailability:** medium to long-term (2025-2030)	**Carbon pricing:** £2.9m - £5.1m (assumption of £50 per tonne of CO_2e carbon price). **Pressure on supply chains to decarbonise:** as climate change is a global issue, our supplier base will also be impacted with the drive to decarbonise. **Raw materials cost increase/ unavailability:** there may be adverse impact on availability of certain raw materials in the future.	We have signed up for SBTi Net Zero targets and we are currently formulating a fully-costed Net Zero action plan, which will help with mitigating the impact of future carbon prices due to absolute reductions in our emissions. We have deployed technology to collect data directly from our suppliers, which will help us understand the granular impacts and to implement subsequent actions for resilience. The data collected from suppliers will provide clarity on the criticality of certain raw materials and help us formulate a mitigation strategy.
RISK: Area of impact - Operations			
The physical risk to our operations from climate change can include extreme weather events and rising sea levels. These risks could require additional capital expenditure or could interrupt operations.	**The physical risk assessment:** identifies potential risks in the short, medium and long term (2022-2050). However, no significant physical risks were identified in the short or medium term. We are currently working with suppliers for more granular data throughout the supply chain - this work is ongoing.	**Interruption to operations:** physical impacts of climate change could cause supply chain disruption/ physical route disruptions. **Additional capital expenditure:** physical climate risks may require us to improve/ update our infrastructure, which will increase our capex.	To further understand the risks at a granular level, we have deployed a two-phased Physical Risk Assessment of our own locations in the UK and our suppliers' locations around the world. Phase 1 identified the physical risks such as coastal flooding, rising sea levels, heat stress and drought in certain regions and locations, using timeframes up to 2050. Phase 2 of our physical risk assessment, which we are currently embarking upon, will deliver a vulnerability and resilience option assessment and it will allow us to determine our Value at Risk for physical exposure and understand our suppliers' adaptive capacity.

Overview of risks	Time horizon	Impact	Mitigation actions
RISK: Area of impact - Decarbonisation			
Decarbonisation of our distribution and depot fleets could require transitional investment and/or adjustments to current working practices.	**Adjustments to current working practices:** short to medium-term (2022-2025) **Transitional investment:** medium to long-term (2025-2030)	**Additional capital expenditure:** to decarbonise our own operations e.g. our buildings and fleet.	We are currently carrying out a Net Zero feasibility study with high level cost implications, which will clarify levers of decarbonisation available to us. We are also Implementing and ESG/climate screening into the due diligence process prior to asset acquisition.
RISK: Area of impact - Customer expectations			
Failure to meet customer demands for sustainable products could reduce market share.	**Failure to meet demands:** medium to long-term (2025-2030)	**Impact on future sales:** from inability to meet customer needs.	We plan to be a leader in sustainability in the kitchen business and will leverage our Net Zero strategy to achieve this goal.

Sustainability matters

Our impact on stakeholders



Environment

260,000m³ of chipboard from sustainably managed UK forests

100% of manufacturing waste reused recycled or recovered

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

People

603 apprentices in training

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

4% of our employees are apprentices

335 apprentices were appointed to permanent roles in 2022

603 internal promotions made in 2022

Shareholders

£115m dividends paid

£250m share buybacks

The wider economy

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

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

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

Community & charity

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

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

People

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

850 local communities where we employ people

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

£257m cash contributed to our pension schemes in the last 5 years

100% of UK employees in share ownership schemes

10th in the 2022 Best Big Companies to work for awards

Sustainability matters

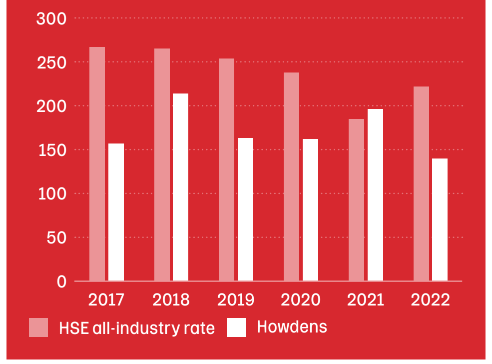
Our people

Keeping our people safe and healthy

2022 highlights

- Our safety KPI has decreased from 196 RIDDOR[1] reportable injuries per 100,000 employees in 2021 to 140 in 2022. This is also significantly below the 2021/2022 HSE All-Industry rate of 222.
- Our injury severity rate has also significantly decreased from 2021 to 2022 at 26.2 hours lost per 100,000 hours worked (2021: 33.4 hours/100,000 hrs worked).
- Our network of over 800 depots in the UK and Republic of Ireland was awarded the ISO 45001 certification in early 2022. This was achieved by implementing simple and visual safety management systems and actively encouraging the participation of all staff to help continuously improve Health & Safety (H&S) performance. We had already held ISO 45001 certification across our manufacturing and distribution network since 2009.
- We have developed our construction-based H&S systems for our Solid Work Surface Installations and Contracts operations, which are rapidly-expanding areas of growth.

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



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

Update on areas of focus from our 2020 ESG Strategic Review

ISO 45001

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

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

BRITISH COUNCIL 5-STAR SAFETY STANDARD

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

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

BEHAVIOURAL HEALTH & SAFETY

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

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

WELLBEING

Develop a Group wellbeing strategy.

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

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

Rewarding careers, opportunities to develop and thrive

2022 highlights

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

Update on areas of focus from our 2020 ESG Strategic Review

EQUALITY DIVERSITY AND INCLUSION (EDI)

To develop our EDI roadmap and strategy to 2025.

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

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

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

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

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

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

SOCIAL MOBILITY

To improve social mobility through the career development we offer.

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

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

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

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

LOOKING AHEAD TO 2023

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

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

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

Sustainability matters

Sustainable supply chain

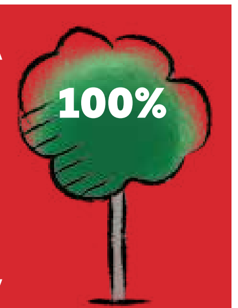
Certified wood, efficient distribution, responsible purchasing

2022 highlights

- We used over 260,000 cubic metres of chipboard and 65,000 cubic metres of MDF in our factories in 2022 - enough to fill the Albert Hall more than 3 times - so it's natural that we have a long-standing KPI requiring this wood to be 100% certified.
- FSC® or PEFC™ certification means that the wood comes from responsibly-managed forests and that we have independent documented evidence of an unbroken chain of ownership all the way from the forest to us - via the mill, the importer and our suppliers.
- We are also members of Timber Development UK and are recognised by them as a 'Responsible Purchaser', which means that we have third-party assurance on our timber purchasing due diligence systems.

KPI

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



Responsible Purchaser
Timber Trade Federation

- Our transport fleet drove over 18 million miles in 2022, so we need it to be both efficient and safe. All of our trucks comply with the latest emissions standards, and we've fitted refinements to the standard build to increase efficiency and reduce emissions even further. In 2022 we began using Hydrotreated Vegetable Oil (HVO) as part of our fleet fuel mix. HVO is a sustainably sourced second-generation biofuel. It is plant-based and can replace diesel without requiring engine modifications. It reduces CO_2 by 90% compared to diesel, and also has lower nitrogen oxide and particulate emissions. We have also begun to trial trucks which run on Bio-LNG, a fuel produced by anaerobic digestion of organic waste, manure and sewage which produces 80% less CO_2 than diesel.
- We invest in safety and energy-efficiency training for our drivers. We combine this with the latest in-cab telemetry and a system of daily debriefs where driver behaviour is assessed against energy-efficiency and safety targets. We reward drivers who reach the highest standards, and we work with any drivers who need help to improve. In recent years, we have invested in training our own new drivers via a driving apprenticeship scheme. This helps to encourage our high standards from the beginning of a driver's career.
- All of our buyers and our compliance team have taken and passed the Chartered Institute of Procurement and Supply's Ethical Procurement & Supply training, and we have a rolling programme of refresher training on Modern Slavery and Anti-Bribery.
- Recognising that our highest exposure to modern slavery is through our supply chain, we have taken a robust approach to ethical and sustainable procurement. We continue our partnership with SEDEX (Supplier Ethical Data Exchange); and over 90% of our current suppliers are registered and completed their self-assessments on the platform. During 2022 we continued to risk rate all our suppliers by using the SEDEX RADAR tool. Over 35% of suppliers are classed as low risk and a further 59% are classed as moderate risk. The remaining 6% of suppliers, classed as high risk, have had a third party ethical audit in last 3 years. Using SEDEX insight, we are continuing to work with suppliers to deliver improvements in working practices across our supply chain. Currently 264 supplier sites share their ethical data with us.
- Since last year we have improved our supplier onboarding process and we are implementing SAP Ariba SLP (Supplier Lifecycle and Performance) to enhance supplier qualification to align with anti-corruption, human rights goals, sustainability and the Company's code of ethics.
- Our modern slavery statement can be found here: www.howdenjoinerygroupplc.com/governance/modern-slavery-statement.

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

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

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

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

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

Sustainability matters

Sustainable product

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

The sustainable cabinet

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

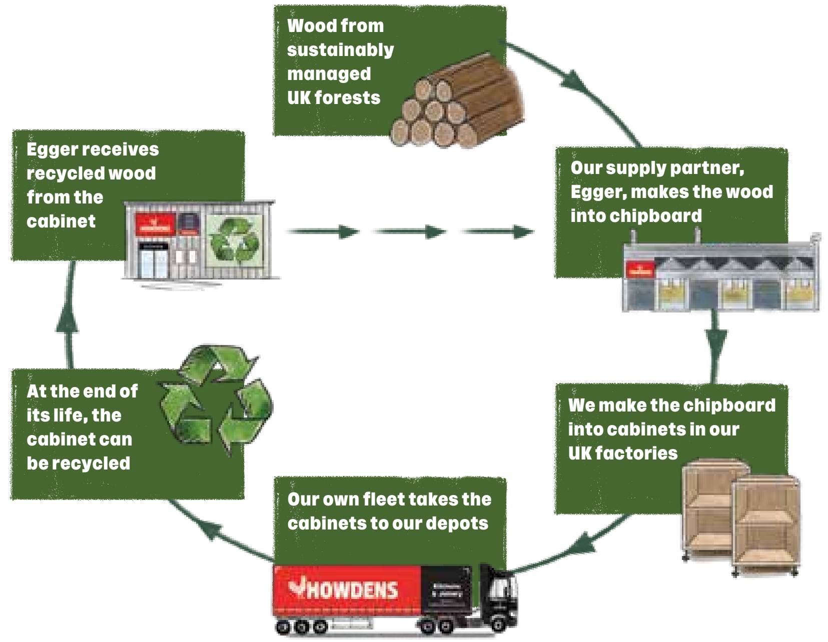
We buy our chipboard from sustainably managed UK forests. For every acre of trees used, an acre or more is planted.

When the cabinet has come to the end of its life in the home it can be recycled and broken down to produce more chipboard, which can be used to make more cabinets in the future.

We don't only want to do things to an incredibly high standard - we want them to be sustainable too.

Other product highlights of the year

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



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

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

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

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

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

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

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

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Sustainability matters

Our environment and SECR reporting

Reducing waste, responsible operations, lowering emissions

2022 highlights

- **Maintaining zero to landfill in 2022 in our manufacturing and logistics operations.** We were very pleased to achieve this in 2020 through our approach of removing or minimising the use of resources in the first instance, and then maximising the amounts of waste that we can reuse, recycle and recover. We have maintained this performance in 2021 and 2022 and this is our target for the future.
- **Less than 1% to landfill in our UK depots in 2022.** This metric is part of one of our main ESG commitments, and we've made significant progress in 2022, ending the year with 99.7% of depot waste avoiding landfill. See page 50 for more details.

KPI

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

100%

- **ISO 14001.** Our manufacturing, warehousing and transport are certified to ISO 14001 Environmental Management System. This assures us that we have sustainable processes in place and encourages us to look for improvements.
- **Sawdust-to-heat.** In 2022 we converted over 10,000 tonnes of sawdust into energy in biomass boilers at our Runcorn and Howden factories. This is enough sawdust to fill 13 Olympic swimming pools, and it would otherwise have to have been transported elsewhere to be reused. Using it to heat our factories also saves us money. The energy generated our biomass boilers was equivalent to the average electricity consumption of over 10,000 households.

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

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

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

SECR Reporting

Energy efficiency initiatives

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

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

Use of renewable energy sources and carbon offsets

Our commitment to renewable energy use expanded in 2022 to include substantially all our depot and office estate. Our manufacturing, distribution and depot network now use grid electricity from renewable sources backed by Renewable Energy Guarantees or Origin (REGO). Each year, this will avoid around 10,000 tonnes of indirect carbon emissions. The impact of this can be seen in our market-based reporting figures.

Biomass heat generation has been a feature of our Howden and Runcorn sites for almost 25 years with a combined heat output of 46,000MWh pa, we can heat 1msqft of manufacturing space with 98% less carbon emissions.

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

SECR - Emissions reporting

Absolute carbon emissions reduced 3.5% against 2021

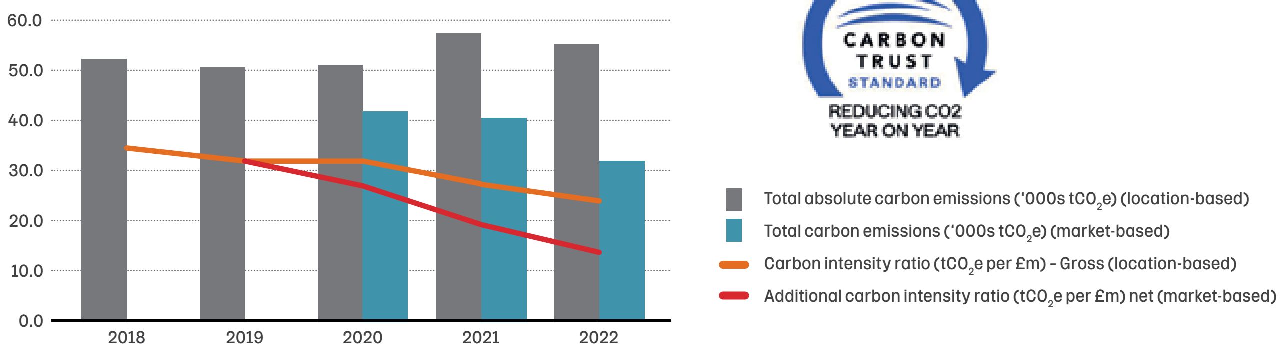
Emissions reporting methodology

Footprint calculations performed in accordance with the WRI GHG Protocol and market-based emissions are reported in accordance with the GHG Protocol Scope 2 Guidance - An amendment to the GHG Protocol. Emissions are reported in accordance with HMG Environmental Reporting Guidelines including Streamlined Energy and Carbon Reporting (SECR). All footprint calculations are subject to internal quality checks at source data and final report stages.

We have used the Operational Control boundary which includes all UK and International operations with the exception of Sheridan Fabrications Ltd, which we acquired during 2022. There are no process emissions within Howdens, as defined in the GHG protocol, and fugitive emissions from air conditioning systems are omitted due to insignificant materiality to the overall footprint.

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

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



CARBON TRUST STANDARD
REDUCING CO2 YEAR ON YEAR

Sustainability matters

Our communities

Local and national donations and partnerships

2022 highlights

Partnerships

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

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

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

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

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

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

Howdens Worthwhile Foundation

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

Giving back to local communities

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

Supporting our employees support the causes that matter to them

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

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

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

Going concern and Viability statements

Going concern

The Directors have adopted the going concern basis in preparing the financial statements and have concluded that there are no material uncertainties leading to significant doubt about the Group's going concern status. The reasons for this are explained below.

Going concern review period

The going concern review period covers the period of 12 months after the date of approval of these financial statements. The Directors consider that this period continues to be suitable for the Group.

Assessment of principal risks

The Directors have reached their conclusion on going concern after assessing the Group's principal risks, as set out in detail in the 'Principal risks and uncertainties' section, starting on page 39.

Whilst all the principal risks could have an impact on the Group's performance, the specific risks which could most directly affect going concern are the risks relating to continuity of supply, changes in market conditions, and product relevance. The Group is currently holding additional amounts of faster-moving inventory as a specific mitigation against supply chain disruption, and the Directors consider that the effects of the other risks could result in lower sales and/or lower margins, both of which are built into the financial scenario modelling described below.

Review of trading results, future trading forecasts and financial scenario modelling

The Directors have reviewed trading results and financial performance in 2022, as well as early weeks' trading in 2023. They have reviewed the Group balance sheet at December 2022, noting that the Group is debt-free, has cash and cash equivalents of £308m, and appropriate levels of working capital.

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

1. **A 'base case' scenario.** This is based on the final 2022 Group forecast, prepared in November 2022 and including the actual results of the 2022 peak sales period.

   This scenario assumes future revenue and profit in line with management and market expectations as well as investments in capital expenditure and cash outflows for dividends and share buybacks in accordance with our capital allocation model (see pages 32 and 33) .

2. **A 'severe but plausible' downside scenario** based on the worst 12-month year-on-year actual fall ever experienced in the Group's history. This is more significant than the combined effect of COVID and Brexit on 2020 actual performance.

   This scenario models a reduction in most of the variable cost base proportionate to the reduction in turnover. It includes lower capital expenditure at a lower level than in the base case, but which is still in line with our announced strategic priorities for growth, namely: new depot openings and refurbishments; investment in our manufacturing sites, investment in digital and expanding our international operations. It also includes dividends and share buybacks in line with the Group's stated capital allocation model.

   In this scenario the Board considered the current economic conditions that the Company and its customers are facing, and noted that the downside scenario included allowances for reduced demand and increased costs to reflect such adverse conditions.

3. **A 'reverse stress-test' scenario.** This scenario starts with the severe but plausible downside model and reduces sales even further, to find the maximum reduction in sales that could occur with the Group still having headroom over the whole going concern period, without the need to take further mitigating actions.

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

Borrowing facility and covenants

The Group has a five-year, committed, multi-currency revolving credit facility of up to £150m which expires in September 2027 and which was not drawn at the period end. A summary of the facility is set out in note 19 to the December 2022 Group financial statements.

As part of the scenario modelling described above, we have tested the borrowing facility covenants and the facility remains available under all of the scenarios. We have therefore included the credit available under the facility in our assessment of headroom.

Going concern and Viability statements continued

Going concern continued

Results of scenario testing

In the base case and the severe but plausible downside scenarios, the Group has significant headroom throughout the going concern period after meeting its commitments.

In the reverse stress-test scenario, the results show that sales would have to fall by a significant amount over and above the fall modelled in the severe but plausible downside scenario before the Group would have to take further mitigating actions. The likelihood of this level of fall in sales is considered to be remote.

Conclusion on going concern

Taking all the factors above into account, the Directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to remain in operational existence for the going concern review period set out above. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Long-term prospects and viability

Assessment of long-term prospects

The Directors have assessed the Group's long-term prospects, solvency and liquidity, with particular reference to the factors below:

Current position

- History of profitable trading, with strong net profit margins.
- Cash and cash equivalents balance at 24 December 2022 of £308m.
- Debt-free. Consistently cash-generative. Proven ability to maintain strong cash balances whilst also investing for growth and returning cash to shareholders.
- £150m committed borrowing facility, due to expire in September 2027. Unused, but available if needed.
- Strong relationships with suppliers and customers.
- Proven ability to flex the operating cost base in a severe economic downturn.
- Robust disaster recovery and business continuity framework.

Strategy and business model

- Proven, successful business model.
- Demonstrated agility and resilience of the business model to adverse economic conditions.
- Clear strategic direction.

Robust assessment of principal risks

- The Directors' role in the risk identification, management, and assessment process is outlined on pages 36 to 45, together with details of the principal risks and mitigations.
- The Directors are satisfied that they have carried out a robust assessment of the Group's principal risks over the viability period on the basis already described in the going concern disclosure directly above.

Long-term prospects and viability continued

Assessment of viability

Time period and scenario modelling

The Directors' review of the Group's long-term viability used a three-year period to December 2025. This was considered to be the most suitable period as it aligns with the Group's strategic planning process.

The financial modelling to support the assessment of viability was based on the three scenarios used for the going concern assessment and detailed above. We have tested the borrowing facility covenants and the facility remains available under all of the viability scenarios. We have therefore included the credit available under the facility in our assessment of headroom.

1. **The base case scenario** takes the base case described in the discussion of going concern above and extends it over the viability assessment period. It assumes future revenue and profit in line with management expectations, investments in capital expenditure and cash outflows for dividends and share buybacks in accordance with our capital allocation model (see pages 32 and 33).

2. **The severe but plausible downturn scenario** takes the same decline over the going concern period as described in the discussion of going concern above, and then assumes a phased recovery over the rest of the three-year period. It assumes capex at a lower level than in the base case but which is still in line with our announced strategic priorities for growth, and dividends and share buybacks in line with our capital allocation model.

3. **The reverse stress-test scenario** assumes a phased recovery of margin and profit on the same bases as for the severe but plausible downturn scenario. This is then stress-tested to find the maximum amount by which sales in the first year would have to fall before the Group would no longer have headroom at any point in the viability assessment period, without taking further mitigating actions. It assumes capex at a maintenance level and no dividends or share buybacks.

The Directors consider that the reasonably foreseeable financial effects of any reasonably likely combination of the Group's principal risks are unlikely to be greater than those effects which were modelled in the severe but plausible downside and reverse stress-test scenarios.

Results of scenario testing

The results of the base case and plausible downside scenario modelling showed that the Group would have sufficient headroom over the viability assessment period.

The reverse stress-test showed that the level of fall in sales required in the first year of the viability assessment period was significantly more than the fall modelled in the severe but plausible downturn scenario before the Group would have to take further mitigating actions. The likelihood of this level of fall in sales is considered to be remote.

Conclusion on viability

Having considered the Group's current position, strategy, business model and principal risks in their evaluation of the prospects of the business, and having reviewed the outputs of the scenario modelling, the Directors concluded that they have a reasonable expectation that the Group will continue to operate and to meet its liabilities in full and as they fall due during the three-year period to December 2025.

Further reading relevant to going concern and viability

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

Other Directors' statements

Statement of Directors' responsibilities

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

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

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

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

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

Section 172(1) statement

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

The Directors are required to include a statement of how they have had regard to stakeholders and the other factors set out in section 172(1)(a) to (f) when performing their duty. The full s.172(1) statement may be found on pages 86 and 87. On pages 88 to 95, we have set out examples of how the Directors have had regard to the matters in s.172(1)(a) to (f) when discharging their section 172 duty.

Non-financial reporting

In order to consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006 in respect of Non-Financial Reporting, the table on page 147 shows where in this Annual Report and Accounts to find each of the disclosure requirements.

Disclosure of information to the auditor

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

Directors' responsibility statement

We confirm to the best of our knowledge:

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

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

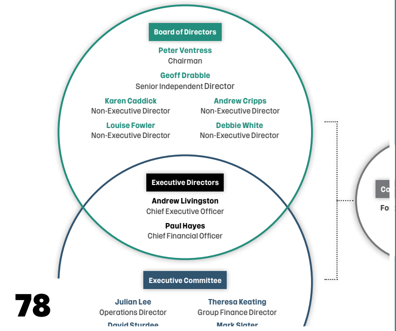
Andrew Livingston
Chief Executive Officer

Paul Hayes
Chief Financial Officer

Governance

How we preserve value

Corporate governance report



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Board of Directors

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Key Board activity

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UK Corporate Governance Code application and compliance

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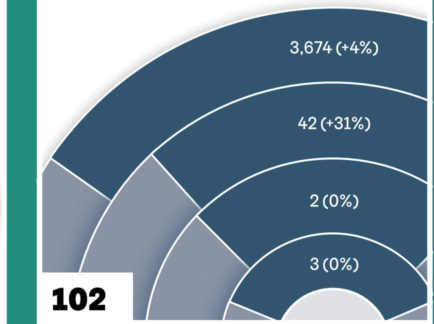
Nominations Committee report



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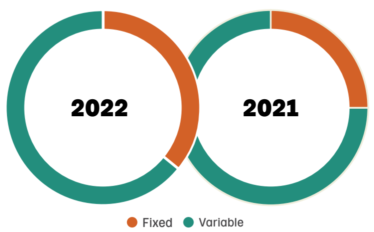
Remuneration Committee report

Total Executive Director - Fixed vs Variable Pay



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Executive Committee and Company Secretary

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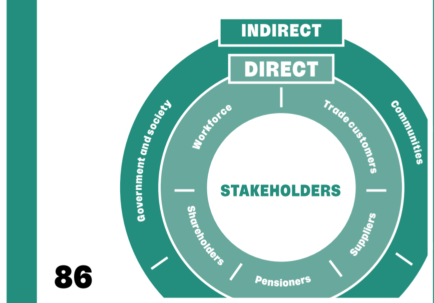
Section 172(1) statement and stakeholder engagement



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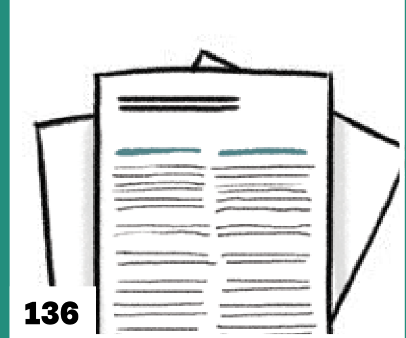
Audit Committee report



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Sustainability Committee report

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Corporate governance report

Board meeting attendance

Peter Ventress (3/3) Appointed 1 July 2022
Richard Pennycook (6/6) Retired 17 September 2022
Karen Caddick (8/8)
Andrew Cripps (8/8)
Geoff Drabble (8/8)
Louise Fowler (7/8)[1]
Paul Hayes (8/8)
Andrew Livingston (8/8)
Debbie White (7/8)[2]

1 Louise was unable to attend the June Board meeting due to a pre-existing commitment. The June Board meeting comprised updates from the CEO and CFO but did not have a wider agenda. The Company Secretary updated Louise following the meeting.

2 Debbie was unable to attend the March Board meeting due to a conflicting work commitment. The March Board meeting was an additional meeting to the Board's usual calendar to consider the appointment of the new Chair. Debbie received the Board papers in advance of the meeting and was able to feed back her views to the Senior Independent Director before the meeting.

Using the corporate governance report

Part 1: Board and Executive Committee profiles and key Board activity during the year.
Part 2: Directors' duties and section 172 disclosure.
Part 3: Stakeholder engagement.
Part 4: UK Corporate Governance Code compliance.

2023 Annual General Meeting (AGM)

Details of the 2023 AGM may be found in the 'Additional information' section on page 214.

Share capital and significant agreements

Disclosures may be found in the 'Additional information' section on pages 214 and 215.

Peter Ventress
Chairman

Introduction from the Chairman

In my Chairman's statement at the beginning of this Annual Report (pages 16 to 18), I spoke of the importance of integrity and trustworthiness in business in the modern world. Good governance practices are the bedrock for these principles and I'm pleased to report that I have joined a highly experienced and high-performing Board.

The Board's agenda focuses on the best outcomes for all our stakeholders. It is varied, as you will see on the following pages, and balanced between our commercial imperative and governance safeguards. It gives me great pleasure to join a Board and a Company in such an exciting phase of its development and I look forward to building on the Board agenda from my predecessor, Richard Pennycook.

Strategic initiatives

In April, the Board considered the updated 'Raised Ambition' strategic plan. These plans were subsequently presented to me by management during my induction into the business. I am pleased that the Board was able to continue to support management's strategic initiatives during the year. The acquisition of the Sheridan solid surface worktop business, additional land purchases at the Howden site and investment in a new 'paint to order' line were all investments approved by the Board.

My first Board meeting in July was in France and the Board spent time in the French business with the local management team. The investment in the international business is one of the Board's main strategic initiatives and it was pleasing to see the Howdens model performing well outside of the UK.

When considering investment opportunities, the Board has regard to a wide range of different stakeholder considerations. Sometimes there are conflicting considerations and the Board must balance these in a fair and considered way. More information on the way we balance Directors' duties can be found on page 87.

Stronger governance

I was pleased that health and safety was already on the agenda of all Board meetings and it will remain our primary concern during the decision making process. It is also first on the agenda at Executive Committee meetings and operational Regional Board meetings, demonstrating that it is deeply embedded in our culture.

The Board also spent a significant amount of time on employee engagement during the year. Presentations were received from the Group HR Director and Howdens participated in the Best Companies survey in 2022, ranking in the top 10 best big businesses to work for. The Board took time to consider the results of the engagement survey and are working with management to address areas for improvement. The survey also provided the opportunity to capture (voluntarily) information about our employees which will assist with our equality, diversity and inclusion programmes. Employees are a key stakeholder and the Board was pleased to support the additional payment of £500 per employee recommended by management. We will continue to look for ways to improve our employee engagement during 2023.

During 2023, the Board approved the move from a secured to an unsecured credit facility. This was significant as it removed one of the final legacy issues and encumbrances from the restructuring of the old MFI business. The new facility, more information on which can be found in note 19 on page 188, provides the Board with greater optionality and flexibility when considering strategic opportunities in the future.

The Board in 2023

I look forward to developing and improving the Board's agenda in 2023. As you can see on pages 82 and 83 of this report, we are introducing 'spotlight sessions' to the majority of Board meetings. These sessions look to build on the Board's existing agenda and will give the Board time with the wider Executive team and their direct reports to discuss the fundamentals of the business model, strategy and future plans.

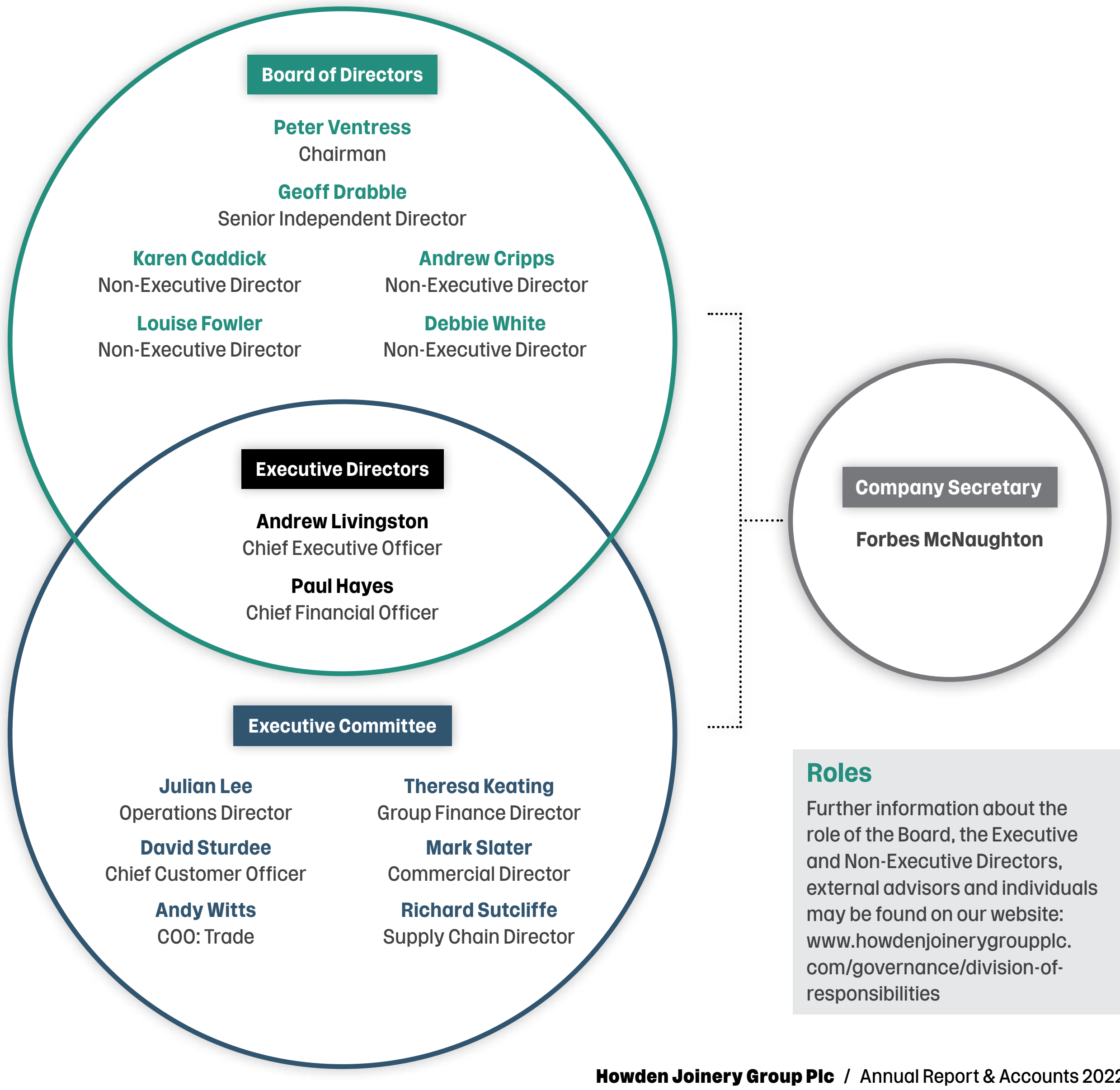
We also look forward to working with the Pension Trustees during the year in reshaping their strategy. In the 2021 Annual Report, we reported that the Defined Benefit Pension Plan (the 'Plan') funding position had improved so that it was in surplus on a technical provisions basis and therefore Company contributions to the deficit had ceased.

Sadly, following the shock volatility in the gilts market in the autumn, the Plan's investment strategy came under significant stress and deficit contributions have since recommenced.

We will also be taking more time to consider our wider equality, diversity and inclusion programmes at all levels of the business, promoting career paths and focusing on employee engagement.

We live in interesting times. At the beginning of 2022, there were still widespread lockdown restrictions and virtual Board meetings, and whilst these restrictions have largely disappeared, Howdens is not immune to the impact of shocks be they from international events or market volatility closer to home. It is our resilient business model, strong governance and the principle that everything we do must be worthwhile for all concerned that will mean Howdens continues to grow from strength to strength.

Board and Executive Committee structure



Roles

Further information about the role of the Board, the Executive and Non-Executive Directors, external advisors and individuals may be found on our website: www.howdenjoinerygroupplc.com/governance/division-of-responsibilities

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Corporate governance report continued

Board of Directors

Key to Board Committee membership

A Audit Committee
R Remuneration Committee
N Nominations Committee
S Sustainability Committee
○ Chair of Committee

Independence
The Board considered that all of the Non-Executive Directors were independent for the full duration of the period being reported on and that Peter Ventress was independent upon his appointment as Chairman.

Executive Directors		Non-Executive Directors					
							
Andrew Livingston Chief Executive Officer	**Paul Hayes** Chief Financial Officer	**Peter Ventress** Independent Non-Executive Chairman	**Geoff Drabble** Senior Independent Director and Non-Executive responsible for workforce engagement	**Karen Caddick** Independent Non-Executive Director	**Andrew Cripps** Independent Non-Executive Director	**Louise Fowler** Independent Non-Executive Director	**Debbie White** Independent Non-Executive Director
Appointed		**Appointed**					
Andrew was appointed to the Board as Chief Executive Officer on 2 April 2018.	Paul was appointed to the Board as Chief Financial Officer on 27 December 2020.	Peter was appointed to the Board in July 2022 and became Non-Executive Chairman and Chairman of the Nominations Committee and Sustainability Committee in September 2022.	Geoff was appointed to the Board in July 2015 and became Senior Independent Director in September 2019 and Non-Executive Responsible for Workforce Engagement in 2019.	Karen was appointed to the Board in September 2018 and became Chair of the Remuneration Committee in September 2019.	Andrew was appointed to the Board in December 2015 and became Chair of the Audit Committee in May 2016.	Louise was appointed to the Board in November 2019.	Debbie was appointed to the Board in February 2017.
Contribution to the long-term sustainable success of the Company		**Contribution to the long-term sustainable success of the Company**					
Andrew has a strong track record of performance, execution and driving change through improving digital capability, ranges and new site openings. He also has knowledge of key European geographies, is a competent French speaker, and has an entrepreneurial mindset. This mindset fits the Howdens culture which has served the Company well and is fundamental to its success. He was previously the CEO of Screwfix and has an MBA from the London Business School.	Paul is an experienced finance executive and has a proven track record in consumer and manufacturing businesses. From 2017 until its acquisition by Recipharm AB in February 2020, Paul was CFO of Consort Medical Plc, a leading drug and device manufacturing business. Before this, he was the Group Finance Director of Vitec Group plc from 2011 to 2017. Paul has extensive experience in senior finance roles at a number of UK and US listed companies including Signet Jewelers, RHM Plc and Smiths Group Plc. He is a Chartered Accountant having qualified with Ernst & Young and has a first class Masters degree in Mechanical Engineering, Manufacture & Management.	As former Chairman of Galliford Try plc and current Chairman of Bunzl plc, Peter has in-depth knowledge of UK listed companies and the associated high corporate governance standards required by such companies. He was also formerly Chief Executive Officer of Berendsen plc and has held several senior executive roles including International President of Staples Inc and Chief Executive Officer of Corporate Express NV, meaning he has extensive experience in international distribution businesses and brings a wealth of relevant commercial, financial and high-level management experience to the Board.	Geoff brings extensive experience of the building products and construction markets having spent over a decade as CEO of Ashtead Group Plc in addition to his current appointment as Chairman of Ferguson Plc. He also has extensive experience from his time as an executive director at the Laird Group, where he was responsible for the Building Products division. Geoff understands and has managed businesses with multi-site depot operations and he has strong business-to-business sector experience. Geoff is also Chairman of DS Smith Plc, the global provider of sustainable packaging solutions, paper products and recycling services.	Karen's professional experience provides her with a strong diversity of perspective and cultural fit to help with the leadership of the Howdens business. Having served as the Group Human Resources Director of large listed organisations such as Saga Plc and RSA Insurance Group Plc (now RSA Insurance Group Limited), Karen has particular strengths in organisational development, delivery of diversity programmes, and executive remuneration. These attributes have stood Karen in good stead for her role as Chair of the Remuneration Committee and has made her a valuable addition to the Nominations Committee.	Andrew brings extensive experience as a non-executive director and audit committee chair with particular knowledge of branded consumer and business-to-business products, manufacturing and distribution in the UK and continental Europe. His experience of multisite wholesale distribution to small business customers at Booker Group Plc is valuable to the Board's decision-making process. He is a Chartered Accountant and former Finance Director with extensive recent and relevant financial experience.	Louise has over 25 years' customer, brand and digital experience at a senior level. Her experience encompasses publicly listed and private businesses, the mutual sector and not-for-profit organisations. Louise's strong background in consumer experience and reputation is valuable to the Company as it strives to provide a strong aftersales service to further support the builder customer. Her digital experience also provides valuable insight given the investment the Company continues to make in its digital programme. Louise is an Honorary Professor in Marketing at Lancaster University Management School.	Debbie has extensive experience in the B2B sector from her time leading Interserve Plc and the Sodexo global healthcare and government businesses. She has in-depth knowledge of a number of markets, specifically the UK and France, both of which are key to Howdens. Her previous experience as a CFO and her current experience as Chair of the Audit Committee of a NASDAQ-listed business enables her to bring strong financial awareness and competence to the Board. Debbie was previously interim HR Director at BT Plc and has also supported Howdens management in the formation and delivery of its Equality, Diversity and Inclusion (EDI) programme.
Other listed company appointments		**Other listed company appointments**					
Non-Executive Director of LondonMetric Property Plc	None	Chairman of Bunzl Plc	Chairman of Ferguson Plc Chairman of DS Smith Plc	None	None	Non-Executive Director of Assura Plc	Non-Executive Director of PAVmed Inc, Lucid Diagnostics Inc[1], and Spire Healthcare Group plc[1]
Committee Membership		**Committee Membership**					
Neither Executive Director is a member of any Board Committee.		N S	A N R S	A N R S	A N R S	A N R S	A N R S

1 The Board considered Debbie's proposed appointment as Non-Executive Director of Spire Healthcare Group plc and Director of Lucid Diagnostics Inc (a subsidiary of PAVmed Inc, of which Debbie was already a director). The Board was satisfied that Debbie had the requisite time available to commit to her responsibilities in her role as Non-Executive Director of Howdens. Further information is available on page 98.

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Corporate governance report continued

Key Board activity

Set out below and on the facing page are highlights of the matters the Board considered in 2022 and will consider in 2023. Not all of the matters the Board considered or will consider are listed, therefore this should not be considered an exhaustive list of activities.

In addition to the matters shown on the 2022 timeline, at each meeting the Board received strategic, operational and financial updates from the CEO and CFO. The Board also considered aspects of Group culture and strategy at various points during the year.

2022

January
- Health and safety
- 2022 budget review
- Capital allocation
- Investor relations update
- Principal risks review

February
- 2022 budget approval
- Draft 2021 preliminary results
- Draft 2021 Annual Report and Accounts and 2022 AGM documents
- Dividend and capital returns
- Non-Executive Directors' fees
- Principal advisors
- Whistleblowing report

March
- Appointment of new Chairman

April
- Health and safety
- DB pension plan update
- Shareholder feedback following 2021 Full Year results
- Broker update
- Ukraine crisis update
- Strategic planning (separate session)

May - AGM

All resolutions were passed with the requisite majority.

Further details about the meeting may be found on page 94.

June
- AGM feedback
- Consumer and market update

July
- France and Belgium Business update
- New factory line approval
- HR update
- Investor relations update
- Draft interim results and announcement
- Key risks review
- Whistleblowing report

Executive Committee presenters: KH

September
- Health and safety
- 'Cost of living' help for employees
- Employee survey update
- Supply Chain and Operations update
- Investor relations update
- Broker presentation, market update

Executive Committee presenters: RS JL

November
- Health and safety
- Operations, Commercial and Supply Chain updates
- Pensions update[1]
- Investor relations update
- Schedule of Matters Reserved for the Board and Board Committee Terms of Reference
- 2023 Board calendar

Executive Committee presenters: AW MS RS

2023

January
- Health and safety
- 2023 budget
- Investor relations
- Principal risks
- Whistleblowing report

Spotlight
Trade service and convenience: Digital strategy

February
- Health and safety
- Board evaluation
- Draft 2022 preliminary results, draft 2022 Annual Report and Accounts and 2023 AGM documents
- Shareholder and capital returns
- NED fees
- Group policies
- Principal advisors

April
- Health and safety
- Strategic opportunities and long-term planning
- Pensions
- Investor relations

Spotlight
Product leadership

May
- AGM - further details may be found on page 214.

July
- Health and safety
- Draft 2023 Interim results
- Key risks
- Broker update
- Whistleblowing report
- Director training session (to be provided by the Group's corporate lawyer)

Spotlight
Trusted trade relationships: Customer

September
- Health and safety
- Employee engagement
- Investor relations

Spotlight
Trade service and convenience: Depot evolution

November
- Health and safety
- Pensions
- Corporate governance
- Board Committees' Terms of Reference
- Schedule of Matters Reserved for the Board
- 2024 Board calendar

Spotlight
Trade value: Vertical integration

Spotlight sessions

Spotlights sessions, introduced for the first time in 2023, are sessions with the wider Executive team and their direct reports to discuss the fundamentals of the business model, strategy and future plans. Topics will focus on the five pillars of the business:

- Trade service & convenience
- Product leadership
- Trade value
- Entrepreneurial culture
- Trusted trade relationships

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Governance and risk

The Board received governance, legal, and regulatory updates at regular intervals from the Company Secretary and the Board's advisors.

Risk remains a matter reserved for the Board and a detailed review of our risk management processes and principal risks can be found on pages 36 to 45. We have reviewed our risk management processes and remain satisfied that they are robust and effective.

Reporting from our whistleblowing helpline is also considered by the Board on a biannual basis.

Shareholder engagement

Information about how we engage with shareholders can be found in our section on stakeholder engagement on pages 94 and 95.

Executive Committee presenters

- KH Kirsty Homer (Group HR Director)
- RS Richard Sutcliffe (Supply Chain Director)
- JL Julian Lee (Operations Director)
- AW Andy Witts (COO: Trade)
- MS Mark Slater (Commercial Director)

1 The Company's actuaries reported to the Board on routine funding and investment matters and the Chair of the Pension Trustees attended to provide an overview of the Trustees' funding and investment strategy and to seek approval from the Board of its long-term strategy proposal.

Corporate governance report continued

Executive Committee and Company Secretary

Executive Committee members

Theresa Keating
Group Finance Director

Appointed

Theresa joined Howdens in September 2000 and has been a member of the Executive Committee since February 2012.

Contribution to the long-term sustainable success of the Company

Theresa was appointed Group Finance Director in May 2014, having been Group Financial Controller since 2007. She joined the Group Finance team in 2000 having previously held various commercial finance roles at Waterstones, HMV and Heals. Theresa is also a trustee of E-Act, a multi-academy trust.

Theresa's role as Group Finance Director includes leading the key controls project, which is improving the business's capability to identify operational, IT and financial controls which mitigate our key and principal risks.

Julian Lee
Operations Director

Appointed

Julian joined Howdens in 2003 and was appointed to the Executive Committee in July 2020.

Contribution to the long-term sustainable success of the Company

Prior to joining Howdens, Julian worked in a number of strategic and operational roles within the Silentnight Group. He joined Howdens in 2003 as a leader of the Manufacturing Division and from 2005 to 2009 was head of international sourcing and supply chain in Asia. Since 2009, Julian has made a major contribution to the transformation of our supply chain and operations and in 2020, he was appointed Operations Director, encompassing both manufacturing and logistics.

Julian leads our strategic manufacturing investments, including increased in-house manufacturing capability and capacity.

Mark Slater
Commercial Director

Appointed

Mark joined Howdens in June 2019 as a member of the Executive Committee.

Contribution to the long-term sustainable success of the Company

Mark has over 25 years' experience in retail and trade businesses working in senior commercial, marketing and strategy roles. Prior to joining the business, Mark held senior commercial positions with Travis Perkins Plc, The Walt Disney Company and Dixons Carphone.

Mark's role as Commercial Director includes range management, which is one of the business's key strategic initiatives. Balancing choice and new product with disciplined range management is crucial to ensuring both availability and profitability.

David Sturdee
Chief Customer Officer

Appointed

David joined Howdens in March 2022 and was appointed to the Executive Committee in May 2022.

Contribution to the long-term sustainable success of the Company

Prior to joining Howdens, David was Chief Customer Officer and Chief Operating Officer at Yum! Brands, responsible for Pizza Hut Europe across 25 countries and over 1,500 outlets. He was with Yum! Brands for 14 years with roles in the Middle East & North Africa, Asia Pacific, and Europe.

David is responsible for developing a longer-term customer strategy at Howdens to support our depot teams in managing their relationships with customers and to deliver our ambitious growth plans. David's role also encompasses leading our IT, Digital, and Marketing teams to continually develop and grow awareness of the Howdens brand.

Richard Sutcliffe
Supply Chain Director

Appointed

Richard joined Howdens in January 2019 and was appointed to the Executive Committee in July 2020.

Contribution to the long-term sustainable success of the Company

Prior to joining Howdens, Richard was Director of Supply Chain at Screwfix. Before this, he held senior supply chain and business planning roles at Hobbycraft, Wyevale Garden Centres and B&Q.

Richard's role as Supply Chain Director encompasses optimising stock holdings across the business and ensuring Howdens maintains market leading stock availability. He is also leading the XDC project, which is delivering superior service levels and availability to depots.

Andy Witts
Chief Operating Officer: Trade

Appointed

Andy joined Howdens in July 1995 and has been a member of the Executive Committee since September 2008.

Contribution to the long-term sustainable success of the Company

Andy was one of the founding members of the Howdens depot management team, having joined from Magnet in 1995. He was promoted from the regional team to become Sales Director in January 2007 and was appointed Chief Operating Officer of Trade in January 2014.

Andy has overall responsibility for the performance and culture of depots and associated support functions in the UK and the Republic of Ireland. He oversees the evolution of our depot estate, including our strategically important depot reformatting and the opening of new depots. He is key in ensuring our depots build trusted relationships with local tradespeople.

Company Secretary

Forbes McNaughton
Company Secretary

Appointed

Forbes joined Howdens in July 2012 and was appointed Group Company Secretary in May 2014.

Contribution to the long-term sustainable success of the Company

Forbes joined the Company as Deputy Company Secretary in 2012 following a period of secondment from KPMG. He is a fellow of the Chartered Governance Institute (CGI) and is Secretary to the Executive Committee as well as to the Board of Directors.

Forbes is the link between the Executive Committee and the Board and is responsible for managing a number of external stakeholder relationships such as with the Pensions Trustees and external regulators. He is the head of the legal function in addition to his corporate governance responsibilities.

Executive Directors

Andrew Livingston
Chief Executive Officer

Paul Hayes
Chief Financial Officer

Andrew and Paul's profiles may be found on page 80.

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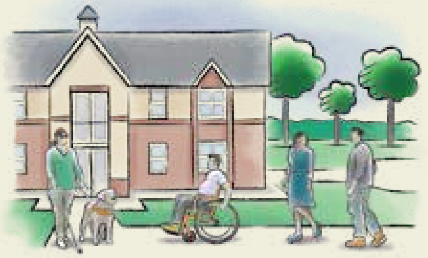
Directors' duties

Section 172(1) statement

A director of a company is required to act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, the director must have regard, amongst other matters, to the following:

Environment and community

The impact of the company's operations on the community and the environment.



Long-term thinking

The likely consequences of any decision in the long term.

Reputation

The desirability of the company for maintaining a reputation for high standards of business conduct.

Investors

The need for every member to be treated fairly and for no member to be favoured over another member.

Workforce

The interests of the company's employees.

Suppliers

The need to foster the company's business relationships with (amongst others) suppliers and...

...Customers

Howdens was founded on the principle that the business should be worthwhile for all concerned. It's a principle that the business continues to live into today. But balancing the needs and views of all of our stakeholders can be challenging as there are often competing interests at stake. This is why the Board first and foremost considers our purpose, our culture, our mission and our strategy to ensure all decisions have a clear and consistent rationale. For details on the matters which the Board discussed and debated during 2022 please see pages 82 and 83.

The Board regularly considers feedback from the Company's stakeholders. These are set out in detail on pages 88 to 95. This engagement is effective and in keeping with the Company's culture. For example, much of the feedback is through face-to-face conversations rather than being written, but where there is need for formality and confidentiality, such as whistleblowing, this is also provided. Stakeholder feedback can directly affect the Board's decision making, such as feedback received in relation to the application of the Directors' remuneration policy in 2023 and employee feedback at Regional Board meetings, but it also provides the context for decision making, particularly where there are competing stakeholder interests.

As Directors, when we discharge our duty as set out in section 172 of the Companies Act 2006 ('Section 172'), we have regard to the other factors set out on the facing page. In addition to these factors, we also consider the interests and views of other stakeholders, including our pensioners, regulators and the government, and the customers of our trade customers.

We have set out some examples below of how the Directors have had regard to the matters in section 172(1)(a)-(f) when discharging their Section 172 duty and the effect on certain decisions taken by them in 2022.

£500 payment to employees

In September 2022, all UK employees (below the first two tiers of senior management) received a one-off payment of £500. This was in recognition of the direct impact on employees' everyday lives of the high inflation environment and increasing energy bills. The total cost to the Company of the one-off payment was c.£7m.

Reward and recognition are key features of working at Howdens and the Company scored well in the 2022 Best Companies employee survey (further detail about which may be found on pages 65 and 90). Following engagement with employees and trade unions directly with our CEO and members of the Executive Committee, the Board was supportive of management's recommendation that the Company should provide the additional support for its workforce. This was especially the case given that Howdens' culture is that it should be a business which is worthwhile for all concerned. Maintaining our unique culture and strong reputation for rewarding our people fairly means that we can both attract and retain the best people, who in turn ensure the business's long-term strategic aims are met.

Shareholder returns

Howdens has a prudent risk appetite towards balance sheet management, an approach which has provided a source of great strength through the challenges of the COVID-19 pandemic in recent years. As markets have recovered, the Company prudently reinstated its capital priorities, including the return to paying dividends in 2021, and 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.

In February 2022, the Board recommended a final dividend for 2021 of 15.2p per ordinary share, giving a total dividend of 19.5p per ordinary share for 2021. In line with its capital allocations policy (more detail about which can be found on page 18), the Board also approved a £250m share buyback programme. In making its capital returns decisions, the Board considered its long-term strategy of continuing to invest in depots, manufacturing and logistics capabilities and related strategic investments while delivering a progressive dividend.

The Board takes regular feedback from shareholders on the most appropriate method of returning capital, including at the AGM where all shareholders, regardless of the size of their shareholding, are invited to attend and ask questions of the Board. Our CEO and CFO also discuss this during investor roadshows following results announcements.

Sheridan acquisition

In February 2022, Howdens acquired Sheridan Fabrications Limited ('Sheridan'), which was the UK's largest supplier of luxury kitchen worktops. In acquiring the business, Howdens was able to benefit quickly from the additional in-house manufacturing capacity and Sheridan's established experience in the solid work surface market.

In coming to its decision to acquire Sheridan, the Board considered Howdens' customers, who were seeing solid work surfaces becoming a feature of modern kitchens and a growing demand for the provision of bespoke fitted products. The design, template, manufacture, and fitting of premium solid kitchen surfaces therefore would support our trade customers in selling to their customers. In addition, the Board was satisfied that such an acquisition represented good value to its investors as it supported the business's long-term strategic aims.

Paint to order

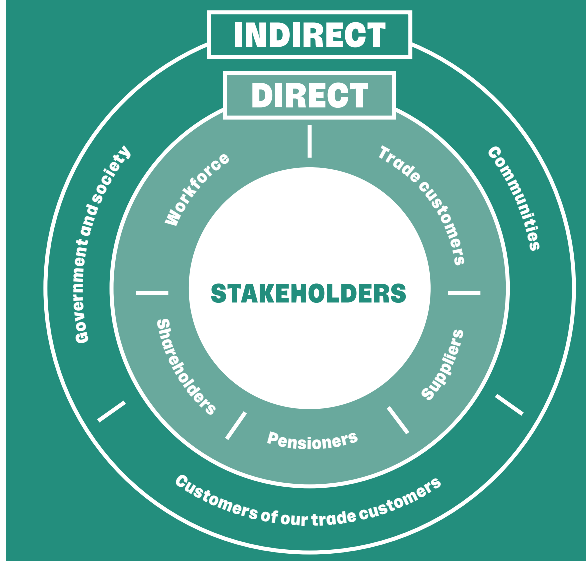
In July 2022, the Board approved investment in a 'paint-to-order' manufacturing infrastructure to support the provision of a wider range of kitchen colours on certain premium product ranges. The provision of such a service allows our trade customers to provide more choices to their customers and therefore to compete more effectively, whilst also allowing Howdens to satisfy demand without carrying additional inventory to support a broader product range.

In considering its approval of the investment, the Board considered the payback on investment and that the investment supported the Group's strategic plans, which in turn represented good value for shareholders.

Corporate governance report continued

Stakeholder engagement

Howdens' stakeholders



Stakeholder and forms of engagement

Trade customers

Engagement with our trade customers includes the following:

- Local depots
- Customer research
- Customer surveys

Local depots

The primary method of engaging with our trade customers since Howdens opened its doors in 1995 has been through conversations at the local depot. The relationship between the depot manager and the trade customer has always been at the heart of what we do.

Our depot managers feed back our trade customers' views to management at Regional Board meetings (see 'Workforce' on page 91 for further information), which the COO of Trade is present at and which the CEO and other members of the Executive Committee frequently attend. Feedback from Regional Board meetings influences product and pricing decisions. However, it also reinforces our strategic decisions on new depot openings, ensuring that we are maintaining excellent customer service and investing in new product. From these meetings, managers were able to feedback directly to the CEO, COO of Trade and other senior executives about any matters affecting their depots and their customers.

Board members, Executive Committee members and senior managers regularly visit depots to ensure they hear from trade customers and the depots teams first-hand.

Trade customer surveys

We run periodic trade customer surveys to better understand our trade customers' forecasted activity, confidence of the industry over the next three months, and how we compare to our competitors. We also use the surveys to ask trade customers about 'hot topics' such as the cost of living crisis, use of our digital platform, perception of certain products, and sustainability, for example, 'end-of-life' issues with kitchens, so that we can feed this back into our sustainability agenda.

We also carry out regular surveys (at least bi-annually) with end-users online and trade customers by telephone. The purpose is to track customer sentiment and associated measures around the Howdens brand.

In 2022, trade customers participated in 'deep dive' research into flooring and ironmongery, which led to the improvement of merchandising and education around flooring within depots and partnerships with new flooring brands. They also helped us identify that our handle offering could be expanded, so new styles were launched in 2022 and more will be launched in 2023.

In addition, in 2022, end-users participated in ad hoc research into their purchasing journey. From this research we learned that there were changes we could make to our printed literature to help our customers better sell to their customers, the end-users. We will be publishing our new brochure in Q2 2023 in line with the changes identified by the research.

Cabinet research builder study

In 2021, as part of our continual efforts to make builders' lives easier, we undertook a cabinet research study with our builder customers (see page 87 of the 2021 Annual Report), and in 2022 several actions were implemented.

The research study helped us identify more ways to support our builder customers, such as by making improvements to the installation activities and configuration of our drawer box offer. It also identified that builders' knowledge of our cabinet offer could be improved further and so our marketing communications were improved to give better visibility of some items. QR codes now also link to product information and installation guides to ensure customers can more easily access the information they need.

Landlord research

We conducted research with our landlord customers to ensure we remain aware of their product, price and service needs and that we remain competitive against our competition in all sectors of the market.

Corporate governance report continued

Stakeholder engagement continued

Workforce

Engagement with our workforce includes the following:

- Employee engagement survey
- Regional Board meetings
- Townhalls and feedback sessions
- Trade union and works council meetings
- Whistleblowing helpline

Best Companies survey

In March 2022, employees were given the chance to have their say and participate in the Best Companies engagement survey. Over 7,300 surveys were completed by employees. The results from the survey showed that, on the whole, employees felt they are paid fairly for the work they do relative to people in similar positions in similar organisations, and that they believe the organisation does a lot to protect the environment. An aspect which the survey showed required attention was that many in the workforce wanted more support with their wellbeing. As a result of the survey, the following actions have been taken:

- Our Supply Operations team has formed a wellbeing committee, with 24 representatives across our manufacturing and logistics sites.
- We introduced a health app from an external provider to encourage employees to take regular steps to become healthier.
- In June 2022, we started a partnership with ANDYSMANCLUB to support men's mental health. 270 employees attended face-to-face and virtual presentations from ANDYSMANCLUB.
- In July 2022, we gave employees at five of our largest sites access to free blood pressure, heart rate, oxygen saturation, temperature and weight checks. Over 370 employees were checked over the course of seven days.
- We are piloting menopause awareness training and have partnered with Wellbeing of Women and Henpicked, two menopause in the workplace specialists, giving us access to a range of webinars and support tools.
- We are continuing to monitor and encourage the utilisation of flexible work patterns and will gather employee insights on peak times of demand/productivity by role to inform where flexibility can be offered.

As part of the survey process, we asked employees to provide diversity information anonymously if they felt comfortable to do so. We are now using this anonymous data to inform our equality, diversity and inclusion strategy and action plans.

Further information on our EDI roadmap and strategy may be found on page 65 of the sustainability matters report.

Regional Board meetings

Regional Board meetings are a forum for the depot leadership team and Executive Committee members to discuss strategy and day-to-day business matters on a regular basis. Our COO of Trade attends all meetings and all regional directors, area managers, and depot managers attend the meetings applicable to their region. Our CEO also attends a majority of these meetings. Certain support functions (including Supply, Commercial, Finance, and HR) also regularly attend. Members of the Board periodically attend Regional Board meetings. There are nine regions in total and one Regional Board meeting is held per region every other period, providing many opportunities each year for two-way discussions about critical business issues.

Townhalls and feedback sessions

The Operations Director holds at least two business updates each year for the manufacturing and logistics teams, and members of the Operations Leadership Team also hold 'Ask away' sessions with groups of employees. At each of our manufacturing and logistic sites regular feedback sessions are held with employees and it was through these channels that employees expressed concern over the cost of living. As a result, the Operations Director fed back these concerns to the Executive Committee, who in turn informed the Board and proposed the one-off payment to all UK employees below the first two tiers of senior management. The Board approved that the payment be made to employees in September 2022. More information about this payment can be found on page 87.

Monthly townhalls are hosted by the Commercial Director and Supply Chain Director. The townhalls focus on business updates, with topics such as insights and market trends, marketing plans, digital roadmap, new HR processes (including equality, diversity and inclusion initiatives) and supply chain updates being covered. Employees are given the opportunity to ask questions throughout the meeting and the meetings also act as an opportunity to give recognition to employees who are going 'above and beyond' in their work.

Informal feedback sessions are hosted by area managers to address local issues in depots. These sessions are usually organised by job role, but may also be organised by depot or a specific issue. Issues raised are often of a local nature and are resolved locally. Where there are broader issues, area managers will liaise with the wider business for a resolution. These forums also act as an opportunity to exchange best practice as well as to meet colleagues from other depots.

Engagement with the Trade Union and works councils

Howdens respects the collective bargaining of its employees and actively engages with the Trade Union and works councils collectively at least quarterly. Local sites host Trade Union representative meetings and works councils meetings monthly - site leadership and HR attend these meetings.

In 2022, there were a number of significant areas of engagement with the collective groups which included enhancements to benefits and facilities (for example Occupational Health provision), and the annual pay review.

The Howdens Show

In February 2022, we hosted the Howdens Show, which welcomed over 1,000 employees to the International Convention Centre in Wales. Our CEO and COO of Trade hosted the event, which was a chance to set the scene for the year ahead and it featured business, charity and community updates from senior members of staff from across the business.

Whistleblowing helpline

The Company uses a third-party operated, confidential whistleblowing helpline. The helpline is multilingual and available 24 hours a day. The Company Secretary provides the Board with a bi-annual report which details the number and nature of whistleblowing instances made during the period. Whilst no specific complaints were escalated for Board attention, the governance processes are in place should this be deemed necessary.

Non-Executive Director responsible for workforce engagement

In 2019, the Board appointed Geoff Drabble as the Non-Executive Director responsible for workforce engagement.

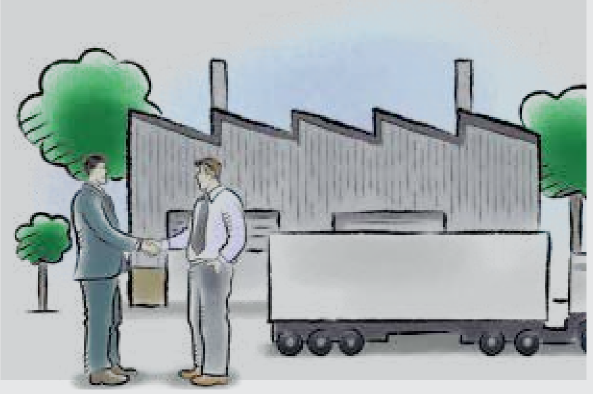
Corporate governance report continued

Stakeholder engagement continued

Suppliers

Engagement with our suppliers includes the following:

- **Supplier conferences and meetings**
- **Category team relationships**



Supplier conferences

Our key suppliers are invited to join senior leadership at our supplier conference. This is an important date in our calendar as it's a time when the Company can communicate its priorities and any changes in the business to its suppliers, ensuring a consistent message is heard by all.

In 2022, we hosted our supplier conference 'Delivering Success in 2022 and Beyond' in-person. The conference was used to maintain the ongoing conversation with our key partners, informing them of our initiatives and business priorities and to ensure we continued to take advantage of the range of opportunities throughout the year. We also covered ESG matters including modern slavery and other global issues affecting us all. The conference was attended by over 100 senior executives from our suppliers who were able to network with and ask questions of our senior leadership team and their industry peers.

In addition to our general supplier conference, for the first time we hosted a virtual ESG conference for our top 30 suppliers (calculated on a spend and emissions basis), which was attended by our Commercial Director and Director of ESG. The aim of the conference was to engage our suppliers on emissions reporting, identification of climate risk to the supply chain and plans to reduce emissions, and to embed the importance of our sustainability agenda. The conference provided a useful forum to raise awareness of what our suppliers are already doing to become more sustainable. To ensure we keep momentum on this subject, additional visits will be made to supplier sites and further sustainability focus sessions will be held. It is anticipated that the ESG conferences will be held on a regular basis going forwards.

Category team relationships and supplier management

Our internal commercial structure is organised into categories. The use of categories provides clearer accountabilities for product ranging decisions and with greater internal accountability comes the fostering of stronger relationships with our suppliers. Suppliers are engaged with focused teams within the organisation and this clarity brings the opportunity for even more valuable discussions.

In addition, we have also partnered with SAP Ariba to further strengthen the way we do business with our suppliers in an efficient and more sustainable (paperless) way. SAP Ariba Supplier Life Cycle Performance (SLP) will help improve the onboarding and management of our suppliers and will allow them to begin transacting and communicating with us digitally.

Pensioners

Engagement with our pensioners includes the following:

- **Board engagement with the Trustee Board**
- **Newsletters**
- **Triennial valuations**

The Howden Joinery Defined Benefit Pension Plan (the 'DB Plan') has over 10,300 members, of whom c.6,000 are deferred members, and c.4,300 are pensioners and dependents.

Board engagement with the Trustee Board

The Trustee Board, chaired by an independent trustee, is responsible for investment strategy and for the day-to-day running of the DB Plan. There are a number of matters reserved for the Company as sponsor under the Trust deed, and the Board invites the Chair of the Trustees to present to the Board every year and provide an update on matters affecting the membership.

In 2022, the Company engaged with the Trustee Board on a number of matters outside of the normal engagement cycle of investment and funding strategy, including rationalisation of the corporate structure, the Company's refinancing arrangements, information sharing protocols, transfer of the defined contribution plan 'Top-Up' account to a Master Trust, progressing GMP equalisation, September 2022 market volatility, and the Trustee Board's preparation of Task Force on Climate-Related Financial Disclosures (TCFD).

Newsletters

In July and November 2022, newsletters were sent to all members of the DB Plan. The newsletters provided updates on matters such as Trustee Board changes, the transfer of DB Plan Top-Up account to a Master Trust, the appointment of auditors, latest funding position and financial review, and new climate governance requirements.

Triennial valuations

Ensuring that there is an appropriate balance between shareholder distributions and DB Plan deficit funding is a priority for the Board. The triennial actuarial review as at 31 March 2020 was completed in April 2021.

The Company agreed to maintain deficit repair contributions at the rate of £30m per year, with an agreed 'switch off' mechanism if full funding on the Technical Provisions basis was met. Full funding on this level was achieved and therefore the deficit repair contributions were suspended in July 2021.

Following two consecutive periods of the DB Plan funding falling into deficit on a Technical Provisions basis, the Company recommenced payments of £2.5m per month in January 2023. Should the DB Plan return to surplus on a Technical Provisions basis for two consecutive periods, the agreed 'switch off' mechanism will once again operate and payments will cease.

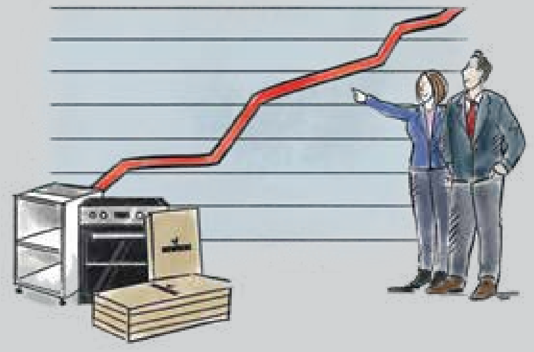
Corporate governance report continued

Stakeholder engagement continued

Shareholders

Engagement with our shareholders includes the following:

- **Annual General Meeting**
- **Shareholder meetings and roadshows**
- **Shareholder consultations**
- **Asset reunification and e-comms**



Annual General Meeting (AGM)

The 2022 AGM was the first AGM held since 2019 without any COVID-19 restrictions in place. It was a pleasure to be able to welcome shareholders back to in-person meetings and for the Board members to be able to converse with them and to present their updates to them directly. Members of our Executive Committee and senior leadership team were also present to meet with shareholders outside of the formal business of the meeting.

During the Q&A session at the AGM, shareholders asked questions on the following topics: environmental targets, depot revamps, new depots, share buybacks, and gearing.

In addition to the in-person meeting, shareholders were provided with the opportunity to submit any questions they had of their Board of Directors through a question facility on the Company's corporate website. This facility remained open throughout the year following the conclusion of the AGM.

Shareholder meetings

During 2022, we reinvigorated our approach to investor meetings as part of the implementation of a new investor strategy. We started by conducting external research with our corporate brokers to identify potential target investors located in the major investor hubs. This included domestic investors in the UK but also international funds buying equities in North America and Europe. For each hub Howdens has identified a small group of potential investor targets which includes a mix of both existing holders that are underweight in our stock and non-holders who are already invested in distribution peers. This targeting work was used to prioritise meetings for the investor programme throughout the year.

Following each period end, the Board is provided with an investor relations (IR) update, which gives an overview of investor feedback. The Director of Investor Relations regularly provides feedback at Board meetings on the IR programme. Following the half-year and full-year results, more detailed feedback sessions were held with the Board to discuss shareholder views on the results and the Company's strategy. In summary, investors remain very supportive of the Company's strategy and the resilient nature of Howdens' 'trade-only', in-stock business model.

During the year the major activities were as follows:

- Engagement with the 15 sell side analysts who cover the Company and maintenance of Company compiled consensus forecasts.
- Post-financial results roadshows with major institutional shareholders and the Executive Directors and Director of Investor Relations.
- Ad hoc in-person and virtual one-to-one meetings as requested by shareholders and non-holders.
- Site visits to our factory in Howden and depots with small groups of institutional holders and non holders to highlight our key strategic initiatives.
- Supporting industry conferences held by the major banks selling equities.
- Targeted marketing roadshows to major investor hubs internationally.

Directors' remuneration consultation

The Chair of the Remuneration Committee invited the Company's largest shareholders and shareholder representative groups to feed back their views on proposals for the operations of the remuneration policy for 2023.

Further information about the consultation and its outcomes may be found on page 114 of the Remuneration Committee report.

Asset reunification and e-communications

The Company, in conjunction with its Registrar, commenced a proactive asset reunification programme in November 2022. The programme targeted holders of certificated ordinary shares who had 12 consecutively uncashed dividends and sought to reunite them with their shares and unclaimed dividend payments.

In addition, also in conjunction with our Registrar, we wrote to ordinary shareholders receiving hard copies of our Annual Report and Accounts, notice of meetings, and proxy forms and asked them to opt in if they wished to receive these documents as hard copies in future. This process has led to a c.81% reduction in the number of copies of the 2022 Annual Report and Accounts that need to be mailed out to ordinary shareholders.

Corporate governance report continued

2018 UK Corporate Governance Code: application and compliance

The Financial Reporting Council (FRC) published its most recent iteration of the UK Corporate Governance Code (the 'Code') in 2018, which applies to accounting periods beginning on or after 1 January 2019. We are pleased to report that the Company applied all the Principles of the Code throughout the period, and we have reported in summary below how we have done so. Throughout the financial period under review, the Company was compliant with all Provisions of the Code, except for Provisions 38, 40 and 41.

Provision 38 provides that executive director pension contribution rates (or payments in lieu) should be in line with those available to the workforce. Our remuneration policy ('Policy'), which was approved by shareholders in 2022, and our previous Policy approved in 2019, stipulate that Executive Director new joiners' pension contribution rates must be in line with that available to the wider workforce. Throughout the 2022 financial year, our Chief Financial Officer (appointed to the Board in December 2020) received a pension contribution rate which was in line with the wider workforce. However, our Chief Executive (appointed to the Board in April 2018), received a pension contribution rate that, whilst in line with the 2019 and 2022 Policies for existing Directors, was not in line with the wider workforce until April 2022. This is because the reduction of fixed, contractual remuneration was applied carefully and proportionally over time. Further detail is set out on page 115 of the Remuneration Committee report. The Board confirms that the Chief Executive's pension contribution rate will be in line with the wider workforce throughout the financial year ending 2023 and therefore the Company will be compliant with Provision 38.

Provision 40 provides that when determining executive director remuneration policy and practices, remuneration committees should address whether remuneration arrangements promote effective engagement with the workforce. Provision 41 provides that the annual report of remuneration committees should include a description of the engagement that has taken place with the workforce to explain how executive remuneration aligns with wider company pay policy. The Remuneration Committee did not directly consult with the workforce on Executive Director pay arrangements during 2022; however, the Committee receives reports from management on pay and benefits across the workforce to ensure that there is good alignment on remuneration across the organisation as a whole. In addition, in 2021, the Board approved an update to the Company's Share Incentive Plan (SIP), our UK all-employee share plan, which allows all employees with shares held in the SIP trust to exercise voting rights on those shares. This means our UK employees with SIP shares (the majority of the workforce) are able to vote on the Directors' remuneration report and the Directors' remuneration policy (when applicable) at general meetings of the Company. The Remuneration Committee will keep under review the need to engage the workforce more directly on Executive Director remuneration arrangements. Details of how Executive Director pay is considered in the context of the workforce is set out on page 126.

Section 1: Board leadership and company purpose

A

A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

Howdens' founding principle of being worthwhile for all concerned supports the premise that its role is to ensure long-term, sustainable growth and value for all its stakeholders.

During 2022, the Company (led by the Board) increased shareholder returns, paid more tax, employed more people, and contributed to the communities in which we operate. Further information on our sustainable business model and strategy can be found on pages 13 to 15. Our contribution to wider society and our statement of the extent of consistency with the TCFD framework can be found in our sustainability matters report beginning on page 54.

Governing in an effective way ensures the framework and controls needed to align our operations with our strategy are in place. It is only by doing this that we can ensure long-term strategic success of the Company for our stakeholders. We discuss throughout the Governance section how our actions help to preserve the value that the business generates and how they support the strategy. For example, we have set out the way our remuneration structure supports our strategic aims on pages 117 to 119.

B

The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

An explanation of our purpose, values and strategy are set out in the strategic report which starts on page 8. The Board regularly discusses the importance of Howdens' unique culture and are mindful that it remains aligned with its purpose, values and strategy. Workforce engagement is also an important part of the Board's agenda and more information about the methods of engagement with the workforce may be found on pages 90 and 91.

Integrity and sympathy to the Howdens culture are paramount when the Board recruits new members to the Board. More information about our recruitment and inductions process can be found on pages 107 and 109.

Section 1: Board leadership and company purpose continued

C

The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Board is satisfied that the necessary resources are in place to ensure that the Company meets its objectives and measures performance against them. Our KPIs and how we have performed against them can be found on pages 28 and 29.

More information on our risk processes, including our principal and emerging risks, can be found on pages 36 to 45. Our Audit Committee report provides a summary of our internal control framework on page 142.

D

In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Howdens has a broad group of clearly defined stakeholders and Board members actively engage with each of these groups regularly. A detailed explanation of our engagement with our shareholders and wider stakeholder base, and how this engagement has informed the Board's decision making processes can be found on pages 88 to 95. How the Board members discharged their 'section 172' statutory directors' duties is described on pages 86 and 87.

E

The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

The Board and its committees review workforce policies and practices on a regular basis. A Group policy framework has been established and is reported on to the Board on an annual basis, as well as any updates needed for Group policies. Part of this review includes ensuring that policies remain aligned to the Howdens culture and support long-term success.

One example of this is how our Remuneration Committee considers the pay policies and practices of the wider workforce when determining Executive reward. More information in this regard can be found on page 126.

All employees are able to raise any matters of concern using the confidential whistleblowing helpline. The helpline is available 24 hours a day, it is multilingual, and it is operated by an independent third party. The Board receives reporting from the helpline twice a year and any matters of significant concern are escalated as appropriate by the Company Secretary who oversees the helpline with support from the internal audit team.

Section 2: Division of responsibilities

F

The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

The Board confirms that Peter Ventress was independent on appointment when assessed against the circumstances set out in Provision 10 of the Code. The roles of Chief Executive and Chairman are not held by the same individual and the Chairman has never held the position of Chief Executive of the Company. These factors help ensure that the Chairman demonstrates objective judgement throughout his tenure.

The Chairman is mindful of his role in facilitating constructive Board relations and promoting a culture of openness and debate amongst the Board. This in turn encourages the effective contribution of all the Non-Executive Directors.

The 2022 externally-facilitated Board evaluation concluded that the Board was effective, supportive and doing well. There were suggested areas for improvement with some Directors highlighting that the Board remained in transition following the change of Chair. Further information about the outcomes and process of the evaluation may be found on pages 110 and 111.

The Chairman is also mindful of the need for the Directors to receive information which is accurate, timely and clear. He is supported in this by the Company Secretary, who ensures the effective flow of information in a timely manner between the Board and senior management.

Corporate governance report continued

2018 UK Corporate Governance Code: application of Principles

Section 2: Division of responsibilities continued

G

The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

At least half of the Board was made up of Independent Non-Executive Directors (not including the Chairman) throughout the reporting period. The Non-Executive Directors that the Board considered to be independent are shown as such on pages 80 and 81. The Board confirms that all the Non-Executive Directors (excluding the Chairman) were independent during the reporting period and that the Chairman was independent on appointment.

There is a clear division of responsibilities between the leadership in the organisation. The responsibilities of the Chairman, Chief Executive, and Senior Independent Director may be found on the Company's website (www.howdenjoinerygroupplc.com/governance/division-of-responsibilities) and the function of the Board Committees may be found in the respective committee terms of reference, also available on the Company's website (www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters).

I

The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

All of the Directors of the Company have access to the advice of the Company Secretary, who is responsible for advising the Board on all governance matters.

The Board has implemented a Group policy framework which is considered by the Board on an annual basis. Individual policies and associated practices are considered alongside the framework review process.

As stated in the Schedule of Matters Reserved for the Board (which may be found at www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters) the appointment and removal of the Company Secretary is a decision for the Board as a whole.

H

Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

The number of Board meetings which were held during the reporting period and the attendance at each of these meetings may be found on page 78. Similarly, the number of meetings of each Board Committee and the attendance may be found on the following pages: 102 (Nominations Committee), 112 (Remuneration Committee), 136 (Audit Committee), and 144 (Sustainability Committee).

When reviewing the Nominations Committee's recommendation to appoint a new Director, the Board will always assess whether the candidate is able to allocate enough time to the role. Similarly, when assessing the acceptability of an existing Director's wish to take on external appointments, the Board will assess the additional demand on that Director's time before authorising the appointment. This occurs within the Board's agreed existing protocol whereby any significant appointments taken on whilst serving as a Director of the Company must be approved by the Board before they are entered into. This is set out in the Schedule of Matters Reserved for the Board which may be found on the Company's website (www.howdenjoinerygroupplc.com/governance/tor-and-schedule-of-matters).

During the reporting period, Debbie White's appointment as Non-Executive Director of the London Stock Exchange-listed company, Spire Healthcare Group plc, was authorised by the Board. Debbie's appointment as a director of the NASDAQ-listed company, Lucid Diagnostics Inc (a subsidiary of PAVmed Inc, of which Debbie was already a director), was also authorised by the Board. Prior to the appointments, the Board considered whether Debbie could allocate enough time to her role as a Non-Executive Director of Howdens. The Board was satisfied that Debbie had the requisite time to fulfil the new role as well as her current role with Howdens, particularly given her role at BT Plc as interim HR Director ceased in November 2022.

Members of the senior management team regularly presented to the Board (see pages 82 and 83 for a timeline of Board meetings and information regarding any Executive Committee attendees), which provided an opportunity for the Board to constructively challenge and to provide advice to our senior management team.

Information about the management of conflicts between the duties Directors owe the Company and either their personal interests or other duties they owe to a third party may be found on page 143.

Section 3: Composition, succession and evaluation

J

Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Nominations Committee engages external search consultancies when searching for Board position candidates. Further information about the appointments process is available on page 107 of the Nominations Committee report and the Board's diversity policy is available on page 106.

The Nominations Committee regularly reviews the skills matrix and the tenure of each Board member (see pages 104 and 107 respectively for further details). This ensures the Board's succession plan remains aligned with the natural rotation of Directors off the Board and the strategic objectives of the business.

The succession plans for the senior management team are regularly reviewed by the Nominations Committee.

K

The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

The Board uses a skills matrix to ensure it has the necessary combination of skills, experience and knowledge to meet its strategic objectives, business priorities and to ensure the unique Howdens culture is maintained. The skills matrix may be found on page 104.

The tenure of each Director may be found on pages 107 and 108. The Board has a good balance of new and longer-serving Directors. As at the year end date, tenures of the Non-Executive Directors (including the Chairman) range from six months to 7.5 years, and the average tenure is 4.7 years.

L

Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Details of the 2022 externally-facilitated Board evaluation process and outcomes may be found on pages 110 and 111 of the Nominations Committee report.

The specific reasons why the Board considers that each Director's contribution is, and continues to be, important to the Company's long-term sustainable success may be found on pages 80 and 81. Reference to the specific reasons and where to find them in the Annual Report and Accounts will accompany the resolutions to re-elect the Directors in the 2023 AGM Notice. The Board recommends that shareholders vote in favour of the re-election of all the Directors.

Corporate governance report continued

2018 UK Corporate Governance Code: application of Principles

Section 4: Audit, risk and internal control

M

The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

The Board has established formal and transparent policies and procedures, which ensure the external auditor and internal audit function are independent and effective and are accountable to the Audit Committee. The Board also monitored the integrity of the annual and interim financial statements of the Company through the Audit Committee. Further information about the work of the Audit Committee, including the subjects above, may be found in the Audit Committee report, which begins on page 136.

N

The board should present a fair, balanced and understandable assessment of the company's position and prospects.

A statement regarding the Directors' responsibility for preparing the Annual Report and Accounts and the Directors' assessment of the Annual Report and Accounts, taken as a whole, as being fair, balanced and understandable and providing the necessary information for shareholders to assess the Company's position, performance, business model and strategy, may be found on pages 74 and 75.

O

The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

The Board is responsible for the Group's systems of internal control and risk management, and for reviewing their effectiveness. The Board is assisted with these responsibilities by the Audit Committee. Such a system is designed to manage rather than eliminate the risks of failure to achieve business objectives, as well as to help the business take appropriate opportunities. The Board has conducted reviews of the effectiveness of the system of internal controls through the processes described within the 'Risk management' and 'Principal risks and uncertainties' sections (see pages 36 to 45) and are satisfied that it accords with the Code and with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting. As described in the Audit Committee report on page 142, a key controls project is ongoing across the Group to focus and further strengthen our overall control framework. This work to further enhance internal controls will lead to better assurance and efficiencies through opportunities to formalise and automate controls and improve visibility to the Executive Committee and Board in a consistent way across the Group.

The assessment of the principal and emerging risks, the uncertainties facing the Group, and the ongoing process for identifying, evaluating and managing the significant risks faced by the Group is set out in the 'Risk management' and 'Principal risks and uncertainties' sections (see pages 36 to 45. The Board confirms that it has conducted a robust assessment of the principal and emerging risks.

Section 5: Remuneration

P

Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long-term strategy.

The way the Remuneration Committee has ensured our remuneration policies and practices are aligned with our culture, our strategy and risk management is discussed in the Remuneration Committee report, which starts on page 112.

Q

A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

The Remuneration Committee has delegated responsibility for setting the Executive Directors' remuneration under the shareholder-approved Directors' remuneration policy (the full policy is set out in full at www.howdenjoinerygroupplc.com/governance/remuneration-policy). The Remuneration Committee also has delegated responsibility for setting the Chair of the Board's remuneration and the remuneration of senior management (i.e. the members of the Executive Committee and the Company Secretary). No Director is able to determine their own remuneration outcome.

The Remuneration Committee reviews workforce remuneration and related policies when setting Executive Director remuneration. Ensuring these factors are always considered means our remuneration policies are clear and as predictable as possible. Further information may be found in the Remuneration Committee report on page 126.

R

Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

The Remuneration Committee membership is made up of only independent Non-Executive Directors.

Details of whether the Remuneration Committee exercised its discretion during the year may be found on page 115 of the Remuneration Committee report.

By order of the Board

Peter Ventress
Chairman

6 March 2023

Nominations Committee report

2022 meeting attendance

Richard Pennycook (1/2)[1] Retired 17 September 2022
Peter Ventress (1/1) Appointed 1 July 2022
Karen Caddick (3/3)
Andrew Cripps (2/3)[1]
Geoff Drabble (3/3)
Louise Fowler (3/3)
Debbie White (2/3)[1]

1 Andrew and Debbie were unable to attend the March Nominations Committee meeting due to conflicting work commitments. The March meeting was an additional meeting to the Board's usual calendar to consider the appointment of the new Chair. Both Non-Executive Directors received the Committee papers in advance of the meeting and were able to feed back their views to the Senior Independent Director before the meeting. Richard did not attend this meeting as it was called to discuss his succession.

Key activities in the year ahead

- **All current Directors will stand for election or re-election at the AGM on 4 May 2023.**
- **Regular updates on Executive Committee and senior management succession and talent planning will be provided to the Committee.**
- **The Committee will undertake its review of skills, composition and size of the Board.**
- **Review of the Boardroom Diversity Policy.**

Peter Ventress
Nominations Committee Chairman

Introduction from the Committee Chairman

I am pleased to present this report covering the work of the Nominations Committee in 2022.

Despite its slightly reduced role following the introduction of the Sustainability Committee, the Nominations Committee continues to be one of the core governance safeguards for the Company. Investors are now prepared to take direct action against individual directors by voting against their annual reappointment. This can be for a whole host of different governance issues and it is generally the Nominations Committee that is responsible for considering such matters and acting upon such shareholder concerns. This report details how the Committee seeks to avoid such issues by engaging in transparent processes and adopting best practice guidance.

Succession

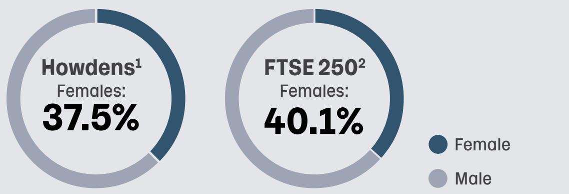
The appointment of a new Chair, as reported in last year's Committee report, was the only Board change during the year. My appointment to the Board followed a rigorous process, which is detailed later in this report on page 109. There followed a short handover period with the previous Chair, Richard Pennycook, which provided a seamless transition of the leadership of the Board. At no point was Richard involved in the process of appointing me as his successor.

The Committee was also involved with new appointments to the Executive Committee. Further details in respect of each of these appointments are set out later in this report.

Composition and diversity

The Nominations Committee remains mindful of the importance of broadening diversity within leadership and senior management teams. Whilst we have made good progress on our equality, diversity and inclusion agenda in recent years, we also recognise that there is more work to be done to make Howdens a more diverse organisation. To that end, we have updated our Boardroom diversity policy to include specific gender and ethnicity targets for the first time.

Board gender split



1 Figures correct as at 24 December 2022.
2 Figures derived from the February 2023 FTSE Women Leaders Review.

These targets are in line with best practice guidance and I look forward to the Committee reporting against these targets in future years. Our boardroom gender and ethnicity data at the end of 2022 is set out below on this page and the facing page.

More information on the equality, diversity and inclusion agenda is contained in the sustainability matters report and the Sustainability Committee report on pages 65 and 145 respectively.

The Committee will spend more time reviewing the make-up of the Board in 2023. We currently have a good mix of skills and experience on our Board but we are aware as a Nominations Committee that we will need to recruit to replace two of our most senior Non-Executive Directors (who have the important roles of Senior Independent Director and Audit Committee Chair) in the near future. In doing so, we will need to be mindful to ensure that we retain the skills required to support Howdens' continued growth, its strategic activities and its ever broadening commitments on environmental, social and governance matters. The Committee will also continue to work with the Executive Directors on the skills and diversity of the senior management teams below Board level.

Evaluation

In 2022, in line with the Board's stated practice, an external Board evaluation was undertaken. Unlike the previous two reviews which circumstance dictated were conducted remotely, the review included face to face interviews with all members of the Board as well as observations from a full set of Board and Committee meetings. More information on the Board evaluation process and outcomes are set out on pages 110 and 111.

I look forward to reporting directly to shareholders at our AGM in May.

Peter Ventress
Nominations Committee Chairman

Board ethnicity split

1 Figures correct as at 24 December 2022.
2 Figures derived from the 2022 Parker Review update 'Improving the Ethnic Diversity of UK Boards'.

2022 Nominations Committee activity

February

Committee meeting
- Board evaluation process and outcomes
- Board recommendations for AGM elections
- Draft 2021 Nominations Committee report

March

Committee meeting (out of cycle)
- Chair succession - recommendation to the Board to appoint Peter Ventress as a Non-Executive Director and Chair-elect

September

Committee meeting
- Externally-facilitated Board evaluation approval
- Board succession planning, including consideration of diversity, tenure and skills matrix
- Board diversity policy
- Nominations Committee Terms of Reference

Nominations Committee report continued

Composition

Skills and experience matrix

The Nominations Committee used a skills matrix when assessing its Non-Executive Director succession plans. The matrix highlights where the skills and experience of our Non-Executive Directors are particularly strong, where there are opportunities to further grow the Board's collective knowledge, and to inform the Board's future composition as Non-Executive Directors naturally rotate off the Board.

		Number of Non-Executive Directors	
Skills and experience	Importance	Direct experience	Indirect experience
Industry/Sector			
Business-to-business	H	6	0
Manufacturing	H	4	2
Logistics, distribution and supply chain management	H	4	2
Consumer goods	H	5	0
Geographic exposure			
UK	H	6	0
Europe	M	5	1
Governance			
UK listed companies	H	6	0
Company chair experience	M	4	1
Remuneration committee chair experience	M	4	0
Audit committee chair experience	M	3	0
Policy development	M	4	1
Senior independent director experience	M	2	0
Technical			
Accounting and Finance	H	3	3
Audit	H	3	1
Executive management	H	6	0
Risk management	H	5	1
HR/Remuneration	M	4	2
Ecommerce	M	3	3
Marketing	M	3	3
IT/Cyber security	M	1	3
Legal	M	1	2
Howdens-specific considerations			
Vertical integration	H	4	2
Multisite depot operation	H	4	2

Importance

M Medium H High

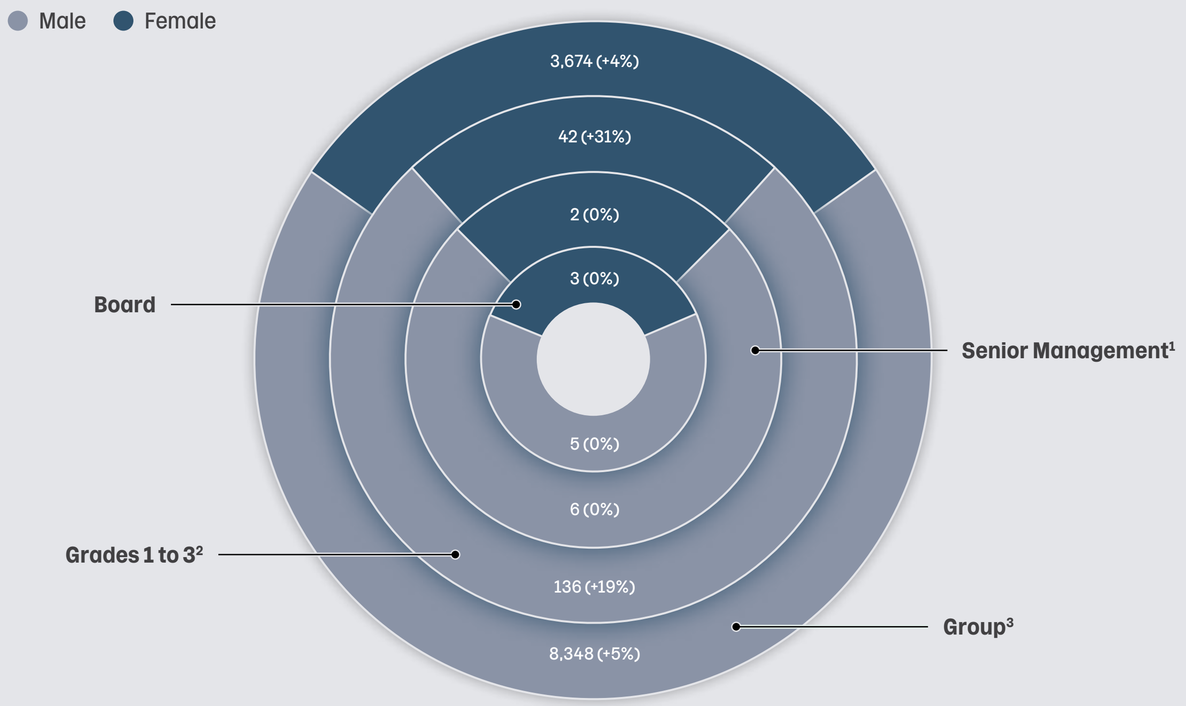
Diversity

Group gender diversity statistics

The Nominations Committee reviews the gender statistics shown in the chart below. Where other data is available, this is presented to the Committee in order to determine whether there are any implicit diversity issues.

Group gender diversity as at 24 December 2022

The percentages shown in brackets below indicate the change since 2021.



1 Members of the Executive Committee, excluding Executive Directors and including the Company Secretary.
2 Includes Grades 1-3 equivalents.
3 Calculated on an individual basis, not on an FTE basis. Includes UK, France, Belgium, the Republic of Ireland, and Isle of Man.

Nominations Committee report continued

Composition continued

Boardroom Diversity Policy

The Board recognises the importance of ensuring that there is diversity of perspective, background, and approach in its management team and on its Board. Since the business was established in 1995, it has sought to enable individuals to progress within the organisation regardless of age, gender, socio-economic background, or formal qualifications.

We believe that it is in the interests of the business and of its shareholders for us to build a Board whose membership is diverse in perspective and experience, as this facilitates better decision-making. We are also mindful of the outputs and recommendations from both the Parker Review and the FTSE Women Leaders Review when making appointments to the Board and membership of the Board is currently in line with their targets.

However, the Board is mindful of the forward looking recommendations of both the Parker Review and FTSE Women Leaders Review and it is the Board's aspiration that it will have at least one member from an ethnic minority by year end 2024., The Board will also target having a minimum female membership of 40% and at least one woman director in one of the 'Big 4' roles (those being Senior Independent Director, Chair, CEO, and CFO) by year end 2025.

The Nominations Committee will continue to seek diversity of mindset as well as of gender, race, ethnicity, and socio-economic background when considering new appointments in the period to 2024, and it will continue to review this policy on an annual basis to ensure it remains appropriate.

More widely, we are committed to developing a long-term pipeline of executive talent that reflects the diversity of Howdens' business and its stakeholders.

As at 24 December 2022, 37.5% of Board members were women. Both of the Executive Directors were male. There were no members of the Board from ethnic minority groups as at 24 December 2022.

Group Diversity Policy

The Group promotes the importance of diversity and adopts an Equal Opportunities Policy under which training and career development opportunities are available to all employees, regardless of gender, religion or race.

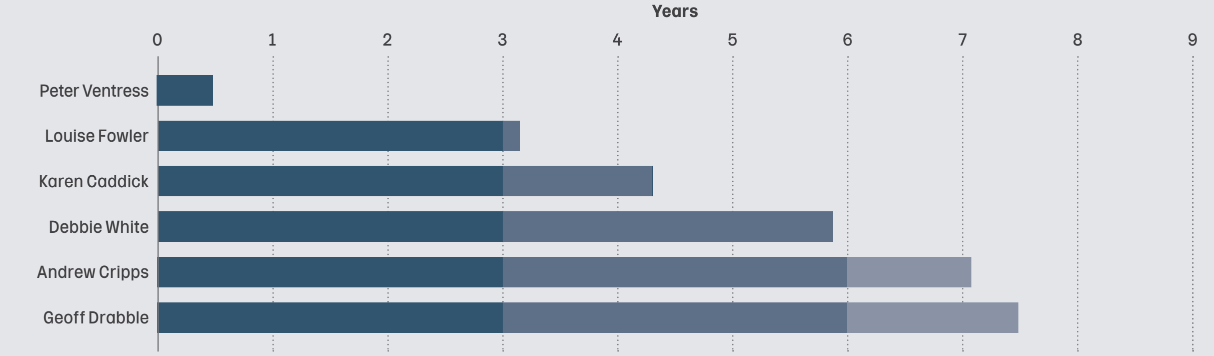
The Group is committed to meeting the code of practice on the employment of disabled people and full and fair consideration is given to disabled applicants for employment. It aims to do all that is practicable to meet its responsibility towards the employment and training of disabled people. The Group welcomes, and considers fully, applications by disabled persons, having regard to their particular aptitudes and abilities. It is also the Group's policy to retain employees who may become disabled while in service and to provide appropriate training.

Succession

An integral part of the work of the Nominations Committee is to establish and maintain a stable leadership framework and to proactively manage changes and their impacts on the future leadership needs of the Company, both in terms of Executive and Non-Executive leadership. Ensuring the correct leaders are in place enables the organisation to compete effectively in the marketplace and therefore to meet its various obligations to its stakeholders.

As detailed in the rest of the report, the Nominations Committee has managed succession programmes for both the Board and senior management, which have ensured that the necessary skills, expertise and experience are present in the leadership of the organisation.

Non-Executive tenure as at 24 December 2022



Board succession

The Nominations Committee regularly reviews the skills and expertise that are present on the Board and compares these to the expertise that it believes are required given the strategy, business priorities and culture of the organisation.

Since Howdens began trading in 1995, its core strategy has remained largely unchanged. The market, the size, and the stage of maturity of our organisation however have changed, and so our Board has needed to evolve through sensible and well-managed succession planning that does not compromise the stability of the Board.

The process normally used in relation to Non-Executive Director appointments is set out below. We continue to manage a phased succession programme for Non-Executive Directors and are pleased with the balance of length of tenure, as well as of diversity, background and perspective of our current Non-Executive Directors. The process for the Chairman's succession is set out in the case study on page 109.

Retirement

The Nominations Committee is progressing a phased transition on Board succession and, as part of this process, following nearly 8 years of service, Geoff Drabble will retire at the forthcoming Annual General Meeting (AGM). An announcement will be made in due course regarding the succession of the Senior Independent Director and Non-Executive Director responsible for workforce engagement roles that Geoff currently holds.

Appointment

Where it is identified through Board succession planning that a Non-Executive appointment is required to the Board, the Nominations Committee will engage an external search consultancy to undertake the process of recruiting a new Non-Executive Director.

The external search consultancy would be made aware of our Boardroom Diversity Policy (if they were not already) and the Nominations Committee would specifically task them with producing a diverse shortlist of candidates for the position.

The skills matrix (the current version of which may be found on page 104), together with the collective knowledge, experience and diversity of the Board and the length of service of the Directors, would be used by the Committee to highlight where there were opportunities for a new Non-Executive Director to contribute to the skillset of the Board and would inform the search that external search consultancy undertake.

Following longlisting and shortlisting processes, and prior to any recommendation being made by the Nominations Committee to the Board, the preferred candidate would meet with each existing member of the Board.

Induction

Working with the Company Secretary, new Directors undertake an induction programme tailored to the needs of the individual. However, they will generally include a number of site visits and meetings with members of the Executive Committee, key employees and advisors. Site visits include our manufacturing sites, our distribution centre and depots. New Directors will also be provided with a mixture of documentation including Company publications, Board materials and some formal information on the role and responsibilities of UK-listed company directors.

The Group's induction programme for newly appointed Directors will continue to be centred on familiarisation with the Group's operations, key individuals and external advisors.

Nominations Committee report continued

Succession continued

Senior management succession

The Committee received regular updates regarding senior management[1] succession planning. These updates included the planning and processes involved with the appointment of a new Trade Director. Further detail may be found below.

Trade Director

Following an extensive search over a number of years, the Board has appointed Stuart Livingstone as Trade Director. An Executive Committee role, the Trade Director will take over key parts of Andy Witts' Chief Operating Officer: Trade role, following a handover during 2023 and will be responsible for the day to day running of the depots thereafter.

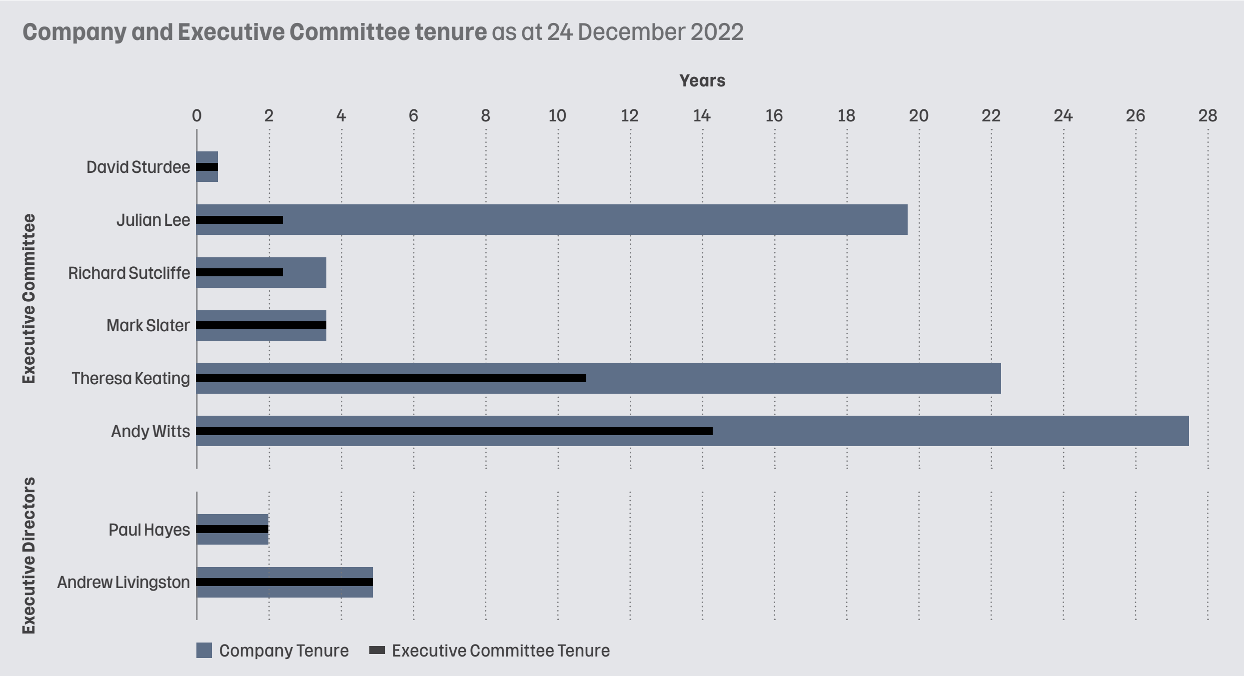
Stuart has extensive operational experience in multi-site and trade businesses. His former roles include: Operations Director at Pets at Home and Director of Retail at Screwfix. Stuart will join Howdens in the second quarter of 2023.

Andy Witts will remain in the business and will take on an oversight and advisory role as Chairman of Howdens' international businesses. In this role, Andy will be able to provide counsel to our maturing French and Belgian business as well as the fledgling Irish business. He will also support the CEO on exploring further international opportunities.

Group HR Director

At the end of 2022, Kirsty Homer, Group HR Director, decided to leave Howdens. During her two years in the business, Kirsty made a significant impact at Howdens and we wish her well for the future. Guy Eccles has been appointed as interim HR Director on a temporary basis. Guy has extensive HR leadership experience in large multinational organisations and previously held the interim Group HR Director role at Howdens between April 2020 and August 2021.

The Nominations Committee will continue to work with the CEO and interim Group HR Director on senior management succession and development in 2023.



1 The definition of 'senior management' for this purpose is defined in footnote 4 of the 2018 UK Corporate Governance Code as 'the executive committee or the first layer of management below board level, including the company secretary'.

Case study
Chairman Succession

We reported in the 2021 Nominations Committee report that the succession process for the appointment of a new Chairman of the Board was at an advanced stage and that an announcement regarding the appointment of a successor to Richard Pennycook would be made in due course. In March 2022, Howdens announced that Peter Ventress would be appointed to the Board on 1 July 2022 as Chairman Designate and Non-Executive Director and would assume the role of Chairman from 17 September 2022.

Whilst the appointment process was provided in some detail in out 2021 report, it was incomplete and details regarding the new Chair's induction into the business were not provided (as they had not been finalised). Induction processes are vital for any new employee but particularly so for individuals who have core decision making responsibilities which affect the business as a whole.

With that in mind, the Nominations Committee recommended a short handover period between the new and incumbent Chairman to allow the new Chair to observe how the Board and its Committees operated before having the responsibility for chairing the meetings. It was however agreed that too long a transition period could lead to a lack of clarity on where the Board would look for direction and therefore a two-month handover period was thought most appropriate.

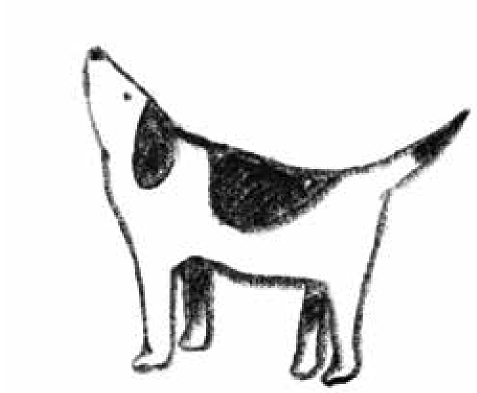
Following his appointment to the Board, Peter received a bespoke induction to the business. Howdens is not a business that can be learned by reading minutes, it is a business that requires an acute sense of feel. As well as depot visits, Peter visited key manufacturing facilities and warehouses, meeting employees and senior managers from the business.

He received a presentation of the Group's strategic plans (which had been presented to the Board earlier in the year) from the Executive Committee and he attended a number of operational sites. Detailed updates on product, design, innovation and sourcing were provided as well as updates (and visits where appropriate) on key strategic initiatives such as Howdens Work Surfaces. Peter's first Board meeting was in France, allowing him access to the international senior management team and French depot network.

In recognition of his key governance responsibilities, Peter received detailed information concerning Board processes and Group structures. He was given unfettered access to management responsible for governance without other senior management present, including the Company Secretary, Head of Internal Audit and Risk, and Director of Investor Relations. Peter also met with the Board's advisors (brokers, lawyers, actuaries, external communications and remuneration consultants) who regularly update the Board and its Committees.

Perhaps most importantly, Peter was able to participate in the activities that help to define Howdens' unique culture. This included observing a Regional Board meeting prior to peak autumn trading and attending recognition events for depot management and senior sales management.

Peter will continue his induction into Howdens during 2023 with further events and meetings scheduled. He is keen to meet with shareholders during the year to share his observations of the business and to discuss his plans for the Board going forwards.

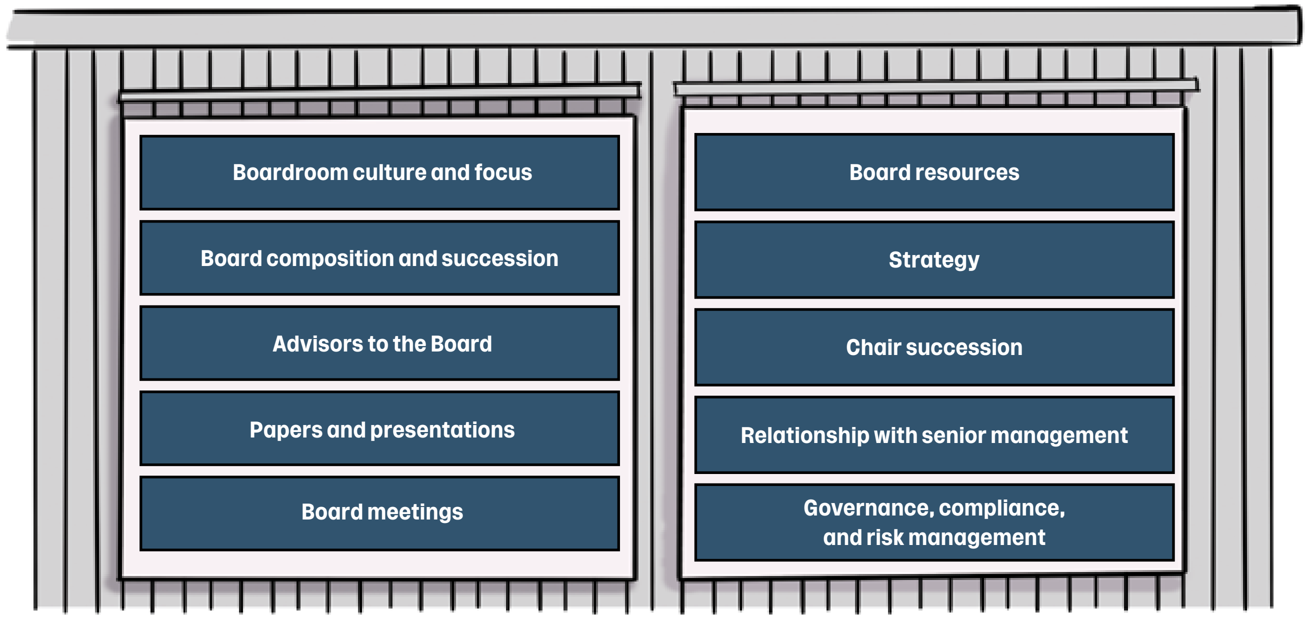


Nominations Committee report continued

Evaluation

In line with the Board's policy to undertake an external Board effectiveness review every three years, and following the 2020 and 2021 reviews which were undertaken by the Senior Independent Director with support from the Company Secretary, the 2022 Board evaluation was conducted by Lisa Thomas of Independent Board Evaluation (IBE)[1], an external third-party consultant. The evaluation took a light touch approach, given the Chair's recent appointment to the Board and Board members were asked to focus their comments on the main areas for improvement. A fuller review of the Board's responsibilities will be carried out later in the three-year cycle.

Evaluation areas of focus



Methodology

The process is outlined below:

- The review of the Howdens Board was conducted following briefings from the Chair, CEO and Company Secretary.
- Observation of the Board and Committee meetings on 19 November 2022.
- Interviews were conducted with all members of the Board and the Company Secretary to consider their views.
- The conclusions of the evaluation, including the observations and recommendations were presented to the Chairman.
- The detailed report and main observations were presented to the Nominations Committee in February 2023 by the Chairman, and a discussion, with Lisa present, is planned for a later meeting.

Conclusions and recommendations

The feedback from the Board was positive with the majority stating that the Board was effective, supportive and doing well but some suggest areas for improvement, considered below, with some members of the Board highlighting that the Board remained in transition following the change of Chair.

The focus and balance of the agenda in 2022 was rated as 'good' and meetings were considered to be well organised. Boardroom culture was described positively and the relationship with the senior team was supportive and transparent. In addition, there was high confidence in how the Board is tackling the commercial agenda and universal Non-Executive membership of the Committees of the Board was considered helpful and efficient.

1 Independent Board Evaluation and Lisa Thomas do not have any other business relationship with the Company or with any member of the Board.

Recommended areas for development and actions going forward

- **People**. Additional focus on the people agenda at the Nominations Committee could help management better realise talent pipeline and diversity opportunities. More data in the Board packs could be provided to assist with the oversight of a strong company culture, and initiatives to reboot Employee Engagement at Board level following the pandemic, including NED engagement visits, should be encouraged.
- **Pay**. Some Remuneration Committee processes should be reviewed following the approval by shareholders of the Directors remuneration policy in 2022.
- **Board composition and culture**. A lack of diversity of background at Board and senior management level was considered and would need to be addressed through a phased transition process. The Board would also be open to more optionality in the debate of issues and welcome more diverse input.

Influence on Board composition

Members of the Board discussed the recommendations of the Parker and FTSE Women Leaders Reviews. In 2023, the Nominations Committee will continue its focus on succession planning and will ensure that when it looks to recommend new appointments, that the process has been inclusive of not only a broad range of mindsets, but also a variety of backgrounds, including race, ethnicity and gender.

Nominations Committee evaluation

The feedback gathered indicated that the Nominations Committee had engaged well over the year but that there were potential areas for improvement and engagement. These included spending more time on the people agenda, which was highlighted as one of the main areas for development.

Senior management succession plans and the diversity pipeline in the business were two areas where it was felt that the Committee could add more value. The succession plan reviews, which would be reported to the Board, would cover long-term, contingency and business-as-usual succession matters, whilst the pipeline discussion should focus on diversity in senior management roles, distinct from diversity in the wider business which could continue to be considered as a matter for the Sustainability Committee.

In relation to Board succession, the Committee should work on a plan for Board composition that will increase the diversity and skills base of the Board, and likelihood of broader challenge.

By order of the Board

Peter Ventress
Nominations Committee Chairman

6 March 2023

Remuneration Committee report

2022 meeting attendance

Karen Caddick (6/6)
Andrew Cripps (6/6)
Geoff Drabble (6/6)
Louise Fowler (6/6)
Debbie White (6/6)

Key activities in the year ahead

- **Governance updates from advisors.**
- **Shareholder update by the Remuneration Committee Chair at the AGM.**
- **Planning for 2024 incentives (taking into account risk and other matters).**
- **Review of the Remuneration Committee Terms of Reference.**
- **Approval of the 2024 Remuneration Committee calendar.**

Karen Caddick
Remuneration Committee Chair

Annual Remuneration Committee Chair's statement

I am pleased to present the Howden Joinery Group Plc Remuneration Committee report for 2022. The report has been prepared in compliance with the requirements of the Large and Medium-sized Companies and Groups Regulations 2013 and incorporates changes made under the updated EU Shareholder Rights Directive (SRD II).

Using this report

We have sought to make our Remuneration Committee report as straightforward to access as possible. The content of the report is governed by various legislation and listed company disclosure requirements and, on occasion, this results in duplication of information. We have tried to reduce this wherever possible and present the information in an accessible and more intuitive way. The report is split into three sections:

1. This Committee Chair's statement
2. Summary of the Directors' remuneration policy
3. The Directors' remuneration report

We have divided the **Directors' remuneration report** into four parts:

Part 1	Company performance and stakeholder experience
Part 2	Application of policy in 2022
Part 3	Implementation of policy in 2023
Part 4	Additional disclosures

We believe that this format clearly differentiates each of the relevant sections of the Remuneration Committee report, directs users to the sections relevant to their use, and is also fully compliant with all applicable rules.

2022

It is hard to remember a year when there has been as much focus on pay as there has been in 2022. Rising inflation and the subsequent cost of living crisis has caused us to rebase our thinking on pay across the organisation. In September, Howdens announced that it would give all UK employees (except the most senior management) a one-off discretionary payment of £500 per employee at a cost of c.£7m. This payment was gratefully received by Howdens employees and was made with total support from the Board.

During the year, the Remuneration Committee continued to monitor changes in average FTE salaries and bonuses across all operational and support roles to ensure that there remained alignment on pay between our senior management and that of the wider workforce.

We are satisfied that there remains good alignment due to Howdens' unique incentive culture across all roles and when setting Executive pay, the Committee has regard to a number of factors which include pay across the wider workforce, CEO and gender pay gap ratios and the experience of our shareholders. In a year where there has been so much volatility in pricing, wages and equity markets, the Remuneration Committee has sought to maintain a consistent approach in line with our principles on pay.

The Committee also received updates on the wider employee benefit landscape, including on the Group pension scheme, where participation rates remain high, and on the all employee share awards made under the Share Incentive Plan. It also received an update from the Group HR Director on the Group's gender pay gap, data and the plans in place to address it. I am pleased to report that, as shown in our Gender Pay Gap Report (which can be found at www.howdenjoinerygroupplc.com/governance/gender-pay-gap-reports) our pay gap reduced year on year from 4.5% to 3.9%. There is clearly more that needs to be done and the Remuneration Committee will keep monitoring this important data point. More information on our broader diversity and inclusion priorities can be found on pages 65 and 145. An additional share award was also granted to senior employees below Executive Committee level in September 2022 (more information on this award can be found on page 125).

I am pleased to report that the Directors' remuneration policy that was contained in the 2021 Remuneration Committee report received strong support with 90.7% of shareholders approving its adoption. The policy was updated following consultation with our largest shareholders. A summary of the new policy is included in this report starting on page 117. There were no significant changes to the existing remuneration framework or policy but some changes were made to provide the Committee with greater flexibility going into the next three-year cycle. As reported later on, the Committee has already used this flexibility to incentivise and retain our strong performing Executive team over the economic cycle.

The Committee also changed its advisor during the year. PwC had advised the Howdens Remuneration Committee since 2007 and following the approval of the Directors' remuneration policy at the Annual General Meeting (AGM), it was felt an appropriate time to refresh the advisors to the Committee. Following a rigorous tender process, which is considered in more detail on page 135, the Committee agreed to appoint Korn Ferry as its advisor. I'd like to take this opportunity to thank PwC for their support over the years and to welcome Korn Ferry to Howdens.

As reported on page 96, the Remuneration Committee did not consult with the wider workforce on Executive Director pay arrangements in 2022. The Committee has safeguards in place (as considered in this report), which ensure good alignment on remuneration across the organisation as a whole.

It is worth remembering that all eligible employees with shares in the Share Incentive Plan, which is the significant majority of UK employees given that Free Shares are granted to all UK employees each year, have a de facto say on Executive Director pay when such matters are considered at general meetings.

In line with the 2022 AGM, I will be presenting a summary of the work of the Committee in 2022 at the 2023 AGM on 4 May 2023.

2022 reward outcomes

Annual bonus

For the 2022 annual bonus, performance was based on the delivery of both profit and cash flow targets. For the full year we have reported an increase in sales of 10.8% and an increase in profit of 4.0%. These results are particularly impressive given the strong performance of the business in 2021.

This strong financial performance meant that full year profit before tax (PBT) and cash flow were above our maximum outperformance targets resulting in a bonus of 150% of salary for our Executive Directors.

Performance Share Plan (PSP)

The 2020 PSP introduced a relative total shareholder returns (TSR) measure for the first time in addition to the existing three-year PBT growth measure.

As reported in the 2020 Remuneration Committee report, the original weighting of the award was to be 67% for PBT growth and 33% for the TSR measure. However, given the uncertainty caused by the COVID-19 pandemic in H1 2020, the Remuneration Committee initially delayed the grant of the 2020 PSP and later that year agreed that the weightings of the two performance measures would be reversed for 2020 only, with PBT growth carrying a 33% weighting and relative TSR carrying a 67% weighting. The rationale for this was that relative TSR provided a more robust measure of management's performance over the three-year period given the extreme levels of uncertainty around lockdowns and absolute trading performance.

To determine TSR performance, Howdens is ranked against a comparator group of similar sized companies, those being 50 above and 50 below Howdens by market capitalisation in the FTSE All Share index at or shortly before the start of the performance period (excluding Investment Trusts). There is zero pay out for below median performance and threshold vesting at 15% of the maximum opportunity at median. 100% of the opportunity is paid out when performance is equal to or more than upper quartile performance and there is straight-line vesting between the threshold and maximum opportunities.

Howdens TSR performance during the three-year period equated to vesting at 15% of the total opportunity for this measure.

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

PBT performance targets for the period required 5% per annum PBT growth to achieve threshold vesting and 15% per annum PBT growth to achieve maximum vesting. The 2020 PSP performance was measured to FY 2022 and, over the three-year period, PBT increased by 15.9% per annum, which equated to vesting at 100% of the total opportunity for this measure.

In aggregate, the 2020 PSP will vest at 43% of the maximum opportunity.

2023 reward and incentives

In December 2022, I wrote to our largest shareholders to seek their feedback on our proposals for the operation of the Directors' remuneration policy in 2023. Whilst all of our proposals were in keeping with our approved policy, we acknowledged the need to balance the views of our shareholders with our ambitions to retain and incentivise a strong performing Executive team over the economic cycle and to live into our remuneration philosophy to pay above-market levels of reward for above-market levels of performance. We have listened to our shareholders throughout this feedback process and have set out our proposals for 2023 below.

Salary

Salary increases for the Executive Directors will be in line with the wider workforce. These will be effective from 1 January 2023, the timing of which is also aligned to increases for the wider workforce.

Whilst the Committee is mindful of the external guidance to consider salary increases for executive directors below the rate of increases given to all employees, the salaries of our CEO and CFO are currently c.10% below the mid-market level for companies of a broadly similar average market capitalisation and therefore we believe that it remains appropriate to increase their salaries in line with the wider workforce. As mentioned earlier in this statement, the Committee has been monitoring the Company's approach to the impact of the cost of living crisis on employees and is satisfied that both the annual salary review and one-off payments are proportionate.

Annual bonus

Under the updated policy approved in 2022, we increased the normal maximum policy limit under the annual bonus to 200% of salary for Executive Directors, although there was no change to the operation of policy of 150% of salary for both Executive Directors for the 2022 financial year. Having reviewed the position, taking into account market data for companies that operate in the same or similar industries and UK listed companies of a similar size and complexity, the Committee is increasing the annual bonus opportunity for both our Executive Directors to 200% of salary.

The Committee is fully aware of investor concerns regarding benchmarking-led increases; however, we believe this increase is necessary to correct the significant gap to market in total remuneration opportunity and to reflect the continued growth of the business. In the 2021 Directors' Remuneration report we committed to consulting with shareholders if we were considering increasing the level of bonus opportunity above 150% of salary and we did this prior to reaching our final conclusion. Without this change, we believe that a significant increase in base salary would be required to meet our remuneration philosophy of paying above market levels of reward for above market levels of performance.

For the 2023 annual bonus, we replicated the methodology of PBT and cash flow measures used in the 2022 annual bonus. The measures retain their previous weighting of 85% of maximum opportunity for PBT and 15% of maximum opportunity for cash flow. This maintains the focus on profit in incentives and alignment with the depots, whilst maintaining a healthy stretch between target and maximum bonus levels to ensure strong shareholder alignment. The Committee has set sufficiently stretching targets for the annual bonus in 2023.

PSP

Since 2020, the PSP has operated with two performance measures: PBT and relative total shareholder returns (TSR). In the two most recent grants, the award was based 67% on PBT and 33% on TSR relative to a peer group of the 50 companies above and below Howdens ranked by market capitalisation. Having reviewed these two metrics considering the Group's strategic plan and key priorities, the Committee is proposing the addition of the following metrics:

- **Return on Capital Employed (ROCE) (10% weighting)** - to incentivise management to generate a high level of returns and balance this with capital allocation effectively as they invest to deliver future growth plans. The range we set will reflect a combination of analyst consensus estimates and internal forecasts; and
- **Environmental measure(s) (10% weighting)** - as part of the policy review, the Committee introduced greater flexibility under the PSP to allow the use of non-financial measures, such as ESG related measures, for up to 25% of the maximum opportunity. The Committee believes that it is the right time to introduce such a measure at 10%, which will have a range of quantitative, externally assessed targets aligned to our stated goals of carbon/waste reduction.

The introduction of these new measures will reduce the PBT weighting to 60%, but it will remain the largest part of the performance measures. PBT is the core performance metric used throughout the business, from our depot teams through to Executive Directors. We will retain the same TSR performance condition with a 20% weighting. The new ROCE metric and the new Environmental metric will make up the remainder of the award.

The Committee has also concluded that the PBT target range should reflect a combination of analyst consensus estimates, internal forecasts and our long-term strategic goals. This means we will be moving away from the automatic use of the prior year PBT figure as the base for targets for the 2023 and future grants. This latter approach does not produce meaningful targets in periods of volatility as they can end up being too low or too high as we have seen in respect of the 2021 and 2022 grants. The new approach seeks to ensure that there is clear alignment between vesting outcomes and performance and reduces the risk of a 'boom and bust' cyclical payment cycle.

The Committee considers this mix of measures to be appropriate as the Group's focus on profitability is maintained, which is consistent with Howdens' culture, whilst adding ROCE to focus on maintaining strong returns on capital and an environmental measure to reflect a very important part of our strategy. The TSR element continues to provide an important alignment with the shareholder experience over the performance period.

To ensure that our remuneration philosophy is upheld, the Committee will continue to ensure that all performance targets are suitably stretching for the level of remuneration available within the context of our internal expectations and external forecasts. Further details of the measures, targets and weightings are set out on pages 130 and 131 of this report.

No changes are proposed to long-term incentive opportunity for 2023, and therefore the CEO will receive an award equivalent to 270% of salary and the CFO will receive an award of 220% of salary.

Pensions

Since May 2022, both Executive Directors' pension benefits have been aligned with the wider workforce. This was in line with the Committee's commitment that there would be alignment by the time of the Company's next policy cycle.

The Directors' remuneration policy provides that new Executive Directors will only participate in the Company's pension arrangements with contributions in line with those of the wider workforce.

Senior management and the wider workforce

In addition to the Executive Directors, the Howdens Remuneration Committee also sets remuneration for senior management. We classify 'senior management' as members of the Executive Committee (excluding Executive Directors), the Company Secretary and the Head of Internal Audit and Risk. During the year, the Committee agreed in principle to review the long-term incentive awards granted to senior management grades below Executive Committee level. More information on the new incentive structure for this group can be found on pages 119 and 125.

The Committee also received updates on all-employee remuneration related policies in order to provide the context for, and to ensure alignment with, the policy on Executive Director remuneration. In 2019, the Committee adopted a dashboard in line with Provision 33 of the UK Corporate Governance Code, which shows some of the key internal and external measures that the Committee members are aware of when determining Executive Director and senior management remuneration (further detail on the dashboard may be found on page 126).

I hope the information presented within this report provides a clear explanation as to how we have operated our Directors' remuneration policy over 2022 and how we intend to implement it for 2023. We continue to be committed to an open and transparent dialogue with our stakeholders, and the Committee would welcome any feedback or comments you have on this report, our policy or how we implement the policy in 2023.

Karen Caddick
Remuneration Committee Chair

Whether the Committee exercised discretion for the incentive period ending 24 December 2022

The Committee considered the financial performance for the incentive period ending 24 December 2022. PBT for the year was £405.8m and cash flow was £498.0m. Three-year PBT increased by 15.9% per annum and relative TSR for the period was 'median'. The Committee considered whether the incentive outturns projected for the 2022 annual bonus and 2020 PSP were proportionate to financial and relative TSR performance. It also considered whether there were any other external factors it was aware of that would make decreasing the payments under these awards appropriate.

In reaching its conclusion, the Committee considered the remuneration experience structures and policies for the workforce as a whole in 2022, the relative ratios of Executive and employee reward, continued alignment to shareholder value, as well as the predictability and proportionality of the incentives, and their ongoing alignment to culture. The Committee took all of these matters into consideration and agreed that the vesting in full of these awards without adjustment or withholding was the right overall outcome.

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

2022 Remuneration Committee activity

H1

January

Committee meeting
- Investor feedback on proposed Directors' remuneration policy
- Executive Director and senior management salary review

February

Committee meeting
- Shareholder feedback on proposed Directors' remuneration policy
- 2022 incentive considerations (including workforce reward, shareholder alignment, CEO pay ratio and gender pay gap)
- Governance update
- Draft 2021 Directors' remuneration report
- 2022 share awards planning
- Committee advisor review
- Chair fee

Shareholder Communication
- Remuneration Committee Chair communication with shareholders confirming proposed changes to new Directors' remuneration policy following shareholder feedback

April

Share award grants
- SIP Free Shares grant to all eligible UK employees approved
- PSP grant to Executive Directors and senior management

Committee meeting
- Workforce earnings analysis
- LTIP leaver treatment

May

AGM
- Directors' remuneration policy approved by shareholders
- 2021 Directors' remuneration report approved by shareholders

H2

July

Committee meeting
- Workforce pensions communications
- Gender pay gap reporting
- Governance update
- Committee advisor review

September

Share award grants
- Additional conditional share award grant for senior management approved (excluding Executive Committee and Executive Directors)

November

Committee meeting
- 2023 incentives
- Executive compensation review
- Update on outstanding awards
- Risk and rewards consideration
- 2023 Remuneration Committee calendar
- Review of Committee's terms of reference

December

Shareholder communication
- Remuneration Committee Chair communication with shareholders regarding proposed operation of policy in 2023

Summary of the Directors' remuneration policy

Fixed Variable

Howdens' Directors' remuneration policy, as set out in our 2021 Annual Report and Accounts, was approved by shareholders at our 2022 AGM. Set out below is a summary of that policy, how that policy links to strategy, and consideration of some of the factors the Committee addressed when formulating the policy. How the policy has been applied during 2022 and will be applied during 2023 can be found on subsequent pages in the report.

The full Directors' remuneration policy can be viewed at www.howdenjoinerygroupplc.com/governance/remuneration-policy.

Executive Directors

The table below sets out the key components of Executive Directors' pay packages, including why they are used and how they are operated in practice.

Remuneration is benchmarked against rewards available for equivalent roles in a suitable comparator group. In addition to benchmarking, the Committee considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market conditions, and to governance requirements.

Element and how it supports our strategy	Operation	Opportunity	Performance measures
Base salary			
Recognises the market value of the Executive Director's role, skill, responsibilities, performance and experience.	Salaries are reviewed annually, and are effective from 1 January each year. Salaries will not be changed outside of the annual review, except for in exceptional circumstances, such as a mid-year change in role.	Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set with consideration of each Executive Director's performance in role and responsibilities, and within a range defined by a market benchmark derived from companies of a comparable size operating in a similar sector. The peer group used is reviewed whenever benchmarking is performed, and the Committee applies judgement in identifying appropriate peer group constituent companies. The individual's level of total remuneration against the market is considered at the same time. Reviews will also take into account the performance of the individuals, any changes in their responsibilities, pay increases for the wider workforce and internal relativities. 2022 and 2023 salary levels are detailed on page 130.	None.
Benefits			
Provides a competitive level of benefits.	Howdens pays the cost of providing the benefits on a monthly basis or as required for one-off events.	Benefits are based upon market rates and include receipt of a car allowance, health insurance and death-in-service insurance payable by the Company.	None.

Strategic Report Governance Financial Statements Additional Information

Remuneration Committee report continued

Summary of the Directors' remuneration policy continued

Element and how it supports our strategy	Operation	Opportunity	Performance measures
Annual bonus			
Incentivises annual performance over the financial year. Deferral links bonus payout to share price performance over the medium-term.	Performance is assessed annually against targets made up of at least 75% financial metrics. At least 30% of any bonus earned is deferred into shares. Shares are paid out on the second anniversary of deferral date. The Committee has the discretion to adjust the bonus outcome in light of overall underlying performance. Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration. Payment is subject to continued employment. Malus provisions apply for the duration of the performance period and to shares held under deferral. Clawback provisions apply to cash amounts paid for two years following payment. Therefore clawback and/or malus will operate on the award for a total period of up to two years after the performance period. Clawback may be applied in the following scenarios: • material misstatement of accounts; • erroneous assessment of a performance target; • where the number of plan shares under an award was incorrectly determined; or • gross misconduct by a Director.	The threshold for the annual bonus will be dependent on the individual measures used each year. For 2023, the annual bonus will be based on PBT and cash flow, with threshold payout being 20% of salary. The maximum opportunity under the annual bonus is 200% of salary. For FY 2023, the annual bonus level will be increased to 200% of salary, with the position reviewed each year.	For 2023 the annual bonus will be based on PBT and cash flow measures. The Committee retains the flexibility to use alternative measures during the life of this policy, subject to at least 75% of the bonus being based on financial metrics.
Performance Share Plan (PSP)			
Focuses management on longer-term financial growth than addressed by the annual bonus. Long-term financial growth is key to the generation of shareholder value.	Executives have the opportunity to participate in the PSP on an annual basis. The PSP operates over a three-year vesting cycle. Under the PSP, awards will generally be granted towards the beginning of the performance period and vest based on performance over the following three-year performance period. Malus provisions apply for the duration of the vesting period. The Committee has the discretion to adjust the PSP outcome in light of overall underlying performance. Any adjustment made using this discretion will be explained in the following Annual Report on Remuneration. Vested awards are subject to a two-year holding period following vesting, during which no performance measures apply. Clawback provisions apply for the duration of the holding period, through which vested awards maybe reclaimed in the event of: • material misstatement of accounts; • erroneous assessment of a performance target; • where the number of plan shares under an award was incorrectly determined; or • gross misconduct by a Director. No dividends accrue on unvested shares.	The threshold for the PSP will be 15% of maximum. This may be amended by the Committee dependent on the maximum opportunity in a given year. The maximum opportunity under the PSP is 270% of salary.	For 2023, the PSP will be based on PBT growth, relative TSR, return on capital employed, and an environmental measure. The Committee retains the flexibility to use alternative measures during the life of this policy, subject to at least 75% of the PSP being based on financial metrics.

Fixed Variable

Element and how it supports our strategy	Operation	Opportunity	Performance measures
Performance Share Plan (PSP) continued			
Shareholding requirement strengthens alignment of interests between participants and shareholders.	Executive Directors are expected to retain vested shares from deferred bonus and long-term incentive awards (net of income tax and national insurance contributions) until they reach the minimum requirements. Unvested deferred bonus and long-term incentive shares are not taken into account. PSP shares within a holding period are counted towards the requirement.	Executive Directors will be required to retain 100% of their shareholding requirement (i.e. 200% of base salary or full actual holding if lower) for two years post-cessation from the Board of Howden Joinery Group Plc.	
Pension			
Provides competitive long-term savings opportunities.	Executive Directors will be entitled to participate in the Howdens Retirement Savings Plan with contribution rates in line with the wider workforce. The level of salary supplement is aligned to the maximum pension benefit available to the Executive Director.		None.
All-employee share incentive plan			
To encourage employee share ownership.	Executive Directors are able to participate in the tax-advantaged Share Incentive Plan available to all eligible UK employees.	The maximum participation levels will be set based on the applicable limits set by HMRC.	None.

Remuneration policy for other employees

The remuneration policy described above applies specifically to Executive Directors of the Group. However, the Remuneration Committee believes it is appropriate that all reward received by senior management is directly linked to the performance of the Company and aligned with shareholder value. Accordingly, Executive Committee members participate in the same incentive schemes as the Executive Directors, at a reduced level, to ensure alignment between the leadership team and with our shareholders.

Below Executive Committee level, certain senior management grade participate in a similar annual bonus plan that is linked to PBT and cash flow. The promotion of employee share ownership is also cascaded through all tiers of management. From 2023, a deferred bonus share arrangement will replace the PSP for these employees. Given the variable pay-outs of the LTIP in recent years and the increasing complex measures being introduced for the Executive award, it was felt that an alternative structure would be more effective, providing a greater level of understanding and engagement, and therefore retention, among this cohort of employees (further information about incentives below the Executive Committee level may be found on page 125). Free shares grants are made at a reduced level to a wider population within Howdens that do not use performance conditions to encourage share ownership throughout the Company. Employees can also purchase additional shares in the Company in a tax efficient way through our Buy As You Earn scheme, which operates under the Share Incentive Plan.

Remuneration Committee report continued

Summary of the Directors' remuneration policy continued

Non-Executive Directors' remuneration policy

The Group's policy on Non-Executive Director (NED) and Chairman fees and benefits is set out below.

Element and how it supports our strategy	Operation	Opportunity	Performance Measures
Fees			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	The fees for the Non-Executive Directors are determined by the Chairman and Chief Executive and approved by the Board. The fee for the Chairman is determined by the Remuneration Committee while the Chairman is absent. No other services are provided to the Group by Non-Executive Directors.	Fees for Non-Executive Directors are set out in the statement of implementation of policy on page 130. The fees reflect the time commitment and responsibilities of the roles. Accordingly, committee chairmanship, Senior Independent Director (SID) and the Non-Executive Director responsible for employee engagement fees are paid in addition to the NEDs' basic fee. Committee chairmanship fees apply only to the Audit and Remuneration Committees. The Chairman receives no fees in addition to the Chairman's fee. Fees may be reviewed every year, and are set within a range defined by a market benchmark of comparably sized companies and having regard to the base salary increase payable to the wider workforce. Benchmarking is typically undertaken every three years.	NEDs are not eligible to participate in any performance related arrangements.
Benefits			
To attract NEDs who have a broad range of experience and skills to oversee the implementation of our strategy.	Non-Executive Directors are entitled to receive expenses in respect of reasonable travel and accommodation costs.		None.

Underlying principles

When determining the Directors' remuneration policy, the Committee was mindful of its obligations under Provision 40 of the UK Corporate Governance Code to ensure that the policy and other remuneration practices were clear, simple, predictable, proportionate, safeguarded the reputation of the Company and were aligned to Company culture and strategy. Set out on the following page are examples of how the Committee addressed the factors.

Fixed Variable

Clarity	
Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.	In 2021, the Company invited its principal shareholders and shareholder representative groups to consult on the updated Directors' remuneration policy and received supportive feedback. The draft policy was updated following feedback from shareholders. In 2022, the Company contacted its principal shareholders to consider various changes to remuneration practice that were permitted under the policy. All UK employees are awarded Free Shares in the Company through the Share Incentive Plan (SIP). UK employees are also able to participate in a partnership and matching shares programme which also operates through the SIP. All employees with shares held in the SIP trust are able to exercise voting rights on those shares and vote on the Directors' remuneration report and the Directors' remuneration policy (when applicable) at general meetings of the Company. Further information on workforce engagement can be found on pages 90 and 91.
Simplicity	
Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.	The Directors' remuneration policy has received positive feedback from stakeholders in relation to its simplicity. The Committee's approach to performance measures had always been that they must be understandable for participants in the schemes in order to ensure they are effective.
Risk	
Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.	Whilst the Committee has consciously not set an absolute annual quantum on Executive remuneration, this is something that the Committee will keep under review. The total pay of the Executive Directors is considered by the Committee as well as pay ratios with the wider workforce and shareholder returns.
Predictability	
The range of possible values of rewards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.	The range of possible values of rewards for the Executive Directors is considered on page 129. The range of possible values of rewards for the Executive Directors was also communicated in the 2021 Remuneration Committee report when a revised Directors' remuneration policy was communicated to shareholders. The Committee has a wide range of discretion in relation to variable pay awards, new joiners, and leavers, which were identified and explained when the policy was approved.
Proportionality	
The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.	The Committee remains confident that the awards used to ensure continued delivery of strategy and long-term performance are working as intended and that they are delivering outcomes in line with our wider stakeholder experience. In 2022, the annual bonus paid out in full following delivery of exceptional PBT results in challenging market conditions, exceeding market expectations. However, despite the strong profit performance, the vesting percentage for the long-term incentive award was 43% due to challenging share price performance in the final year of the award. This impacted the outturn of the relative TSR measure resulting in a lower vesting percentage.
Alignment to culture	
Incentive schemes should drive behaviours consistent with company purpose, values and strategy.	The Committee remains confident that the incentive schemes operated under the Directors' remuneration policy are aligned with purpose, values and strategy. Howdens' staff are paid on the performance of their local depot or on the profitability of the Group as a whole. This has created an autonomous, entrepreneurial, profit-focused culture and is reflected in the heavy weighting given to profit measures in our incentive schemes for Executive Directors and senior management.

Remuneration Committee report continued

Directors' remuneration report
Part 1: Company performance and stakeholder experience

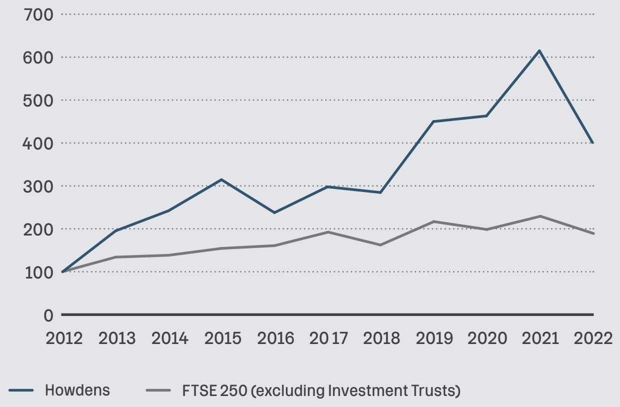
In this opening section of the Directors' remuneration report, we detail some of the considerations the Committee has regard to when implementing the Directors' remuneration policy. Contained in this section are specific disclosures on Group performance, as well as comparative disclosures on the relative importance of spend on pay, historic CEO single figure, CEO ratio and all-Director remuneration relative to average employees.

Group performance

Total shareholder return (TSR)

The graph below illustrates the Company's TSR performance relative to the constituents of the FTSE 250 (excluding investment trusts) of which the Company is a constituent. It shows that over the past 10 years Howdens has generated significantly higher returns than the FTSE 250 (excluding Investment Trusts).

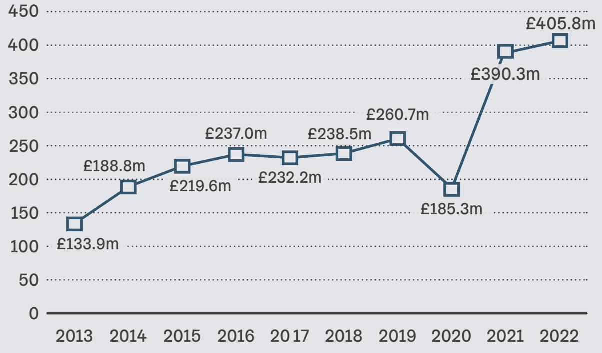
Howdens historic TSR



Profit before tax (PBT)

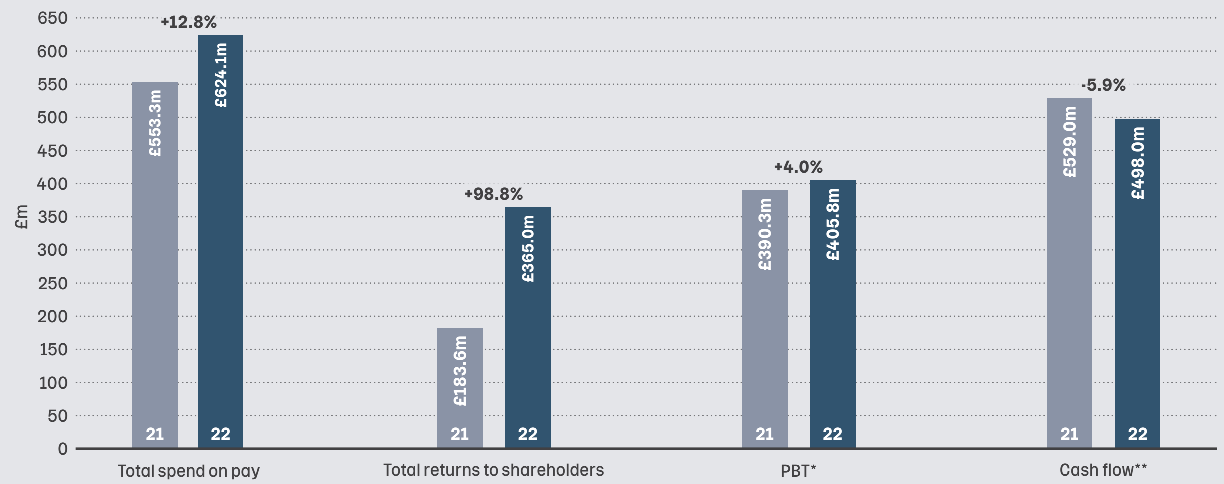
The graph below illustrates the Company's historic PBT performance.

Howdens historic PBT (£m)



Relative importance of spend on pay

The graph below sets out the change in the Group's total remuneration spend from 2021 to 2022 compared to the total returns to shareholders of the Group and the two incentive performance measures PBT and cash flow.



* See consolidated income statement on page 164.
** Net cash flow from operating activities is the definition used for the annual bonus scheme (see page 130).

Director pay

Our corporate performance and remuneration

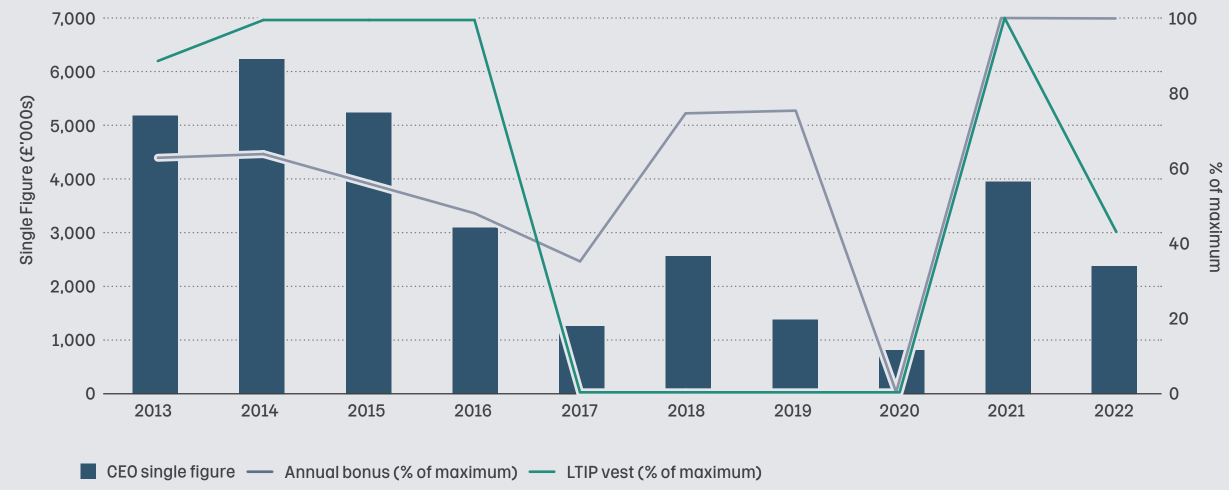
Historic single figure

The table and graph below show the historic CEO single figure and incentive payout levels. They show that, with the exception of 2020, the annual bonus has performed strongly and that long-term incentives have reflected the challenging market conditions.

The maximum bonus opportunity reduced from 200% of basic salary to 150% following the approval of the Directors' remuneration policy by shareholders in May 2016.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CEO single figure (£'000)	5,168	6,221	5,225	3,098	1,268	2,569	1,391	816	3,951	2,373
Annual bonus (% of maximum)	63%	64%	56%	48%	35%	75%	76%	0%	100%	100%
LTIP vest (% of maximum)	89%	100%	100%	100%	0%	0%	0%[1]	0%	100%	43%

[1] Andrew Livingston was appointed as CEO in April 2018 and therefore he was not granted an award under the LTIP in 2017.



Remuneration Committee report continued

Directors' remuneration report
Part 1: Company performance and stakeholder experience continued

CEO pay ratio table

Howdens has calculated the CEO pay ratio for 2022 in line with the updates to the Directors' Remuneration Reporting Regulations. The data used to calculate the CEO pay ratio was accurate as at 31 December 2022. In accordance with section 17 of The Companies (Miscellaneous Reporting) Regulations 2018, method A was used in the calculation of the pay ratios; ranking the pay and benefits of all our UK employees for the relevant financial year to identify the 25th, 50th, and 75th percentile-ranked employees and using the pay and benefits figures for these three UK employees to determine the pay ratios at each quartile. Method A has been used as it has been identified by the Department for Business, Energy and Industrial Strategy in its guidance as the most statistically accurate method for identifying the pay ratios.

Year	Method	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2022	A	74:1	64:1	53:1
2021	A	135:1	113:1	93:1
2020	A	31:1	25:1	21:1
2019	A	71:1	58:1	48:1
2018	A	122:1	100:1	81:1

It should be noted that the CEO did not receive any remuneration relating to long-term incentive share awards in 2019 or 2020 as he was appointed to the Board in 2018. He also did not receive any annual bonus in 2020 during which time all other employees received variable performance bonus pay. The combination of these factors resulted in a lower than anticipated CEO pay ratio in 2019 and 2020. In 2021, the CEO pay ratio increased due to the vesting in full of the 2019 long-term incentive share award. In 2022, the ratio has reduced as the 2020 long-term incentive share award will vest at 43% of maximum and the share price upon which the award is valued is lower than in 2021.

The total pay, benefits, and salary of each employee who is the best equivalent of the 25th, 50th, and 75th ranked employee is as follows:

	25th percentile	50th percentile	75th percentile
Total pay and benefits (FTE)	£32,066	£37,105	£45,006
Salary (including overtime) (FTE)	£22,450	£26,260	£32,026

The pay and benefits of employees was calculated in line with the Single Total Figure of Remuneration methodology. In our calculations we used actual pay from 1 January 2022 to 31 December 2022. Joiners, leavers and part time employees' earnings have been annualised on an FTE basis (excluding any payments of a one-off nature).

Where bonus payments are made on a weekly, monthly or quarterly basis, we included payments made in the 2022 compensation year; however, for annual bonus payments, we estimated the bonus due to employees for the 2022 compensation year (payment is due in March 2023). P11D values are based on the 2021/22 reportable values, however, they have been annualised accordingly.

Howdens' vertically integrated business means that our workforce is made up of a wide range of roles from kitchen designers to skilled engineers, from warehouse staff to senior management. We work on the premise that Howdens must be worthwhile for all concerned and our reward structures across the business are designed to reflect the levels of personal autonomy and outperformance we expect from every individual. Our pay structures vary between roles to deliver an appropriate balance between fixed and variable pay. Emphasis on profit in our reward structures, from the depots to the Executive Directors, helps to provide some alignment of reward across the business.

It is a feature of our pay structure that senior management often receive a larger proportion of their total pay through incentives and the outcome of incentives is likely to be the main cause of variability in the ratio in future years.

The Remuneration Committee is regularly updated on the benefits provided across the business and are mindful that consistency of approach and fairness are two key principles and important drivers for change.

Case study
Review of incentives below Executive Committee level

Having a talent pipeline that is highly motivated and highly incentivised is key to Howdens long-term success. It is this group that provides front-line support for the Executive Committee in delivering the strategic priorities of the Board and it is this leadership group who will become future Executive Committee members.

In previous years the performance measures for incentives for our Grade 1s and 2s have been aligned to those for members of the Executive Committee, albeit at a lower quantum. This has generally worked well, particularly in relation to the annual bonus where an annual stretch target was introduced for this cohort in 2020. However, it became apparent that the long-term incentive awards granted to Grade 1s and 2s had not been as effective in recent years and were not highly valued by management. Share price movement and volatility of long-term incentive outcomes had resulted in this group having less shares in the Company than they would have done previously. As a Remuneration Committee, we want to promote employee share ownership at all levels but it is particularly important that our most senior employees share our shareholder experience and have skin in the game.

In September 2022, the Remuneration Committee took steps to address this by granting an additional share award under the existing LTIP rules. This share award to Grade 1s and 2s was made without financial performance conditions but was conditional upon three years continued employment from the date of grant. At that time, the Committee also agreed to review the long-term incentive plan arrangements for this group for 2023.

Following the review, the Committee agreed to replace the long-term incentive plan for Grade 1s and 2s with a deferred bonus share award. This award replaces the PSP and looks to provide a more consistent vesting pattern through the trading cycle whilst providing sufficient incentive to maximise performance.

The sole measure for the deferred bonus share award is PBT, our most important KPI. Like the PSP, there is a performance range with 20% of the award vesting at the bottom of the range and a 100% vesting at stretch target. The performance period for the award will be one year, reduced from three years under the PSP. However, shares under the award will be deferred for two years (in line with the Executive Committee deferral period) during which time dividends will be payable but employees will not be able to sell or transfer their awards. Normal 'Good' and 'Bad' leaver provisions will apply with shares being retained from 'Bad leavers'.

The Committee believes that by introducing the new award structure, it will remove some of the complexity in measures being included in the Executive awards and will result in more consistent outcomes and greater retention for this group of key employees.

Whilst the work of the Committee is necessarily focused on members of the Executive Committee, it is also important to demonstrate that the Remuneration Committee is actively involved in the total reward structures of all our employees.

Remuneration Committee report continued

Directors' remuneration report
Part 1: Company performance and stakeholder experience continued

All-Director remuneration relative to average employees

Listed companies are required to disclose the annual change in each director's pay in comparison to the average change in employee pay. This comparison is made on salary, bonus and taxable benefits and as such does not include some of the elements disclosed under the single figure of remuneration table such as pension contribution or long-term incentives. While the SRD II requires a listed entity to provide employee pay information for that entity only (i.e. not on a group-wide basis), a 'Group' comparator has therefore also been included in the table below as this provides a more representative comparison.

	% change in Basic Salary			% change in Benefits			% change in Bonus		
	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020
Average Howden Joinery Group Plc employee remuneration[1]	-	-	-	-	-	-	-	-	-
Average Howdens Group employee remuneration	5%	1%	4%	(9)%	(15)%	9%	(4)%	38%	12%

1 In the financial year ended 24 December 2022, Howden Joinery Group Plc did not employ any individuals.

	% change in Basic Salary / Fees			% change in Benefits			% change in Bonus		
	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020	2021 to 2022	2020 to 2021	2019 to 2020
Executive Directors									
Andrew Livingston[1]	3%	12%	3%	5%	(85)%	84%	3%	100%	(100)%
Paul Hayes[2]	3%	-	-	80%	-	-	3%	-	-
Non-Executive Directors									
Karen Caddick[3]	6%	3%	18%	100%	0%	(89)%	-	-	-
Andrew Cripps	6%	3%	5%	0%	0%	0%	-	-	-
Geoff Drabble[3]	4%	3%	22%	0%	0%	0%	-	-	-
Louise Fowler[4]	3%	4%	515%	300%	0%	100%	-	-	-
Peter Ventress[5]	-	-	-	-	-	-	-	-	-
Debbie White	3%	4%	3%	(100)%	(50)%	390%	-	-	-
Former Directors									
Richard Pennycook[6]	(26)%	2%	3%	100%	0%	(100)%	-	-	-

1 In 2021, following shareholder consultation, Andrew Livingston's salary was increased by 12%. The rationale for this increase may be found on page 105 of the 2020 Annual Report and Accounts. In 2020, Andrew also received a relocation allowance as permitted under the Director's remuneration policy.

2 Paul Hayes was appointed to the Board on 27 December 2020 and therefore did not receive a salary, benefits, or bonus as a Director in respect of the 2020 financial year. Comparative figures cannot therefore be calculated for the periods '2019 to 2020' and '2020 to 2021'.

3 In September 2019, Karen Caddick was appointed Remuneration Committee Chair and Geoff Drabble was appointed Senior Independent Director. Geoff also assumed additional responsibilities as the Non-Executive Director responsible for employee engagement at the beginning of 2019. The increases shown in their Non-Executive Director fees for 2019 to 2020 are predominantly due to these changes.

4 Louise Fowler was appointed to the Board in November 2019 and did not receive a full year of fees in respect of that year. The percentage change between 2019 and 2020 was therefore substantial as the figures are not pro-rated for the purposes of the above calculations.

5 Peter Ventress was appointed to the Board in July 2022. Comparative figures cannot therefore be calculated for the periods reported above.

6 Richard Pennycook, former Non-Executive Chairman, retired from the Board in September 2022 and therefore did not receive a full year of fees in respect of 2022. The percentage decrease between 2021 and 2022 was therefore substantial as the figures are not pro-rated for the purposes of the above calculations.

Wider workforce considerations

The Remuneration Committee received updates from the Group HR Director in respect of average salary of an employee in 2022 compared to previous years for depot, manufacturing, and logistics roles. When determining the base salary, benefits and variable pay awards for the Executive Directors and senior management, the Committee had regard to the information contained in a Provision 33 Dashboard, which includes information such as the CEO pay ratio, gender pay gap statistics, and the salary, bonus, pensions, benefits and share plan arrangements available to the wider workforce.

Directors' Remuneration Report
Part 2: Application of policy in 2022

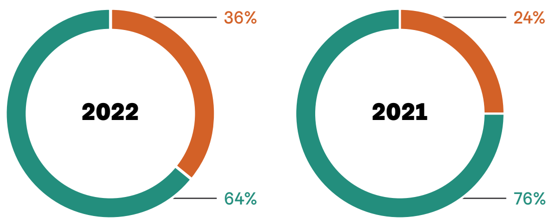
Fixed Variable

In this section of the Directors' remuneration report we set out how the Committee has executed policy for 2022. Disclosures in this section are retrospective and where applicable are shown against prior year comparator.

Single figure of remuneration (audited)

	Fixed								Variable						Total Remuneration	
	Salary/Fees		Taxable Benefits		Pension		Total Fixed		Bonus		LTIP		Total Variable			
£000s	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Executive Directors:																
Andrew Livingston	670	650	20	19	84	91	774	760	1,004	975	595	2,216	1,599	3,191	2,373	3,951
Paul Hayes	438	425	36	20	48	31	522	476	657	638	-	-	657	638	1,179	1,114
Total	1,108	1,075	56	39	132	122	1,296	1,236	1,661	1,613	595	2,216	2,256	3,829	3,552	5,065
Non-Executive Directors:																
Karen Caddick	74	70	2	0	-	-	76	70	-	-	-	-	-	-	76	70
Andrew Cripps	74	70	0	0	-	-	74	70	-	-	-	-	-	-	74	70
Geoff Drabble	76	73	0	0	-	-	76	73	-	-	-	-	-	-	76	73
Louise Fowler	60	58	4	1	-	-	64	59	-	-	-	-	-	-	64	59
Richard Pennycook Retired Sept 2022	194	261	27	0	-	-	221	261	-	-	-	-	-	-	221	261
Peter Ventress Appointed July 2022	162	-	0	-	-	-	162	-	-	-	-	-	-	-	162	-
Debbie White	60	58	0	1	-	-	61	59	-	-	-	-	-	-	61	59
Total	701	590	33	2	-	-	734	592	-	-	-	-	-	-	734	592

Total current Executive Director fixed vs variable pay



● Fixed ● Variable

Notes to the single figure table

Executive Directors

Salary

Salaries will not be changed outside of the annual review, unless there are exceptional circumstances, such as a mid-year change in role. Increases will normally be only for inflation and/or in line with the wider employee population. Salaries are set within a range defined by market benchmark derived from companies in a similar sector. Salaries for 2023 can be found on page 130. The peer group used is reviewed whenever benchmarking is performed, and the Committee applies judgement in identifying appropriate peer group constituent companies. The individual's level of total remuneration against the market is considered at the same time.

Taxable benefits

Benefits are based upon market rates and include receipt of a car allowance, non-exclusive use of a driver, health insurance and death-in-service insurance payable by the Company.

Pension

Both Executive Directors received a cash benefit in lieu of pension during the year. More information about Executive Director pension benefits can be found on pages 115 and 119.

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Remuneration Committee report continued

Directors' remuneration report
Part 2: Application of policy in 2022 continued

Notes to the single figure table continued

Annual bonus (audited)

Targets

Our annual bonus for 2022 was based on PBT and cash flow measures subject to an aggregate maximum of 150% of salary. The PBT and cash flow measures were weighted as follows:

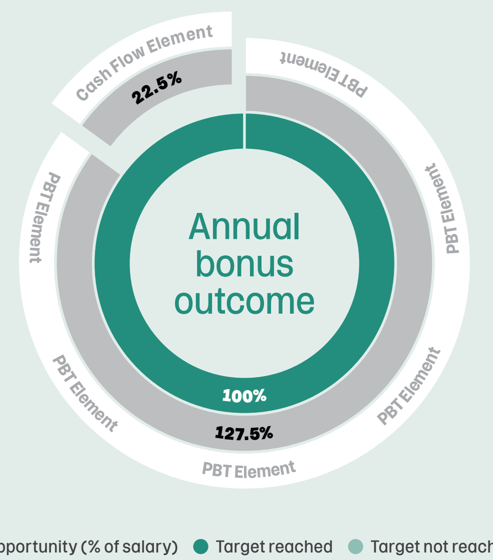
	PBT component	Cash flow component
Threshold	£340m (17% of salary)	£420m (3% of salary)
Target	£370m (63.67% of salary)	£445m (11.25% of salary)
Outperformance	£400m (127.5% of salary)	£469m (22.5% of salary)

70% of the annual bonus will be paid in cash and 30% of the annual bonus will deferred as shares, which will vest two years following the deferral date (subject to continued employment).

Outcomes for the year

The PBT figure for the year in relation to the annual bonus is £405.8m. The cash flow figure for the year in relation to the bonus was £498.0m. In aggregate, the Executive Directors will receive an annual bonus of 150% of salary for 2022.

	Andrew Livingston	Paul Hayes
PBT (% of salary)	127.5%	127.5%
Cash Flow (% of salary)	22.5%	22.5%
Total Bonus (% of salary)	150.0%	150.0%
Total Bonus (£'000)	**1,004**	**657**



Performance Share Plan (PSP) (audited)

Targets

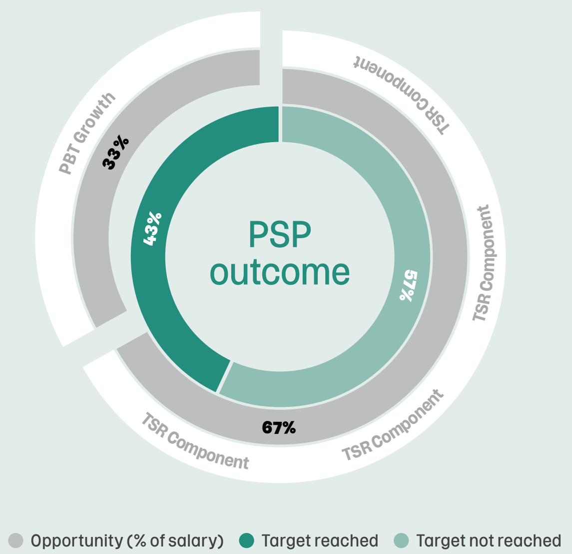
The PSP awards granted from 2020 onwards have been measured against PBT growth and relative total shareholder returns (TSR) over a three-year period. The PBT growth and TSR for the 2020 award was measured between FY 2019 to FY 2022. Any shares that vest under the PSP award are subject to a two-year post-vest holding period for serving Executive Directors.

Outcomes for the year

33% of the 2020 PSP award was based on a PBT growth threshold requirement of 5% p.a. and a maximum requirement of 15% p.a. At the threshold requirement, 15% of the PBT growth component of the award would vest. The PBT for 2022 was £405.8m, and therefore growth on FY 2019 was 15.9% p.a. This component of the award will vest at 100% of maximum opportunity.

67% of the 2020 PSP award was based on a relative TSR measure. The threshold vesting for the TSR component of the award was where the Company was ranked 'median' compared to the comparator group of companies. The maximum vesting was where the Company ranked 'at or above upper quartile'. At threshold, 15% of the TSR component would vest. Based on performance to FY 2022, the Company was ranked 'median' compared to the comparator group and therefore 15% of the TSR component of the award will vest.

The overall final vesting of the 2020 PSP award is 43% of the maximum opportunity. £45,174 of Andrew Livingston's award is attributable to share price increases. The share price at the date of grant was 510.40p and the three month average to 24 December 2022, the price on which the value of the award is calculated, was 552.35p.



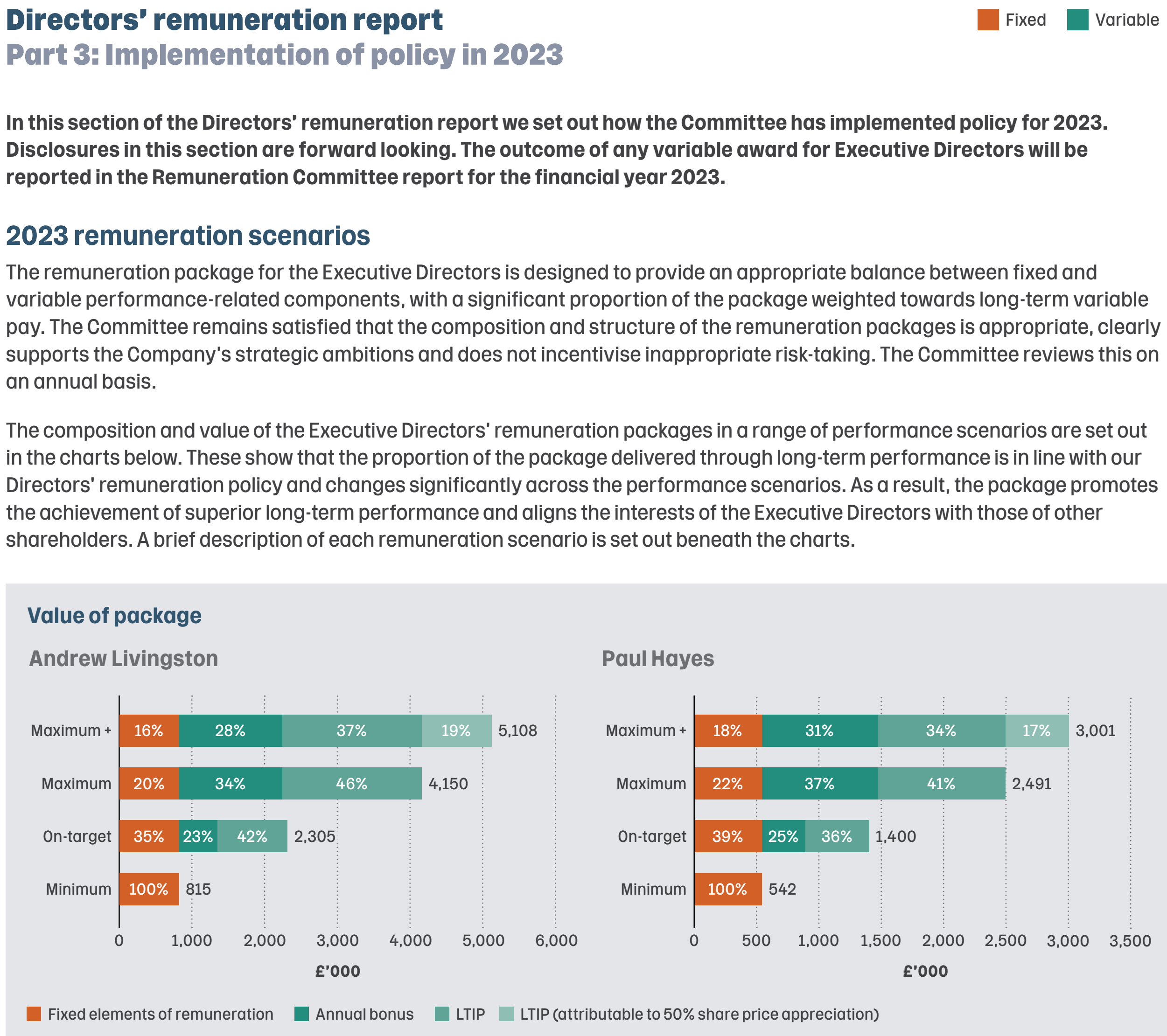
Directors' remuneration report
Part 3: Implementation of policy in 2023

In this section of the Directors' remuneration report we set out how the Committee has implemented policy for 2023. Disclosures in this section are forward looking. The outcome of any variable award for Executive Directors will be reported in the Remuneration Committee report for the financial year 2023.

2023 remuneration scenarios

The remuneration package for the Executive Directors is designed to provide an appropriate balance between fixed and variable performance-related components, with a significant proportion of the package weighted towards long-term variable pay. The Committee remains satisfied that the composition and structure of the remuneration packages is appropriate, clearly supports the Company's strategic ambitions and does not incentivise inappropriate risk-taking. The Committee reviews this on an annual basis.

The composition and value of the Executive Directors' remuneration packages in a range of performance scenarios are set out in the charts below. These show that the proportion of the package delivered through long-term performance is in line with our Directors' remuneration policy and changes significantly across the performance scenarios. As a result, the package promotes the achievement of superior long-term performance and aligns the interests of the Executive Directors with those of other shareholders. A brief description of each remuneration scenario is set out beneath the charts.



Fixed elements of remuneration consist of the annual salary that the Executive Director will receive for 2023, alongside their 2023 pension entitlement, and actual benefits received in 2021/22 (as a proxy for 2023).

Annual bonus is based on a maximum opportunity of 200% of salary and an on-target opportunity of 100% of salary.

LTIP is based on a maximum opportunity of 270% of salary for Andrew Livingston and 220% of salary for Paul Hayes. The overall policy maximum is 270% of salary. Target opportunity is calculated as 50% of maximum (135% of salary for Andrew Livingston and 110% of salary for Paul Hayes).

The 'maximum +' includes share price appreciation of 50%. This column is calculated on the same basis as the maximum column however includes an uplift of 50% total over three years for the PSP.

Remuneration Committee report continued

Directors' remuneration report
Part 3: Implementation of policy in 2023 continued

Non-Executive Director fees

Fee increases from 2023 are set out in the table below. Non-Executive Director fees are generally aligned to the average increase for the wider workforce. However, for 2023, the Non-Executive Directors have agreed to waive this increase. The only exception is the increase to the Committee Chair fee, which had fallen behind benchmark.

		Basic NED fee[1]	Chair fee	SID fee	NED Responsible for Workforce Engagement fee	Committee Chair fee
2023	Annual Fee	£60,250	£325,000	£10,600	£5,400	£17,000
	Effective date			1 January 2023		
2022	Annual Fee	£60,250	£325,000	£10,600	£5,400	£13,300
	Effective date			1 January 2022		

1 The Chair of the Board of Directors does not receive the basic Non-Executive Director fee or an additional fee for chairing the Nominations and Sustainability Committees.

Executive Director base salaries

Base salary increases from 2023 are set out in the table below. The rationale for the increases may be found in the Annual Remuneration Committee Chair statement on page 114. For 2023, salary increases for the wider workforce were, on average across the Group, 6.3% of salary.

	2023		2022	
Executive Directors	Salary (£'000)	Effective date	Salary (£'000)	Effective date
Andrew Livingston	710	1 January 2023	670	1 January 2022
Paul Hayes	464	1 January 2023	438	1 January 2022

Annual bonus measures

The table below sets out annual bonus measures for 2023. Targets for these measures are considered commercially sensitive by the Board and so are not disclosed here. Performance targets, together with achievement against them, will be set out in full in the 2023 Remuneration Committee report.

Bonus measure	Definition	Performance level	Pay out level
PBT	Pre-exceptional profit before tax from continuing operations	Threshold Target Maximum	17% of salary 85% of salary 170% of salary
Cash Flow	Net cash flow from operating activities, taking into account the efficiency with which working capital is used, and adjusted for exceptional items	Threshold Target Maximum	3% of salary 15% of salary 30% of salary

Performance Share Plan (PSP) measures

Set out on the facing page are the performance measures and relative weightings for each of the measures. Detail about the new measures introduced for the 2023 PSP may be found in the Annual Remuneration Committee Chair statement on page 114. The maximum opportunity under the PSP is 270% of base salary for Andrew Livingston (CEO) and 220% of base salary for Paul Hayes (CFO). The performance period is three years, measured over the relevant financial years. See page 134 for scheme interests awarded in 2022.

The Committee agreed that for the 2023 PSP it would move away from using the prior year PBT outturn as the basis for target in the coming year. Going forwards, the Committee will determine threshold and vesting targets by having regard to a combination of analyst consensus estimates, internal forecasts, and our long-term strategic goals.

Under the terms of the Directors' remuneration policy approved by shareholders at the 2022 AGM, the 2023 PSP awards will be subject to a two-year post-vesting holding period.

Fixed Variable

PBT growth - 60% weighting

	PBT growth performance condition	Payout level
PBT component vesting schedule	£484m	100% of maximum
	Straight-line vesting between these points	
	£400m	15% of maximum
	Less than £400m	0% of maximum

Relative TSR - 20% weighting

Comparator group and averaging period for TSR performance	• Companies ranked up to 50 above and 50 below Howdens by market capitalisation in the FTSE All Share index at or shortly before the start of the performance period (excluding Investment Trusts). • One month TSR average for the month preceding the first day of the performance period and one month TSR average for the final month of the performance period.

	Performance against comparator group	Payout level
Performance assessment	Equal to or above upper quartile	100% of maximum
	Straight-line vesting between these points	
	Equal to median	15% of maximum
	Below median	0% of maximum

Return on Capital Employed (ROCE) - 10% weighting

ROCE component measurement details	Calculated by dividing the Group operating profit by the average capital employed under management's control, expressed as a percentage. The capital employed will include investments in assets, working capital and related balances but will exclude balances that relate to historic or long-term financing or are outside the control of current management. Excluded items include: cash, pension deficit repair contributions, deferred tax and long-term financing of the Group, such as lease liabilities and borrowings.

	ROCE performance condition	Payout level
Performance assessment	30%	100% of maximum
	Straight-line vesting between these points	
	25%	15% of maximum
	Less than 25%	0% of maximum

Environmental measure - 10% weighting

Environmental component measurement details	All carbon emission and waste targets to be achieved by 31 December 2025. Base year for all targets is 2021 (other than for those relating to manufacturing sites achieving or maintaining carbon neutral status).

	Performance condition	Payout level
Improving our carbon intensity ratio Year-on-year cumulative average Scopes 1 and 2 carbon emissions reduction, based on tCO_2e per £m	4.2% p.a. reduction	33.3% of maximum
	Straight-line vesting between these points	
	4.0% p.a. reduction	7.5% of maximum
	Below 4.0% p.a. reduction	0% of maximum
Fleet emissions reduction UK primary fleet only, based on CO_2KG/km	15% reduction	33.3% of maximum
	Straight-line vesting between these points	
	12% reduction	7.5% o f maximum
	Below 12% reduction	0% of maximum
Achieving carbon neutral status across manufacturing sites Maintain certified carbon neutrality or, in newly acquired sites, achieve certified carbon neutrality	Four manufacturing sites	33.3% of maximum
	Straight-line vesting between these points	
	Two manufacturing sites	0% of maximum

A target of a minimum average over three years of 99% waste avoiding landfill across UK operations will apply which, if not achieved, will result in a downward modifier to the outcome under this Environmental measure.

Remuneration Committee report continued

Directors' remuneration report
Part 4: Additional disclosures

In this section of the Directors' remuneration report, more detail is provided in respect of a number of key disclosures. These disclosures include Executive Director pension entitlements, shareholdings, external appointments and contractual arrangements. More detail is also provided on the operation of the Remuneration Committee and AGM voting performance.

Service contracts and letters of appointment

All Executive Directors' employment contracts are not fixed term, but have twelve months' notice of termination on both sides. In the event of termination by the Company, there will be no compensation for loss of office due to misconduct or normal resignation. In other circumstances, Executive Directors may be entitled to receive compensation for loss of office which will be paid monthly for a maximum of twelve months. Such payments will be equivalent to the monthly salary that the Executive Director would have received if still in employment with the Company. Executive Directors will be expected to mitigate their loss within a twelve month period of their departure from the Company.

In their service contracts, Executive Directors have the following remuneration-related contractual provisions:

- Receipt of a salary, which is subject to annual review
- Receipt of a car allowance
- Health insurance and death-in-service insurance payable by the Group
- Eligibility to participate in any bonus scheme or arrangement which the Company may operate from time to time, subject to the plan's rules
- Participation in the Company's pension plan

Non-Executive Director appointments are for an initial period of three years. They are subject to re-appointment annually at the Annual General Meeting in accordance with the UK Corporate Governance Code. Non-Executive Directors are not entitled to any form of compensation in the event of early termination for whatever reason. Copies of the Directors' service contracts and letters of appointment are available at the Company's registered office during usual business hours.

Loss of office payments or payments to past Directors (audited)

No loss of office payments or payments to past Directors were made in the year under review.

External appointments

It is recognised that Executive Directors may be invited to become non-executive directors of other companies and that exposure to such duties can broaden their experience and skills, which will benefit the Company. Howdens allows Executive Directors and other appropriate senior employees to accept a maximum of one external non-executive appointment outside the Company, subject to permission from the Committee, provided this is not with a competing company nor likely to lead to conflicts of interest. Andrew Livingston is currently Non-Executive Director of LondonMetric Property Plc, a FTSE 250 REIT. Andrew received £56,714.16 in fees in respect of his role as Non-Executive Director. Andrew held this position upon appointment. Paul Hayes does not have any external appointments. Executive Directors may retain the fees paid to them in respect of their non-executive duties.

Total pension entitlements (audited)

Executive Directors are invited to participate in the Howdens Retirement Savings Plan (the 'Plan') or receive an amount in lieu of membership of the Plan. More information on pension entitlements for Executive Directors can be found on pages 115 and 119 and in the Directors' remuneration policy at www.howdenjoinerygroupplc.com/governance/remuneration-policy

The table below sets out the payments made in lieu of membership of the Plan for the Executive Directors who served during the year. No additional benefits become receivable if Executive Directors retire early.

	Executive Directors	
	Andrew Livingston	Paul Hayes
Accrued pension at 24 December 2022 (£'000)	-	-
Normal retirement date	-	-
Pension value in the year from defined benefit component (£'000)	-	-
Pension value in the year from defined contribution component (£'000)	-	-
Pension value in the year from cash allowance (£'000)	84	48
Total	84	48

Fixed Variable

Director shareholdings (audited)

In order that their interests are aligned with those of shareholders, Executive Directors are expected to build up and maintain a personal shareholding in the Company of at least 200% of salary.

The table below sets out the total shares held together with unvested Performance Share Plan awards and those held subject to deferral conditions. Neither of the Executive Directors held share options in the Company that were subject to performance conditions or held share options that were vested but unexercised.

	Current Executive Directors	
	Andrew Livingston	Paul Hayes
Shareholding requirement %	200%	200%
Shareholding requirement (number of shares)[1]	242,600	158,595
Shares owned outright (including by connected persons)[2,5]	318,772	22,816
Current shareholding (% of salary)[1]	263%	29%
Guideline met	Y	N
Unvested deferred bonus shares	19,432	12,705
Share awards subject only to continued employment[3]	165	118
Share awards subject to performance conditions and continued employment[4]	676,790	250,377

1 Based on a share price of £5.5235, being the three-month average price to 24 December 2022, and basic salary as at 24 December 2022. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons at 24 December 2022 and the Executive Director's salary at that date.

2 Includes Share Incentive Plan (SIP) partnership and dividend shares.

3 Includes only SIP free and matching shares.

4 Performance Share Plan awards under the Long-Term Incentive Plan.

5 Between 24 December 2022 (the end of the period) and 6 March 2023, Andrew Livingston has acquired 42 SIP Partnership Shares. No other changes to the Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 6 March 2023.

Non-Executive Director shareholdings (audited)

There is no shareholding requirement for Non-Executive Directors.

	Non-Executive Director					
	Karen Caddick	Andrew Cripps	Geoff Drabble	Louise Fowler	Peter Ventress	Debbie White
Shareholding[1,2]:	6,000	3,000	3,000	470	-	4,562

1 Including shares held by connected persons.

2 No changes to the Non-Executive Directors' total shareholdings (including any holdings of their connected persons) have occurred between the end of the period and 6 March 2023.

Remuneration Committee report continued

Directors' remuneration report
Part 4: Additional disclosures continued

Scheme interests awarded during the financial year (audited)

During 2022, the Executive Directors were invited to participate in the Performance Share Plan (PSP) and Share Incentive Plan (SIP), as set out in the table below. Further information on conditional shares and SIP free and matching shares may be found in note 23 on page 199:

Nature of award:	Award of Conditional Shares under the PSP	
	CEO	CFO
Number of shares under award	234,516	124,941
Face value of award[1]	£1,808,000	£963,000
Performance condition	Proportion of PSP award subject to the performance condition	
TSR performance condition:	33%	
PBT performance condition:	67%	
TSR component vesting schedule	Position at which Howdens ranks compared to comparators	Proportion of TSR portion of Award that may vest
	At or above upper quartile	100%
	Straight line vesting between these two points	
	At median	15%
	Below median	0%
PBT component vesting schedule	Annualised PBT growth over Performance Period	Proportion of PBT portion of Award that may vest
	15% p.a.	100%
	Straight line vesting between these two points	
	5% p.a.	15%
	Less than 5% p.a.	0%
Performance period	Performance measured from FY2021 to FY2024	
Grant date	6 Apr 2022	
Vesting date	6 Apr 2025	
Additional holding period	2 years	

1 Based on a share price of £7.708, being the closing price on 5 April 2022.

Nature of award:	Free and Matching Shares under the SIP[1]					
	Award type	Award date	Vest date	Number of shares under award	Award price[2]	Face value of award[2]
CEO	Free Shares	6 Apr 2022	6 Apr 2025	32	£7.708	£246.65
	Matching Shares	19 May 2022	19 May 2025	7	£6.564	£45.95
	Matching Shares	17 Jun 2022	17 Jun 2025	8	£5.994	£47.95
	Matching Shares	19 Jul 2022	19 Jul 2025	8	£6.266	£50.13
	Matching Shares	19 Aug 2022	19 Aug 2025	7	£6.588	£46.12
CFO	Matching Shares	19 Jan 2022	19 Jan 2025	6	£8.216	£49.30
	Free Shares	6 Apr 2022	6 Apr 2025	32	£7.708	£246.65
	Matching Shares	19 May 2022	19 May 2025	31	£6.564	£203.48

1 Free and Matching Share awards under the SIP do not have performance conditions; however, there is a service condition of three years from the Award date during which time the participant must remain employed by a UK Howdens Group company to avoid forfeiting the award.
2 The face value of the award is calculated using the share price at grant (the 'Award price').

Fixed Variable

Consideration by the Directors of matters relating to Directors' remuneration

The Committee met six times during 2022 and discussed a number of items for which it is responsible. Under its terms of reference, which are reviewed on an annual basis, the Committee is responsible for determining the broad policy and specific remuneration packages for Executive Directors and senior management (that being the members of the Executive Committee, the Company Secretary and the Head of Internal Audit and Risk), including pension rights and, where applicable, any compensation payments. The Committee is also regularly updated on pay and conditions applying to other employees in the Company.

Advisors to the Committee

The Committee regularly consults with the CEO, CFO and the Group HR Director on matters concerning remuneration, although they are never present when their own reward is under discussion. The Company Chair attends the Remuneration Committee by invitation except when his own remuneration is determined. The Company Secretary acts as secretary to the Committee but is never present when his own reward is determined.

The Committee also has access to detailed external information and research on market data and trends from independent consultants. A representative from the Committee's independent advisor usually attends each meeting of the Remuneration Committee. PricewaterhouseCoopers LLP (PwC) was the Committee's retained independent advisor until September 2022. PwC had been independent advisor to the Committee since 2007. During 2022, the Committee reviewed the independence and tenure of PwC as adviser to the Committee and agreed that a new advisor would provide a fresh perspective to the Committee. Following a tender process, Korn Ferry was appointed by the Committee in September 2022 to be its independent advisor. Korn Ferry is a member of the Remuneration Consultants' Group, which operates a code of conduct in relation to executive remuneration consulting, and it does not provide any other services to the Group. PwC provided consultancy advice and support to the internal audit function to the Company during 2022.

The Committee is satisfied that its advisors provided robust and professional advice during the year. Work undertaken during the year for the Committee included updating the Committee on trends in compensation and governance matters and advising the Committee in connection with benchmarking of the total reward packages for the Executive Directors and other senior members of staff.

Total fees paid to the Committee's advisors in relation to remuneration services provided to the Committee totalled £153,000 with fee levels based on the quantity and complexity of work undertaken.

Voting at the 2022 AGM

The results of the advisory vote in respect of the Directors' remuneration report ('Report') and the binding vote on the Directors' remuneration policy ('Policy') at the 2022 AGM may be found in the chart below, along with the 2021 and 2020 AGM results.

1. A vote 'for' includes those votes giving the Chair discretion.
2. A vote 'withheld' is not a vote in law.

By order of the Board

Karen Caddick
Remuneration Committee Chair

6 March 2023

Audit Committee report

2022 meeting attendance

Andrew Cripps (5/5)
Karen Caddick (5/5)
Geoff Drabble (5/5)
Louise Fowler (5/5)
Debbie White (5/5)

Key activities in the year ahead

- **Review of the Annual Report and Accounts and preliminary results announcement.**
- **Review of Audit Committee effectiveness.**
- **KPMG's reappointment as auditor to be recommended to shareholders at the Annual General Meeting (AGM).**
- **Shareholder update by the Audit Committee Chair at the AGM.**
- **Review of the 2023 interim results.**
- **Consideration of internal audit's annual plan, findings, independence, and resources.**
- **Review of key controls.**
- **Approval of the 2024 Audit Committee calendar.**

Andrew Cripps
Audit Committee Chair

Introduction from the Committee Chair

I am pleased to present this report covering the work of the Audit Committee.

In 2022, global events and business developments have required us to review a variety of financial and control risks at each meeting. In addition to our normal business overseeing the external and internal processes, we have also received updates from management on cyber and information security strategy, depot compliance and we met with the Commercial Finance Director to consider that function's risks and priorities.

Volatility in financial markets in the autumn also resulted in the Committee calling an additional meeting in January 2023 with the Company's pension advisors to review valuations of pension fund assets and liabilities because the carrying value of the pension fund is a significant item in the consolidated balance sheet.

During 2022, the new lead external audit partner and I were in regular contact and, at each meeting, the Committee received updates on KPMG's progress in their first year as our external auditor. More information on the onboarding process can be found in the case study on page 140. I'd also like to take this opportunity to thank Deloitte for their tenure as external auditor to Howdens.

I reported last year on our project to review the Group's internal controls to reappraise and document key controls and strengthen evidencing of the control environment. This work has continued throughout 2022 with the Audit Committee receiving updates on the project at each of its meetings during the year. This is considered in more detail on page 142 but I am pleased to note that the Group has made significant progress in documenting and 'attesting' controls and is automating controls wherever possible. This will improve our ability to evidence our control environment and enable the Committee to provide greater assurance to the Board.

The Committee undertook its regular governance reviews, reviewing external audit policies, monitoring the effectiveness of the external audit process and reviewing conflicts of interest. We await the outcome of the Government's White paper on 'Restoring trust in audit and corporate governance' and believe that we remain well positioned to respond to any proposed changes.

Finally, I was pleased no questions were raised by the FRC following their review of our 2021 Annual Report and Accounts in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures[1]. It was also pleasing to receive a number of accolades during the year in respect of the quality of our external reporting. Howdens was the recipient of the Annual Report of the Year - FTSE 250 award by the Chartered Governance Institute (formerly the ICSA) which recognised that our 2021 Annual Report had a consistently high standard of commentary throughout the report and offered real insights into the business. Later in the year, the FRC used our schematic on purpose, culture, sustainability and governance as a best practice example in their publication 'What makes a good… Annual Report and Accounts'.

Whilst it is reassuring to receive external recognition, we recognise the ongoing importance of maintaining rigorous reporting standards and will continue to strive for high standards in both our financial and non-financial reporting.

I look forward to reporting directly to shareholders at our AGM in May.

Andrew Cripps
Audit Committee Chair

2022 Audit Committee activity

H1

February

Committee meeting
- 2021 draft Annual Report and Accounts and Full Year Announcement
- External audit report
- External audit policies
- Internal audit report
- Key controls project
- Audit Committee effectiveness
- Discussion with external auditor (without management present)

April

Committee meeting
- Information security and cyber security reviews
- Key controls project update
- Internal audit report
- 2022 external audit plan
- Effectiveness of the external auditor and audit processes
- Discussion with Head of Internal Audit (without presence of management)

May

AGM
- The appointment of KPMG LLP as the external auditor and authority for the Directors to determine the auditor's remuneration were approved by shareholders

H2

July

Committee meeting
- 2022 half-year results, including going concern considerations
- External auditor half-year review
- Cyber security update
- Internal audit report
- Key controls project update
- Conflicts of interest review
- Discussion with external auditor (without management present)

September

Committee meeting
- Cyber security strategy
- Internal audit report
- Key controls project update
- Fraud control framework
- Commercial Finance Director update
- Depot compliance review
- Annual Report timetable
- Discussion with Head of Internal Audit (without management present)

November

Committee meeting
- External audit update
- 2023 internal audit plan and budget
- Audit and assurance policy update
- Key controls project update
- Terms of reference review
- 2023 Audit Committee calendar

1 The FRC's review was based on the Annual Report and Accounts and did not benefit from detailed knowledge of the business or an understanding of the underlying transactions entered into. It was, however, conducted by FRC staff with an understanding of the relevant legal and accounting framework. The review carried out by the FRC provides no assurance that the Annual Report and Accounts were correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Audit Committee report continued

Financial reporting

Results review

The Audit Committee reviewed the Group's 2022 Annual Report and Accounts and the half-yearly financial report published in July 2022.

As part of these reviews, the Committee received papers from management on accounting policy, areas of significant judgement, the Group's key risks, going concern considerations and longer-term viability. The Committee also discussed reports from KPMG on their audit of the Annual Report and Accounts and review of the half-yearly financial report.

The Committee considered whether the Annual Report and Accounts were fair, balanced and understandable and contained the information necessary for shareholders to assess the Company's position, performance, business model, and strategy.

Controls over financial reporting

The Committee received a report from the Head of Internal Audit and Risk on the results of key control questionnaires prepared by Group and Divisional management. The effectiveness of the Group's internal financial controls (with specific reference to controls in place on a divisional basis) and the disclosures made in the Annual Report and Accounts on this matter were reviewed by the Audit Committee.

The Committee also received regular updates in respect of the key controls project during the year. More information on the key controls project can be found on page 142.

Areas of significant financial judgement

The Committee exercises its judgement in deciding the areas of accounting that are significant to the Group's accounts. The external auditor's report details the results of their procedures in relation to these areas to the Committee.

The matters shown below have been discussed with the Chief Financial Officer, Group Finance Director, and the external auditor. The Committee is satisfied that each matter has been fully and adequately addressed by the Executive Committee, appropriately tested, and reviewed by the external auditor, and the disclosures made in the 2022 Annual Report and Accounts are appropriate.

Areas of significant financial judgement:

Inventory obsolescence provisioning

Defined benefit pension scheme

Parent company accounting (new in 2022)

Inventory obsolescence provisioning

The Group's in-stock model (further information about which may be found on pages 14 and 15) and the scale of our product range necessitates tight management of inventory to ensure local availability of stock while at the same time minimising obsolescence and wastage. In 2022, management continued to take a strategic position on stock.

The external auditor provided reports to the Committee which considered the appropriateness of provisions held against the carrying value of inventory, while also having regard to the age of discontinued lines and volumes of continuing lines relative to the expected usage and the levels of historical write-offs.

The Committee reviewed the processes used to value each category of inventory, including the assumptions behind obsolescence provisions, and were satisfied with the judgements made.

Actuarial valuation of pension fund liabilities

Whilst there were no changes in the year to the methodology for the valuation assumptions, the significant change to the discount rate during the year meant that there was additional focus on this judgemental disclosure.

The Committee met with the Company's actuaries and carefully reviewed their report, concluding that:

- the actuarial assumptions applied to pension fund liabilities, and in particular the discount, inflation and mortality assumptions, were consistent and appropriate; and
- they concurred with the views of the external auditors.

Valuation of pension fund assets

The Audit Committee also considered processes to value pension fund assets. Following market volatility in September 2022, 76% of total pension fund assets at the 2022 financial period end (2021: 35%) were assets for which there is no observable market value (see page 196). Some of the asset valuations required judgement because manager valuations at the balance sheet date were not expected to be available until after the finalisation of this report. To minimise the risk that the valuations were not in line with assumptions, the asset managers were contacted to check for indicators of impairment or expected impairments, any significant market events that may have impacted the assets since the latest valuation, or any significant changes in fund composition which would lead them to think that there had been any impairment since the most recent valuation date. The Committee concurred with the approach taken.

Parent company accounting

During the year, management reassessed accounting in the parent company, Howden Joinery Group Plc. This has led to clarification of the disclosure of the parent company's investment in its principal subsidiary and an impairment of an inter-company receivable in the parent company balance sheet. In addition, a review of the Group's leases under IFRS16 identified that certain leases needed to be included in the parent company accounts rather than being accounted for in the operating companies utilising the relevant properties because the parent company is the signatory of these leases.

These changes resulted in prior year adjustments to the parent company's accounts, including to distributable reserves. However, these do not affect the consolidated results of the Group previously reported.

The Audit Committee reviewed management's proposals relating to the parent company and concluded that all recommendations were appropriate. Further details of the changes to the parent company balance sheet may be found on page 209.

Other areas of Audit Committee consideration

Patent Box tax relief

The Board approved the submission of a claim for tax relief under the UK Patent Box Tax Relief Scheme in July 2022, as set out in detail on page 31. Following the approval, the claim was included in the 2021 tax computation. The claim relates to a patented cabinet leg and the submission to HMRC covers the total period claimable since the patent was filed in 2017. The Committee reviewed the recommendations of EY tax specialists who have been advising the Company on the claim.

The Company has to recognise the full likely amount of the claim in the financial statements in accordance with IFRIC 23 given the success of the claim is deemed to be more likely than not. However, the amounts will only be confirmed when the relevant tax returns are agreed by HMRC. The Audit Committee considered the Company's accounting treatment, assumptions surrounding the valuation of the claim, and the views of the tax advisors and external auditors, and concurred with the approach taken.

Governance

Governance updates

Updates on the latest governance practices for audit committees and changes in reporting requirements were provided by the external auditor. In addition to other resources, members of the Audit Committee are members of the KPMG Board Leadership Centre, which provides updates on financial and reporting matters.

The Committee received regular updates on the proposed corporate governance reforms as set out in the Government's White paper 'Restoring trust in audit and corporate governance'.

Committee effectiveness

An effectiveness review was carried out on the Committee and its members as part of the wider external Board evaluation process. The review concluded that the current mix of financial, commercial and relevant sector experience of the Audit Committee, and that of its advisors, was such that the Committee could effectively exercise its responsibilities to the Group in relation to risk and controls.

Policies and conflicts

The Committee reviewed its policies in relation to allocation of non-audit work (further detail on this policy may be found on pages 141 and 142) and employment of ex-audit firm personnel. It also reviewed the Directors' conflicts of interest register. Further information about the Committee's review of conflicts of interest may be found on page 143.

Competition and Markets Authority (CMA) Order compliance

The Audit Committee confirms that the Company has complied with the provisions of the Order throughout its financial period ended 24 December 2022 and up to the date of this report.

Committee membership

The Committee is composed entirely of independent Non-Executive Directors. Independence is critical for fair assessment of the management team and the external and internal audit functions.

Committee Chair

Andrew Cripps was appointed Audit Committee Chair in May 2016. He is responsible for determining the Committee's agenda and for maintaining the key relationships between the Group's senior management, Head of Internal Audit and Risk, the Company Secretary and senior representatives of the external auditor. He is also responsible for ensuring that key audit issues are reported to the Board in an effective and timely manner and that they are reported to shareholders in the Annual Report.

Andrew will present a summary of the work of the Audit Committee to shareholders at the 2023 AGM.

Recent and relevant financial experience

Andrew Cripps is a qualified Chartered Accountant and has held executive director roles in the UK and Europe with Rothmans International, where he was Corporate Finance Director. More recently, Andrew has been Audit Committee Chair of a number of FTSE 250 and other public companies.

Competence relevant to the sector

The unique business model of Howdens means it does not naturally fit into one sector and therefore when the Committee undertook an assessment of its skills and experience it assessed them against a number of sectors relevant to the Company. These included building and construction, multi-site wholesale, manufacturing and logistics, and service to customers.

The Committee concluded that competence relevant to these sectors was well represented within the current membership. Thorough inductions are provided to the Committee members and opportunities to meet with senior management and Executives further enhance their working knowledge of the way the Company operates.

Audit Committee report continued

External auditor*

External auditor	KPMG LLP ('KPMG')
External auditor appointed	12 May 2022
Lead audit partner	Robert Brent
Lead audit partner tenure	Year 1 (of a 5-year cycle)
Total fees paid to auditor in the year	£1.2m (non-audit fees accounted for £0.1m of the total fee)

* The information above is correct as at 24 December 2022.

External audit tender

Following a comprehensive external audit tender process, the Audit Committee made a recommendation to the Board in 2021 to appoint KPMG as the Group's external auditor from 2022. The Board recommended KPMG's appointment to its shareholders at the 2022 AGM and shareholders approved the appointment with 98.8% of votes in favour. A case study on the onboarding of the new external auditor can be found below. The Board will recommend KPMG's re-appointment to shareholders at the 2023 AGM.

External auditor independence

Auditor independence is an essential part of the audit framework and the assurance it provides. The Committee therefore undertook a comprehensive review of auditor independence prior to appointment and during 2022, which included:

- A review of the independence of the external auditor and the arrangements which they have in place to restrict, identify, report and manage conflicts of interest.
- A review of the changes in key external audit staff for the current year and the arrangements for the day-to-day management of the audit relationship.
- Consideration of the overall extent of non-audit services provided by the external auditor, in addition to case-by-case approval of the provision of non-audit services as appropriate.
- Deliberation of the likelihood of a withdrawal of the auditor from the market and note taken of the fact that there are no contractual obligations to restrict the choice of external auditor.

Case study

External auditor transition

Transitioning to a new external auditor creates a number of risks and benefits for companies. Ensuring that the new auditor is prepared and 'hits the ground running' on their first audit can help to mitigate some of these risks. Selecting the right audit team that will work collaboratively with the Company's finance teams and minimise management disruption is essential. However, an updated audit approach and fresh perspective also benefits audit quality, so it is important to ensure a seamless transition between ingoing and outgoing auditors.

During the external auditor tender process, the Audit Committee considered proposals on the approach to transition from the incumbent auditor (Deloitte). In their proposal, KPMG set out their transition methodology and timetable, which is considered in this case study.

Following confirmation of the Company's intention to appoint KPMG as auditor, KPMG set out to execute their transition plans to the agreed timetable. Five factors for a successful transition were identified:

1. Early clearance of accounting judgements
2. Clear understanding of how the Howdens business operates
3. Focus on all aspects of reporting, including statutory accounts
4. Early and proactive communication and identification of issues all year round
5. Focused approach without compromising quality

From June 2021, KPMG shadowed Deloitte and this continued throughout the 2021 year-end process. The KPMG team were able to observe ways of working with the Howdens finance teams and familiarise themselves with the key accounting judgements and risk assessments. Senior members of the KPMG team also attended Audit Committee meetings from July 2021 to observe the Committee at work. Concurrently, the KPMG team met with the Howdens finance and internal audit teams to discuss plans for the 2022 half-year review and audit.

Following the conclusion of the 2021 audit by Deloitte, KPMG undertook a thorough review of the outgoing auditor's audit files, launched the KPMG Clara collaboration tool and provisionally confirmed key accounting policies and approach to judgements. There were initial walkthroughs of the end-to-end processes for the key transaction flows (such as revenue recognition and inventory management). The approach towards technology was set out in a detailed plan, as well as data extraction to assess the general IT control environment.

The Audit Committee received an update on how transition plans were progressing at the April 2022 Committee meeting. The lead audit partner also met with all members of the Board ahead of the half-year review to discuss their expectations and areas of focus for the audit process.

The successful transition process has resulted in a high-quality audit from the KPMG team and a corresponding level of assurance for the Audit Committee. We will continue to refine the audit process further in future years.

At the year end, the external auditor formally confirmed that they had complied with the requirements of the FRC Ethical Standard as well as internal requirements and their independence and objectivity had been maintained. The Audit Committee also has a policy in relation to the employment of former members of the external audit team.

External auditor effectiveness

To assess the effectiveness of the external auditor, the Committee reviewed:

- The proposed plan of work presented by the external auditor, including audit risks, materiality, terms of engagement and fees prior to commencement of the 2022 audit.
- The external auditor's fulfilment of the agreed audit plan and any variations from the plan.
- Evaluation from key management personnel and members of the Committee of the external auditor's exercise of professional scepticism and challenge.
- Robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements.
- Internal control and risk content of the external auditor's report.
- Independence of thought and potential for conflict.

External auditor fees

All relevant fees proposed by the external auditor must be reported to and approved by the Audit Committee.

Details of external audit fees may be found in the table on the facing page and in note 4 to the consolidated financial statements (page 172).

Policy for non-audit services provided by the external auditor

The main aims of this policy are to:

- Ensure the independence of the auditor in performing the statutory audit; and
- Avoid any conflict of interest by clearly detailing the types of work that the auditor can and cannot undertake.

The Audit Committee has reviewed the policy for non-audit services to ensure that it is in line with the FRC's Revised Ethical Standards 2019 (which took effect from 15 March 2020) and the FRC's Audit Quality Practice Aid 2019.

The policy, in line with regulation, substantially limits the non-audit services which can be provided by the external auditor. The policy provides:

- A 70% cap of the value of the audit fee for all non-audit services calculated on a rolling three-year basis.
- Categories of service that are prohibited from being carried out by the auditor.

Performance expectations for the external auditor

Specific auditor responsibilities

- Discuss the audit plan, materiality, and areas of focus in advance.
- Report issues at all levels within the Company in a timely fashion.
- Ensure clarity of roles and responsibilities between local KPMG and Howdens' Finance teams.
- Respond to any issues raised by management on a timely basis.
- Meet agreed deadlines.
- Provide continuity and succession planning of key staff members of KPMG.
- Provide sufficient time for management to consider draft auditor's reports and respond to requests and queries.
- Ensure consistent communication between local and central audit teams.

Wider responsibilities

- Provide timely up-to-date knowledge of technical and governance issues.
- Serve as an industry resource, communicating best practice trends in reporting.
- Adhere to all independence policies.
- Deliver a focused and consistent audit approach for the Group that reflects local risks and materiality.
- Liaise with the Howdens Internal Audit and Risk team to avoid duplication of work.
- Provide consistency in advice at all levels.
- Ultimately, provide a high-quality service to the Board, be scrupulous in their scrutiny of the Group and act with utmost integrity.

Independence

The Committee reviews the independence of the external auditor bi-annually. This includes consideration of the potential for conflicts of interest as well as the auditor's internal procedures to ensure independence of its staff.

Audit Committee report continued

The policy specifies a de minimis limit as well as the type of non-audit work that the auditor may be engaged in without the matter first being referred to the Audit Committee, which considers each referral on a case-by-case basis.

The policy ensures that the auditor does not audit its own work or make management decisions for the Company or any of its subsidiaries. The policy also clarifies responsibilities for the agreement of fees payable for non-audit work.

No non-audit services were provided by KPMG during the year.

Controls and internal audit

Internal control framework

The Group has an established framework of internal controls, which includes the following key elements:

- The Board approves the Group's strategy and annual budgets; the Executive Committee is accountable for performance within these.
- The Group and its subsidiaries operate control procedures designed to ensure complete and accurate accounting of financial transactions and to limit exposure to loss of assets or fraud.
- The Audit Committee meets regularly and its responsibilities are set out in the Audit Committee Terms of Reference (which may be found on the Company's website at www.howdenjoinerygroupplc.com/governance/corporate-governance-report/terms-of-reference-of-the-audit-committee). It receives reports from the Internal Audit function on the results of work carried out under an annually agreed audit programme. Operational and compliance controls are considered when the Committee reviews the annual Internal Audit programme. The Audit Committee has full and unfettered access to the internal and external auditors.
- Operating entities provide certified statements of compliance with specified key financial, IT and cyber controls. These controls are cyclically tested by Internal Audit to ensure they remain effective and are being consistently applied.
- The Audit Committee annually assesses the effectiveness of the assurance provided by the internal and external auditors.

Key Controls

As reported in the 2021 Annual Report and Accounts, management have challenged and reviewed key controls across the business to focus and further strengthen our overall control framework. Sponsored by the CEO and CFO, and reporting regularly to the Audit Committee, this project is improving our capability to identify operational, IT and financial controls which mitigate our key and principal risks and evidence their effective implementation.

Good progress in delivery of the project continued throughout 2022 with regular updates being provided to the Audit Committee. Internal project management and governance frameworks were determined to be working effectively and the Committee was satisfied with the progress made during the year.

The Committee remains committed to the activities to strengthen the control environment regardless of the outcome of the Government's White paper 'Restoring trust in audit and corporate governance', although it is likely that this will guide prioritisation and activity for 2023.

Internal audit

The Internal Audit team has continued to develop its capabilities during the year. This includes further development of data analytics and systemisation of controls. An updated Internal Audit Charter has been approved by the Committee and communicated to management, thereby refreshing understanding of responsibilities for internal controls and their verification, based on the three lines of defence model.

The Committee reviewed:

- Internal Audit's programme of work and resources and approved its annual plan and budget.
- The level and nature of assurance activity performed by Internal Audit.
- Results of audits and other significant findings including the adequacy and timeliness of management's response.
- Staffing, reporting and effectiveness of divisional audit.

Independent assurance

The Committee assessed the coverage of independent assurance by reviewing the annual internal audit plan against the Group's key controls.

Internal audit effectiveness

The Committee considered that the Internal Audit function remained effective and provided a comprehensive level of assurance through its programme of work.

The Audit Committee has commissioned an external assessment of the internal audit function every five years to assess the performance and effectiveness of the Internal Audit department.

In 2021, the Audit Committee commissioned an external quality assessment (EQA) readiness assessment (a standard developed by the Chartered Institute of Internal Auditors) of the internal audit function. An EQA evaluates conformance with the International Professional Practices Framework (IPPF), which includes the Code of Ethics, the Core Principles, the Definition of Internal Audit and the International Standards for the Professional Practice of Internal Auditing (the IIA Standards).

The readiness assessment concluded that the function's processes were effective and robust and would be sufficient to meet the requirements of a full EQA. No areas reviewed were considered to be of concern, although a small number of best practice improvement recommendations were made and have been implemented in 2022.

Given the output of the EQA readiness assessment, the Audit Committee agreed to reconsider external assessment of the function in three years' time. As such, the next effectiveness review will be considered in 2024.

Fraud risk

The Committee considered the controls in place to mitigate fraud risk and received a report from Internal Audit which confirmed the effectiveness of those controls. A further enhancement project is underway as part of our key controls.

Cyber and information security risk

The risk of a cyber security incident is considered to be one of the Group's principal risks. More information on this risk can be found on page 43.

Updates on cyber and information security were presented to the Committee by the Head of Information Security and the Director of Infrastructure and Service Delivery at the Committee meetings in April and July. In September, the Committee noted that, in addition to the development of technical controls to mitigate the increasing risk of a cyber security incident, a revised strategy for Security Governance had been implemented to ensure clear direction to the business.

There were no significant information security breaches during the year and there have been no such breaches during the preceding three-year period.

Divisional controls

Senior management from the business are invited to discuss the controls in their business areas. The Director of Finance and the Head of Compliance for the Trade division gave presentations on the key risks and control environments in their area. In September, the Commercial Finance Director also presented to the Committee.

Whistleblowing

Complaints on accounting, risk issues, internal controls, auditing issues and related matters are reported to the Audit Committee as appropriate. Oversight of the Company's whistleblowing policy is a matter considered by the Board. The Board receives biannual updates on whistleblowing statistics and trends (see pages 82 and 83).

Conflicts of interest

The Companies Act 2006 places a duty upon Directors to ensure that they do not, without the Company's prior consent, place themselves in a position where there is a conflict, or possible conflict, between the duties they owe the Company and either their personal interests or other duties they owe to a third party.

If any Director becomes aware that they, or any party connected to them, have an interest in an existing or proposed transaction with the Company, they must notify the Board as soon as practicable. The Board has the authority to authorise a conflict if it is determined that to do so would be in the best interests of the Company. The Audit Committee reviews the output of this process annually to ensure it is appropriately monitored.

By order of the Board

Andrew Cripps
Audit Committee Chair

6 March 2023

Sustainability Committee report

2022 meeting attendance

Peter Ventress (1/1) Appointed 1 July 2022
Richard Pennycook (1/1) Retired 17 September 2022
Andrew Cripps (2/2)
Karen Caddick (2/2)
Geoff Drabble (2/2)
Louise Fowler (2/2)
Debbie White (2/2)

Key activities in the year ahead

- **Receive updates on workforce skills and development.**
- **Receive updates on sustainability strategy, including Net Zero plans.**
- **Review of the Sustainability Comittee Terms of Reference.**
- **Approval of the 2024 Sustainability Committee calendar.**

Peter Ventress
Sustainability Committee Chairman

Introduction from the Sustainability Committee Chair

Howdens has a sustainable business ethos. Being 'worthwhile for all concerned' means that having a positive impact on our environment is a key part of our overall growth plans. But we are also committed to making our business more diverse, creating opportunities for all, and removing barriers to employment. These are the matters, in line with commercial considerations, that matter most to our employees, our investors, and our wider stakeholder base.

Many of the items considered and approved at the Sustainability Committee are considered in detail in the sustainability matters report (which begins on page 46), part of the strategic report, so this Committee report is necessarily shorter than other Committee reports to avoid duplication. However, it is important to detail the role, remit, and responsibilities of the Committee, to highlight some of the key work of the Committee during the year, and to consider the work of the Committee in the year ahead.

Role, remit and responsibilities

The primary purpose of the Howdens Sustainability Committee is to assist the Board in articulating and developing its sustainability strategy and providing oversight of sustainability initiatives across the business, in line with the purpose, values, and strategy of Howdens as established by the Board. This includes monitoring the content and completeness of Howdens' external statements, disclosures, and other reporting on sustainability matters.

Setting the tone from the top on environmental and social matters, ensuring that these priorities are embedded in wider strategy, and developing robust KPIs are key functions of the Committee and I am pleased to report that the first full year of the Sustainability Committee has been a successful one.

The key duties the Committee carries out in relation to any environment and climate action and Howdens' contribution to society were set out on page 143 of the 2021 Annual Report and Accounts, which can be accessed on our corporate website (www.howdenjoinerygroupplc.com). However, it will also consider any other matters referred by the Board or its Committees relevant to sustainability.

The remit of the Sustainability Committee does not cover governance matters per se and these remain a matter for the Board and its Committees. The Committee will also liaise as necessary with all other Board Committees as required.

The work of the Committee in 2022

Reducing carbon

Having made great progress on energy and waste reduction in 2021, particularly achieving carbon neutral in manufacturing at our Howden and Runcorn sites, the Committee was mindful to keep the momentum into 2022. Building a credible SBTi Net Zero plan and extending carbon neutral to Howdens Work Surfaces were two priorities for the Committee during the year. More information on our SBTi Net Zero plans can be found on page 52. The Committee will monitor the development of these plans, particularly the initiatives to reduce Scope 3 emissions which make up 90% of the Group's total emissions.

To support the implementation of the Net Zero plan, the Remuneration Committee has for the first time introduced carbon reduction measures as part of our Executive remuneration framework (see page 114).

TCFD - business resilience

The Sustainability Committee is mindful to understand key climate risks and opportunities. We do this through our business resilience framework, which is documented through our TCFD disclosures.

These disclosures are contained in the strategic report on pages 54 to 61. The Committee has encouraged a simple and pragmatic approach to business resilience. Building on the disclosures in 2021, the Committee considered three model scenarios, a materiality impact assessment and associated action plan. These are integrated with the SBTi Net Zero plans which include comprehensive supply chain mapping, a compelling customer sustainability offer and regular review of Howdens sustainability strategy.

Supported by external consultancy, TT Impact Strategies, the Group utilised the following methodology for TCFD implementation:

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

Equality, diversity and inclusion (EDI)

The Sustainability Committee received updates from the Group HR Director and the senior HR team on the progress made during the year in respect of the EDI Group. Building on the progress made during 2021, the Committee considered updates on Executive Sponsorship of priority areas, training, engagement and data. In the short term, business focus is on building foundations, increasing confidence and capability, but in the longer term, the business believes that a mature EDI programme will provide a competitive advantage and will be fully integrated into our ways of working.

In September, the Committee received the Best Companies diversity data. Data captured as part of the Best Companies survey provided the Company with its first diversity census. The Committee noted that the data was being used to drive local EDI activities. Around 5,900 of the 7,300 employees who participated in the survey completed the EDI questions, equating to an average response rate of 80%.

The Committee also considered the work done to date on employee wellbeing.

2022 Sustainability Committee activity

April

Committee meeting
- Sustainability progress
- EDI, wellbeing and apprenticeships
- Modern Slavery Statement

September

Committee meeting
- Sustainability progress, including Net Zero plans, TCFD disclosures and industry leadership
- EDI and apprentices
- 2023 Committee calendar
- Terms of reference

Apprentices

The Committee received updates on Howdens' apprenticeship programmes at each of its meetings during the year. Having committed to transferring 20% of the apprenticeship levy to fund construction apprenticeships in small businesses across the UK, it was particularly pleasing to receive the UK Social Mobility Award for Innovation in October.

More information on Howdens' approach to social mobility can be found on page 65.

Sustainability in 2023

The Committee will continue to focus on the core environmental and social matters that matter the most to our stakeholders. This will include further development of our SBTi Net Zero carbon reduction strategy and promoting our EDI agenda. We will continue to communicate our progress and priorities as part of Howdens wider strategy.

By order of the Board

Peter Ventress
Sustainability Committee Chairman

6 March 2023

Strategic Report
Governance
Financial Statements
Additional Information

Directors' report

The Directors have pleasure in submitting their report and the audited financial statements for the 52 week period ended 24 December 2022. Comparative figures relate to the 52 weeks ended 25 December 2021.

To make our Annual Report and Accounts more accessible, a number of the sections traditionally found in this report can be found in other sections of this Annual Report and Accounts where it is deemed that the information is presented in a more connected and accessible way. The Directors' report comprises the sections detailed below, including the statement on political donations and research and development ('R&D'). Any sections that have been moved have been cross-referenced below for ease of reference:

Located in the sustainability report:

Greenhouse gas emissions and streamlined energy and carbon reporting (SECR): Details of the Group's greenhouse gas emissions, as required by Sch. 7 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulation 2008 as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, are set out on page 69. Information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 (SI 2018/1155), may be found on pages 68 and 69.

Located in the governance section:

2018 UK Corporate Governance Code (the 'Code'): Information on how the Company applied the Principles and complied with the Provisions of the Code may be found on pages 96 to 101. A copy of the Code can be accessed via www.frc.org.uk.

Internal control and risk management arrangements: Internal control arrangements information may be found in the Audit Committee report on page 142. Risk management arrangements information may be found on pages 36 to 38 and in the Principal risks and uncertainties section beginning on page 39.

Diversity policies: The Board and Group diversity policies are available on page 106 of the Nominations Committee report.

Stakeholder engagement: Details regarding the engagement with suppliers, customers, and others in business relationships with the Company, as required by Sch. 7 to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), may be found on pages 88 to 95.

Employees: Information about the total number of employees and gender diversity statistics are located on page 105. The average number of employees and their remuneration are shown in note 21 on page 192. The methods of engaging with the workforce may be found on pages 90 and 91. All eligible UK employees have been invited to participate in a free share award under the Company's Share Incentive Plan (SIP) each year since 2015, and in 2021 and 2022 were invited to participate in a new SIP Partnership and Matching Shares plan. Further details of the SIP may be found in note 23 on page 199.

Located in the strategic report:

Principal Group activities, business review and results: The principal activities of Howden Joinery Group Plc and its subsidiaries can be found on pages 2 to 35.

Dividend: Dividend information can be found in the Chairman's statement on page 18 and the 'Financial review' on page 32.

Directors' statement of disclosure of information to the auditor: This statement may be found on page 74.

Located in the additional information section:

Annual General Meeting (AGM): Information about AGM can be found on page 214. The recommendation to reappoint KPMG LLP as the Group's auditor, can be found on pages 136 and 140.

Share capital, substantial shareholdings and acquisition of the Company's own shares: Information in this regard can be found on pages 214 and 215.

Indemnity and Insurance: Details of Directors' Indemnity and Insurance is located on page 215.

Significant agreements: Details of any agreements that take effect, alter or terminate upon a change of control may be found page 215.

Disclosure required under Listing Rule 9.8.4R: The locations in this Annual Report and Accounts of disclosures in relation to LR 9.8.4R are set out below:

- Details of long-term incentive schemes: note 23 beginning on page 199.
- Dividend waivers: page 214.
- Published profit forecast made during the reporting period to 24 December 2022: page 215.

The remaining disclosures required by LR 9.8.4R are not applicable to the Company.

Political donations and R&D

The Group made no political donations during the current and previous financial year. Nor has it made any contributions to any non-UK political party during the current or previous financial year. The Group also has not undertaken research and development activities during the 2022 financial period.

By order of the Board

Forbes McNaughton
Company Secretary

6 March 2023

Non-financial reporting

Non-financial measures are an important part of our business and we have recognised the importance of non-financial information in our annual reports for many years. The Board is committed to acting responsibly and working with our stakeholders to manage the social and ethical impact of our activities. We aim to treat all our stakeholders fairly and with integrity, as we explain in the introduction to our sustainability matters report on page 48.

We have a number of Group policies to provide guidance to our employees. The policies are designed to be easily understood and they generally include examples of acceptable and unacceptable behaviours.

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

Focus area	Policies and statements	More information and outcomes
Environmental matters	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	• Greenhouse gas emissions and streamlined energy and carbon reporting (pages 68 and 69). • Discussion of the Company's progress on implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (pages 54 to 61). • Discussion of the UN Sustainable Development Goals and our progress on 'zero waste to landfill' and carbon neutral manufacturing (page 50). • KPI on production waste reuse, recovery, and recycling and our target of 100% of wood-based material used in manufacturing processes being made from FSC® or PEFC certified sources (page 29). • Discussions of our efforts to reduce waste and our responsible, energy-efficient operations (page 50).
Social matters	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	• Our impact on our stakeholders (starting on page 62) and engagement with stakeholders (starting on page 88). • Our work with local and national charities (page 70).
Respect for human rights	Sustainability and Corporate Social Responsibility Statement of Intent, and Modern Slavery Statement (see Group website).	• Discussion of the UN Sustainable Development Goal 8 (Decent Work and Economic Growth) (page 50). • Our Modern Slavery Statement (see Group website) sets out how we actively monitor suppliers and train our procurement staff. • Internationally recognised labour standards form part of our contracts of employment.
Anti-bribery and corruption	Anti-bribery and corruption, conflicts of interest, corporate gifts and hospitality, anti-money laundering, anti-tax evasion and competition law.	• The Board considers and approves the following Group policies: anti-bribery and corruption, anti-money laundering, anti-tax evasion, competition law policy, market abuse compliance and the Modern Slavery Statement and whistleblowing. • We have a rolling programme of refresher training on modern slavery and anti-bribery for our compliance team and buyers. • Further information about our whistleblowing facility may be found on pages 91, 97 and 143.
Employees	Health & Safety Statement of Intent (see Group website), market abuse compliance, data protection and privacy, and whistleblowing.	• KPI on Health and Safety and discussion of Health and Safety performance and initiatives (page 29). • Discussion of employee rewards and benefits, development opportunities and apprentice schemes (pages 65, 119 and 121). • Diversity policies and statistics (pages 105 and 106). • Workforce engagement (pages 90 and 91). • Directors' remuneration policy (see Group website for the full policy or pages 117 to 121 for a summary of the policy).

We outline our business model on pages 14 and 15. All of our non-financial KPIs are presented together on page 29. A discussion of our principal and emerging risks, including those related to our business relationships, products and services, as well as a description of our risk management process, starts at page 36.

Financial Statements

Our financial performance

Revenue
£2,319m (2021: £2,094m)

2018	£1,511m
2019	£1,584m
2020	£1,548m
2021	£2,094m
2022	£2,319m

Profit before tax
£406m (2021: £390m)

2018	£239m
2019	£261m
2020	£185m
2021	£390m
2022	£406m

Net cash
£308m (2021: £515m)

2018	£231m
2019	£267m
2020	£431m
2021	£515m
2022	£308m

Operating profit
£415m (2021: £402m)

2018	£240m
2019	£260m
2020	£196m
2021	£402m
2022	£415m

EPS
65.8p (2021: 53.2p)

2018	31p
2019	35p
2020	25p
2021	53.2p
2022	65.8p

Dividends paid
£115m paid in 2022

2018	£68.3m
2019	£0m
2020	£68.3m
2021 (inc. £54.1m special dividend)	£133.6m
2022	£115.0m

Share buybacks
£250.5m (2021: £50.0m)

2018	£62.2m
2019	£55.2m
2020	£9.8m
2021	£50.0m
2022	£250.5m

Independent auditor's report

To the members of Howden Joinery Group Plc

1. Our opinion is unmodified

In our opinion:

- the financial statements of Howden Joinery Group Plc give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 24 December 2022, and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What our opinion covers

We have audited the Group and Parent Company financial statements of Howden Joinery Group Plc ('the Company') for the 52 week period ended 24 December 2022 (FY22) included in the Annual Report and Accounts, which comprise:

Group (Howden Joinery Group Plc and its subsidiaries)

- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated balance sheet
- Consolidated statement of changes in equity
- Consolidated cash flow statement
- Notes 1 to 26 to the Group financial statements, including the accounting policies in note 1.

Parent Company (Howden Joinery Group Plc)

- Company balance sheet
- Company statement of changes in equity
- Notes 1 to 7 to the Parent Company financial statements, including the accounting policies in note 1.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion and matters included in this report are consistent with those discussed and included in our reporting to the Audit Committee ("AC").

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

2. Overview of our audit

Factors driving our view of risks

We have undertaken a risk assessment to identify those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. We have considered the sector in which the Company operates and the external factors that drives the key underlying risks. We have determined that the accounting for inventory is of significance to our audit given the retail nature of the Group. We have also identified the defined benefit plan given the sensitives to movements in the key assumptions. In addition, the scheme assets include a high proportion of assets (such as unquoted equity, property and credit funds) for which there is no external observable market price ("Level 3 pension assets").

Key Audit Matters	Item
Accounting for inventories (Group)	4.1
Defined benefit pension scheme (Group)	4.2
Recoverability of Parent Company's investment in subsidiaries and debt due from group entities (Parent Company)	4.3

Audit committee interaction

During the year, the AC met 5 times. KPMG are invited to attend all Audit Committee meetings and are provided with opportunities to meet with the Audit Committee in private sessions without the Executive Directors being present. For each Key Audit Matter, we have set out communications with the Audit Committee in section 4, including matters that required particular judgement for each. We also have opportunities to meet with the Audit Committee Chair outside the formal Audit Committee meetings, to discuss our ongoing audit and developments with regard to the key judgments.

The matters included in the Audit Committee report on page 138 are materially consistent with our observations of those meetings.

Our independence

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities.

We have not performed any non-audit services during FY22 or subsequently which are prohibited by the FRC Ethical Standard.

We were first appointed as auditor by the shareholders for the 52 week period ended 24 December 2022 on 12 May 2022. The period of total uninterrupted engagement is for the financial year ended 24 December 2022.

The Group engagement partner is required to rotate every 5 years. As these are the first set of the Group's financial statements signed by Robert Brent, he will be required to rotate off after the FY26 audit.

Total audit fee	£1.1m
Audit related fees (including interim review)	£0.1m
Other services	£nil
Non-audit fee as a % of total audit and audit related fee %	n/a
Date first appointed	12 May 2022
Uninterrupted audit tenure	1 year
Next financial period which requires a tender	2032
Tenure of Group engagement partner	1 year

Materiality (item 6 below)

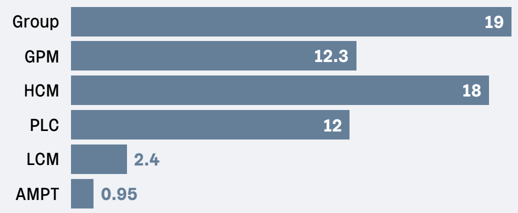
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £19.0m and for the Parent Company financial statements as a whole at £12.0m.

We determined that profit before tax from continuing operations is the benchmark for the Group. As such, we based our Group materiality on profit before tax from continuing operations, of which it represents 4.7%.

Materiality for the Parent Company financial statements was determined with reference to a benchmark of Parent Company total assets of which it represents 1.0%

Materiality levels used in our audit (FY22 £m)



Group Group Materiality
GPM Group Performance Materiality
HCM Highest Component Materiality
PLC Parent Company Materiality
LCM Lowest Component Materiality
AMPT Audit Misstatement Posting Threshold

Independent auditor's report continued

To the members of Howden Joinery Group Plc

Group scope (item 7 below)

We have performed risk assessment and planning procedures to determine which of the Group's components are likely to include risks of material misstatement to the Group financial statements and the type of procedures to be performed at these components. The audit of all components, including the audit of the parent company, was performed by the Group team.

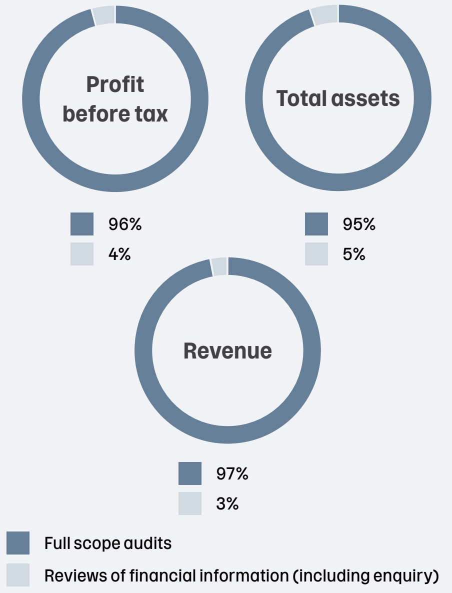
The Group has 14 reporting components. We determined individually financially significant components as those contributing at least 10% of total revenue or total assets. We selected these because these are the most representative of the relative size of the components. We identified 5 components as individually financially significant components and performed full scope audits on these components.

The components within the scope of our work accounted for the percentages illustrated opposite. Our audit of the Group was undertaken to the materiality levels specified above and was performed by a single audit team.

In addition, we have performed Group level analysis on the remaining components to determine whether further risks of material misstatement exist in those components.

We consider the scope of our audit, as communicated to the Audit Committee, to be an appropriate basis for our audit opinion.

Coverage of Group financial statements



The impact of climate change on our audit

We have considered the potential impacts of climate change on the financial statements as part of planning our audit.

On page 36, the Group has explained that climate change is its most significant emerging risk. It identifies this both in terms of transitional risks as the world moves towards a zero-carbon economy, and the physical risks presented as climate change. The Group has set its own targets to reduce emissions, as described on page 52.

Climate change impacts the Group in a variety of ways, and pages 59 to 61 describe the associated risks and opportunities identified by the directors. These include the impact of climate risk on the reputation of the Group. However, the Group has not identified any risks which have a material impact on the preparation of the financial statements.

We performed a risk assessment, taking into account climate change risks and commitments made by the Group, of how climate change may impact the financial statements and our audit. This included enquiries of management, consideration of the Group's processes for assessing the potential impact of climate change risk on the financial statements and assessing the TCFD scenario analysis performed by the Group.

We held discussions with our own climate change professionals to challenge our risk assessment.

Based on our risk assessment we determined that the climate related risks to the Group's business, strategy and financial planning do not have a significant impact on balances in the financial statements or on our key audit matters.

We have read the Group's disclosure of climate related information in the front half of the annual report as set out on pages 52 to 61, and considered consistency with the financial statements and our audit knowledge.

3. Going concern, viability and principal risks and uncertainties

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Going concern

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were :

- Customer confidence in light of the current cost of living challenges, and the possibility of this negatively impacting the group's sales;
- The impact of significant inflationary pressures on the Group's supply chain.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by assessing the degree of downside assumption that, individually and collectively, could result in a liquidity issue, taking into account the Group's and Company's current and projected cash and facilities (a reverse stress test).

We assessed the completeness of the going concern disclosure in note 1 to the financial statements.

Accordingly, based on those procedures, we found the directors' use of the going concern basis of preparation without any material uncertainty for the Group and Parent Company to be appropriate. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

Our conclusions

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period;
- We have nothing material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Parent Company's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable; and
- The related statement under the Listing Rules set out on page 71 is materially consistent with the financial statements and our audit knowledge.

Independent auditor's report continued

To the members of Howden Joinery Group Plc

Disclosures of emerging and principal risks and longer-term viability

Our responsibility

We are required to perform procedures to identify whether there is a material inconsistency between the directors' disclosures in respect of emerging and principal risks and the viability statement, and the financial statements and our audit knowledge.

Based on those procedures, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Viability statement that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks and uncertainties disclosures describing these risks and how emerging risks are identified and explaining how they are being managed and mitigated; and
- the directors' explanation in the Viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We are also required to review the Viability statement set out on page 73 under the Listing Rules.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Parent Company's longer-term viability.

Our reporting

We have nothing material to add or draw attention to in relation to these disclosures.

We have concluded that these disclosures are materially consistent with the financial statements and our audit knowledge.

4. Key audit matters

What we mean

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

We include below the Key Audit Matters in decreasing order of audit significance together with our key audit procedures to address those matters and our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, for the purpose of our audit of the financial statements as a whole. We do not provide a separate opinion on these matters.

4.1 Accounting for inventory (Group)

Financial Statement Elements	FY22	Our results
Inventories gross value	£426.8m	FY22: Acceptable
Inventories provision	£53.5m	

Description of the Key Audit Matter

Accounting for inventory (quantities and cost)

The Group holds a significant amount of inventory across its large depot network and a number of warehouses. As at 24 December 2022, net inventory, after recognising relevant provisions is £373.3 million.

The Group's inventory is comprised of a wide product range, typically held in large quantities. The Group conducts periodic inventory counts at its warehouses and annual counts at each of its depots, which are performed throughout the year. It updates its inventory records to reflect the results of the counts.

Cost of inventory is based on a standard cost which is updated annually. Variances to standard cost are analysed and apportioned to inventory at the period end.

Whilst the quantities and cost of inventory is not considered to represent a significant risk of material misstatement, it is one of the matters that has the greatest effect on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team in order to conclude.

Subjective estimate

The scale of the Group's product range means there is significant management judgement in determining the adequacy and completeness of the inventory obsolescence provision, in particular the provision applied to discontinued and slow-moving product lines. In addition, given the judgement required in determining this provisioning which relies on forward-looking information, we have therefore identified this as an area at higher risk of fraud or error.

The effect of these matters is that, as part of our risk assessment, we determined that the inventory obsolescence provision has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.

Our response to the risk

Our procedures to address the risk included:

- **Tests of detail:** we counted a sample of inventory lines across a sample of the Group's depots and warehouses and compared the results of our counts to the Group's inventory records. Where our counts were performed prior to or after the period-end, we rolled forward or backward our count results to the period-end date and tested any movements in inventory quantities by comparing to relevant supporting documentation. We examined the results of our count procedures using statistical routines.
- **Test of detail:** we evaluated the appropriateness of the variances to standard cost which are apportioned to inventory by comparing those variances back to relevant source data and independently recalculating the amount.
- **Our sector experience:** we assessed management's methodology and key assumptions supporting the inventory provision, including the expected level of inventory that will not be in demand and respective sales prices, against our knowledge of the business and industry.
- **Historical comparisons:** we assessed management's assumptions made in the inventory obsolescence provision by comparing to the historical utilisation.
- **Test of detail:** we evaluated the appropriateness of each of the key assumptions within the provision which are supported by data elements back to relevant source data and challenged the level of provision applied by management to discontinued items by independently recalculating the provision percentages.
- **Test of detail:** we evaluated the completeness of the provision by testing a sample of current inventory lines for slow moving items or sales prices below cost to evaluate whether additional provisioning is required.
- **Assessing transparency:** we assessed the adequacy of the financial statement disclosures about the degree of estimation uncertainty in arriving at the net realisable value.

We performed the detailed tests above rather than seeking to rely on any of the group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

Communications with the Howden Joinery Group Plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of inventory provisioning including details of our planned substantive procedures and the extent of our control reliance; and
- Our conclusions on the appropriateness of the Group's inventory provisioning methodology, accounting policies and disclosures.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Subjective auditor judgement was required in assessing the adequacy of the inventory obsolescence provision, in particular the provision percentages applied to the discontinued and slow-moving inventory lines.

Our results

We found the carrying value of inventory, including the level of inventory obsolescence provisioning, to be acceptable.

Further information in the Annual Report and Accounts: See the Audit Committee report on page 138 for details on how the Audit Committee considered inventory obsolescence provisioning as an area of significant attention, page 182 for the accounting policy on inventory obsolescence provisioning, and note 12 for the financial disclosures.

Independent auditor's report continued

To the members of Howden Joinery Group Plc

4.2 Defined benefit pension scheme (Group)

Financial Statement Elements	FY22	Our results
Gross defined benefit liability	£930.5m	FY22: Acceptable
Carrying value of assets for which there is no quoted market price in an active market	£677.4m	

Description of the Key Audit Matter

Subjective valuation

A significant level of estimation is required in order to determine the valuation of the gross defined benefit liability. Small changes in the key assumptions (in particular, discount rates, inflation and mortality rates) can have a material impact on the amount recognised in the financial statements.

In addition, the pension asset portfolio includes a high proportion of assets (such as unquoted equity, property and credit funds) with no observable market price ("Level 3 pension assets"), the valuation of which requires significant judgement as a result of valuations being unavailable at the balance sheet date ('lagged valuations'). These holdings together represented 32% (£286.0 million) of the total pension assets held.

There is also a risk that, for certain of these assets, more recent valuations are not expected to be available before the accounts are finalised that should be reflected in the final position.

The effect of these matters is that, as part of our risk assessment, we determined that valuation of the gross defined benefit obligation and Level 3 pension assets have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 22) disclose the sensitivities estimated by the Group.

Our response to the risk

Our procedures to address the risk included:

- **Benchmarking assumptions:** we challenged, with the support of our own actuarial specialists, the key assumptions applied in the estimation of the pension liability, being the discount rate, inflation rate and mortality/life expectancy, by comparing to externally derived data.
- **Actuary's credentials:** we assessed the competence, capabilities and objectivity of the Group's actuarial expert.
- **Assessing valuers' credentials:** we evaluated the scope, competencies and objectivity of the Group's external experts who assisted in determining the key unobservable inputs and market indices used in the valuation of Level 3 pension assets.
- **Methodology choice:** we assessed the process adopted by management to tackle the challenge of 'lagged valuations' for the Level 3 pension assets. We assessed the information provided by the external fund managers, and assessed the risk of material movements to the balance sheet date by reference to external economic benchmark data.
- **Assessing transparency:** we considered the adequacy of the Group's disclosures in respect of the sensitivity of the pension deficit to these assumptions.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the Howden Joinery Group Plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our definition of the Key Audit Matter relating to the valuation of the defined benefit pension obligation and specifically the rationale for the inclusion of the valuation of level 3 pension assets in the definition of our Key Audit Matter;
- We discussed our audit response to the Key Audit Matter which included the use of specialists to challenge the key aspects of management's actuarial valuation; and
- The adequacy of the disclosures, particularly as it relates to the judgement regarding the valuation of Level 3 pension assets.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- Subjective and complex auditor judgement was required in evaluating the key actuarial assumptions used by the Group (including the discount rate, inflation and mortality assumptions) as well as evaluating the fair value measurement approach for the Level 3 pension assets.

Our results

We found the valuation of the gross defined benefit pension liability estimation and valuation of level 3 assets to be acceptable.

Further information in the Annual Report and Accounts: See the Audit Committee report on page 138 for details on how the Audit Committee considered validity of pension assumptions and carrying value of assets for which there is no quoted market price in an active market as an area of significant attention, page 192 for the accounting policy on defined benefit pensions, and note 22 for the financial disclosures.

4.3 Recoverability of parent company's investment in subsidiaries and debt due from group entities (parent company)

Financial Statement Elements	FY22	Our results
Investments in subsidiaries	£699.0m	FY22: Acceptable
Amounts owed by wholly-owned subsidiary companies	£103.3m	

Description of the Key Audit Matter

Low risk, high value

The carrying amount of the parent Company's investments in subsidiaries and intra-group debtor balance represents 66% of the Company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent Company financial statements, this is considered to be the area that had the greatest effect on our overall parent Company audit.

Our response to the risk

Our procedures to address the risk included:

- **Comparing valuations:** comparing the carrying amount of the company's investments in subsidiaries with the expected value of the business based on forecasted dividends to ultimately be received from the trading entity within the Group.
- **Tests of detail:** Assessing 100% of group debtors to identify, with reference to the relevant debtors' draft balance sheet whether they have a positive net asset value and therefore coverage of the debt owed, as well as assessing whether those debtor companies have historically been profit-making.

We performed the tests above rather than seeking to rely on any of the Company's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described.

Communications with the Howden Joinery Group Plc's Audit Committee

Our discussions with and reporting to the Audit Committee included:

- Our approach to the audit of parent company investments in subsidiaries and intra-Group receivables including details of our planned substantive procedures and the extent of our control reliance;
- The prior year restatement made to the Parent company balance sheet relating to the recoverability of the investments and debts due from Group entities, and the associated disclosures.
- In addition we have discussed the prior year restatement made to the Parent company balance sheet relating to lease accounting, as disclosed in note 6.

Areas of particular auditor judgement

We identified the following as the areas of particular auditor judgement:

- The valuation of investments where the carrying value exceeded the net asset value and the inclusion of dividends to be received by the parent company from other Group entities.

Our results

We found the company's conclusion that there is no impairment of its investments in subsidiaries or intra-group debtor balance to be acceptable.

Further information in the Annual Report and Accounts: See the Audit Committee report on page 128 for details on how the Audit Committee considered parent company investments and intra-Group receivables as an area of significant attention, page 209 for the accounting policy on parent company investments and intra-Group receivables, and note 3 for the financial disclosures.

Independent auditor's report continued

To the members of Howden Joinery Group Plc

5. Our ability to detect irregularities, and our response

Fraud - identifying and responding to risks of material misstatement due to fraud

Fraud risk assessment

Fraud and breaches of laws and regulations - ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors including the long-term incentive plan for management remuneration.
- Using analytical procedures to identify any unusual or unexpected relationships.

Risk communications

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

Fraud risks

As required by auditing standards, and taking into account possible pressures to meet profit targets and market expectations, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the inventory obsolescence provisions and pension assumptions. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited opportunities to fraudulently adjust revenue recognition given the high volume and low value nature of purchases.

We identified a fraud risk related to the inventory obsolescence provision in response to possible pressures to meet profit targets or market expectations.

Link to KAMs

Further detail in respect of the inventory obsolescence provision is set out in the key audit matter disclosures in section 4 of this report.

Procedures to address fraud risks

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by users outside of their expected business area and those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Laws and regulations - identifying and responding to risks of material misstatement relating to compliance with laws and regulations

Laws and regulations risk assessment

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

Risk communications

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Direct laws context and link to audit

The potential effect of these laws and regulations on the financial statements varies considerably.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pension scheme legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Most significant indirect law/ regulation areas

The Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety and employment laws recognising the nature of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report continued

To the members of Howden Joinery Group Plc

6. Our determination of materiality

The scope of our audit was influenced by our application of materiality. We set quantitative thresholds and overlay qualitative considerations to help us determine the scope of our audit and the nature, timing and extent of our procedures, and in evaluating the effect of misstatements, both individually and in the aggregate, on the financial statements as a whole.

£19.0m
Materiality for the group financial statements as a whole

What we mean	Basis for determining materiality and judgements applied
A quantitative reference for the purpose of planning and performing our audit.	Materiality for the Group financial statements as a whole was set at £19.0m. This was determined with reference to a benchmark of Group profit before tax from continuing operations ('PBTCO'). We determined that Group profit before tax from continuing operations ('PBTCO') is the main benchmark for the Group as this is the primary measure by which stakeholders and the market assess the performance of the group. Our Group materiality of £19.0m was determined by applying a percentage to the Group profit before tax from continuing operations. When using a benchmark of Group profit before tax to determine overall materiality, KPMG's approach for public interest entities considers a guideline range 3% - 5% of the measure. In setting overall Group materiality, we applied a percentage of 4.7% to the benchmark. Materiality for the Parent Company financial statements as a whole was set at £12.0m, determined with reference to a benchmark of Parent Company total assets, of which it represents 1.0%.

£12.3m
Performance materiality

What we mean	Basis for determining materiality and judgements applied
Our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.	We have considered performance materiality at a level of 65% of materiality for Howden Joinery Group Plc Group financial statements as a whole to be appropriate. The Parent Company performance materiality was set at £7.8m, which equates to 65% of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality based on an increased aggregation risk, having considered our risk assessment of the entity's control environment.

£0.95m
Audit misstatement posting threshold

What we mean	Basis for determining materiality and judgements applied
This is the amount below which identified misstatements are considered to be clearly trivial from a quantitative point of view. We may become aware of misstatements below this threshold which could alter the nature, timing and scope of our audit procedures, for example if we identify smaller misstatements which are indicators of fraud. This is also the amount above which all misstatements identified are communicated to Howden Joinery Group Plc's Audit Committee.	We set our audit misstatement posting threshold at 5% of our materiality for the Group financial statements. We also report to the Audit Committee any other identified misstatements that warrant reporting on qualitative grounds.

The overall materiality for the Group financial statements of £19.0m compares as follows to the main financial statement caption amounts:

	Total Group Revenue FY22	Group profit before tax FY22	Total Group Assets FY22
Financial statement Caption	£2,319.0m	£405.8m	£2,032.7m
Group Materiality as % of caption	0.8%	4.7%	0.9%

7. The scope of our audit

Group scope

What we mean

How the Group audit team determined the procedures to be performed across the Group.

The Group has 14 reporting components. In order to determine the work performed at the reporting component level, we identified those components which we considered to be of individual financial significance, those which were significant due to risk and those remaining components on which we required procedures to be performed to provide us with the evidence we required in order to conclude on the group financial statements as a whole.

We determined individually financially significant components as those contributing at least 10% of total revenue, total net assets or total assets. We selected these because these are the most representative of the relative size of the components. We identified 5 components as individually financially significant components and performed full scope audits on these components.

The components within the scope of our work accounted for the following percentages of the Group's results, with the prior year comparatives indicated in brackets:

Scope	Number of components	Range of materiality applied	Group revenue	Total profits and losses that made up Group PBT	Group total assets
Full scope audits	5	£2.4m - £18.0m	97%	96%	95%
Reviews of financial information (including enquiry)	9	£2.0m - £10.0m	3%	4%	5%
Total	14		100%	100%	100%

The remaining 3% of total Group revenue, 4% of total profits and losses that made up Group profit before tax and 5% of total Group assets is represented by 9 reporting components, none of which individually represented more than 5% of any of total Group revenue, total profits and losses that made up Group profit before tax or total Group assets. For these components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The work on all of the financially significant components, including the audit of the Parent Company, was undertaken to the materiality levels specified above and performed by the Group team.

Independent auditor's report continued

To the members of Howden Joinery Group Plc

8. Other information in the annual report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

All other information

Our responsibility	Our reporting
Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.	Based solely on that work we have not identified material misstatements or inconsistencies in the other information.

Strategic Report and Directors Report

Our responsibility and reporting

Based solely on our work on the other information described above we report to you as follows:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

Our responsibility	Our reporting
We are required to form an opinion as to whether the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.	In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance disclosures

Our responsibility	Our reporting
We are required to perform procedures to identify whether there is a material inconsistency between the financial statements and our audit knowledge, and: • the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; • the section of the annual report describing the work of the Audit Committee, including the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed; and • the section of the annual report that describes the review of the effectiveness of the Group's risk management and internal control systems.	Based on those procedures, we have concluded that each of these disclosures is materially consistent with the financial statements and our audit knowledge.
We are also required to review the part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.	We have nothing to report in this respect.

Other matters on which we are required to report by exception

Our responsibility	Our reporting
Under the Companies Act 2006, we are required to report to you if, in our opinion: • adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or • certain disclosures of directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.	We have nothing to report in these respects.

9. Respective Responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 146, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Company is required to include these financial statements in an annual financial report prepared using the single electronic reporting format specified in the TD ESEF Regulation. This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with that format.

10. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Brent
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

8 March 2023

Consolidated income statement

	Notes	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Continuing operation:			
Revenue	2, 3	2,319.0	2,093.7
Cost of sales		(907.8)	(804.7)
Gross profit		1,411.2	1,289.0
Operating expenses		(996.0)	(887.3)
Operating profit	4	415.2	401.7
Finance income	5	3.8	-
Finance costs	6	(13.2)	(11.4)
Profit before tax		405.8	390.3
Tax on profit	7	(31.6)	(75.8)
Profit for the period attributable to the equity holders of the parent		374.2	314.5
Earnings per share:			
Basic earnings per 10p share	8	65.8p	53.2p
Diluted earnings per 10p share	8	65.6p	53.0p

Consolidated statement of comprehensive income

	Notes	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Profit for the period		374.2	314.5
Items of other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial (losses)/gains on defined benefit pension scheme	22	(183.0)	170.4
Deferred tax on actuarial gains and losses on defined benefit pension scheme	7	34.8	(33.5)
Change of tax rate on deferred tax	7	11.0	(8.5)
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		2.1	(2.3)
Other comprehensive income for the period		(135.1)	126.1
Total comprehensive income for the period attributable to equity holders of the parent		239.1	440.6

Consolidated balance sheet

	Notes	24 December 2022 £m	25 December 2021 £m
Non-current assets			
Intangible assets	9	35.9	22.6
Property, plant and equipment	10	398.7	295.8
Lease right-of-use assets	11	614.3	555.8
Pension asset	22	-	140.8
Deferred tax asset	7	35.9	13.4
Prepaid credit facility fees		1.0	0.3
		1,085.8	1,028.7
Current assets			
Inventories	12	373.3	301.6
Corporation tax	7	32.3	-
Trade and other receivables	13	233.3	205.8
Cash and cash equivalents	18	308.0	515.3
		946.9	1,022.7
Total assets		2,032.7	2,051.4
Current liabilities			
Lease liabilities	11	(95.3)	(57.5)
Trade and other payables	14	(433.9)	(384.7)
Current tax liability	7	-	(25.9)
Provisions	15	(12.0)	-
		(541.2)	(468.1)
Non-current liabilities			
Pension liability	22	(41.5)	-
Lease liabilities	11	(570.0)	(533.7)
Deferred tax liability	7	(3.8)	(37.7)
Provisions	15	(4.5)	(20.4)
		(619.8)	(591.8)
Total liabilities		(1,161.0)	(1,059.9)
Net assets		871.7	991.5
Equity			
Share capital	16	56.1	59.8
Capital redemption reserve	16	9.1	5.4
Share premium	16	87.5	87.5
ESOP and share-based payments	16	11.7	5.9
Treasury shares	16	(25.5)	(27.1)
Retained earnings	16	732.8	860.0
Total equity		871.7	991.5

The financial statements were approved by the Board and authorised for issue on 6 March 2023 and were signed on its behalf by

Paul Hayes
Chief Financial Officer

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Consolidated statement of changes in equity

	Share capital £m	Capital redemption reserve £m	Share premium account £m	ESOP and share-based payments £m	Treasury shares £m	Retained earnings £m	Total £m
At 26 December 2020	60.3	4.9	87.5	(3.5)	(28.2)	599.8	720.8
Accumulated profit for the period	-	-	-	-	-	314.5	314.5
Other comprehensive income for the period	-	-	-	-	-	126.1	126.1
Total comprehensive income for the period	-	-	-	-	-	440.6	440.6
Current tax on share schemes	-	-	-	-	-	(0.1)	(0.1)
Deferred tax on share schemes	-	-	-	-	-	1.3	1.3
Movement in ESOP	-	-	-	10.5	-	-	10.5
Reclaim of forfeited dividends	-	-	-	-	-	0.2	0.2
Proceeds from sale of forfeited shares	-	-	-	-	-	1.8	1.8
Buyback and cancellation of shares	(0.5)	0.5	-	-	-	(50.0)	(50.0)
Transfer of shares from treasury into share trust	-	-	-	(1.1)	1.1	-	-
Dividends	-	-	-	-	-	(133.6)	(133.6)
At 25 December 2021	59.8	5.4	87.5	5.9	(27.1)	860.0	991.5
Accumulated profit for the period		-	-	-	-	374.2	374.2
Other comprehensive income for the period	-	-	-	-	-	(135.1)	(135.1)
Total comprehensive income for the period	-	-	-	-	-	239.1	239.1
Current tax on share schemes	-	-	-	-	-	0.4	0.4
Deferred tax on share schemes	-	-	-	-	-	(1.3)	(1.3)
Movement in ESOP	-	-	-	7.4	-	-	7.4
Buyback and cancellation of shares	(3.7)	3.7	-	-	-	(250.5)	(250.5)
Transfer of shares from treasury into share trust	-	-	-	(1.6)	1.6	-	-
Dividends	-	-	-	-	-	(115.0)	(115.0)
At 24 December 2022	56.1	9.1	87.5	11.7	(25.5)	732.8	871.7

The item 'Movement in ESOP' consists of the share-based payment charge in the year, together with any receipts of cash from employees on exercise of share options.

At the current period end there were 5,237,907 ordinary shares held in treasury, each with a nominal value of 10p (2021: 5,567,555 shares of 10p each).

We present a description of the nature and purpose of each reserve at note 16.

Consolidated cash flow statement

	Notes	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Operating profit		415.2	401.7
Adjustments for:			
Depreciation and amortisation of owned assets	9, 10	44.0	40.6
Depreciation, impairment and loss on termination of leased assets	11	80.8	74.8
Share-based payments charge		7.3	10.1
(Increase)/decrease in prepaid credit facility fees		(0.7)	0.3
(Profit)/loss on disposal of property, plant and equipment and intangible assets		(0.1)	3.2
Operating cash flows before movements in working capital		546.5	530.7
Movements in working capital			
Increase in inventories		(69.8)	(46.6)
(Increase) in trade and other receivables		(23.7)	(39.2)
Increase in trade and other payables and provisions		41.8	84.1
Difference between pensions operating charge and cash paid		2.0	(18.5)
		(49.7)	(20.2)
Cash generated from operations		496.8	510.5
Tax paid		(101.5)	(73.1)
Net cash flow from operating activities		395.3	437.4
Cash flows used in investing activities			
Payments to acquire property, plant and equipment and intangible assets		(140.8)	(85.9)
Receipts from sale of property, plant and equipment and intangible assets		0.7	0.1
Acquisition of subsidiary - net of cash acquired	26	(14.6)	-
Interest received		1.1	-
Net cash used in investing activities		(153.6)	(85.8)
Cash flows used in financing activities			
Payments to acquire own shares		(250.5)	(50.0)
Receipts from release of shares from share trust		0.1	0.4
Inflow from receipt of forfeited dividends		-	0.2
Inflow from sale of forfeited shares		-	1.8
Dividends paid to Group shareholders		(115.0)	(133.6)
Interest paid - including on lease liabilities		(13.1)	(11.0)
Repayment of principal on lease liabilities		(66.1)	(74.8)
Net cash used in financing activities		(444.6)	(267.0)
Net (decrease)/increase in cash and cash equivalents		(202.9)	84.6
Cash and cash equivalents at beginning of period		515.3	430.7
Effect of movements in exchange rates on cash held		(4.4)	-
Cash and cash equivalents at end of period	18	308.0	515.3

We present an analysis of cash and non-cash changes in liabilities due to financing activities in note 18.

Notes to the consolidated financial statements

The order of the notes is set out below. Significant accounting policies and, where applicable, information relating to significant judgements and sources of estimation uncertainty are presented as part of the related note.

General information

Company and currency details

Howden Joinery Group Plc ('the Company') is a company incorporated in the United Kingdom under the Companies Act 2006. Its registered office address is 40 Portman Square, London W1H 6LT. The nature of the Group's operations and principal activities are set out in the Strategic Report.

These financial statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates. Foreign operations are included on the basis set out below.

Foreign currency transactions

Transactions in foreign currency are translated at the exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate at the balance sheet date. Foreign exchange gains and losses are recognised in the income statement.

Foreign operations

The assets and liabilities of foreign operations are translated into sterling at foreign exchange rate at the balance sheet date. The results and cash flows of overseas subsidiaries are translated into sterling on an average exchange rate basis, weighted by the actual results of each month.

Exchange differences arising from the translation of the results and net assets of overseas subsidiaries are taken to equity via the statement of comprehensive income.

Accounting period

The Group's accounting period covers the 52 weeks to 24 December 2022. The comparative period covered the 52 weeks to 25 December 2021.

Impairment of assets

The carrying amount of the Group's assets is reviewed at least annually to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated.

Apart from in the case of trade and other receivables, and inventories, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment losses are recognised in the income statement.

For trade and other receivables and inventories which are considered to be impaired, the carrying amount is reduced through the use of an allowance for estimated irrecoverable amounts. Changes in the carrying value of this allowance are recognised in the income statement.

Statement of compliance and basis of preparation

The Group financial statements have been prepared in accordance with UK-adopted international accounting standards.

The financial statements have been prepared on the historical cost basis, modified for certain items carried at fair value, as stated in the accounting policies.

These consolidated financial statements include the accounts of the Company and all entities controlled by the Company (its subsidiaries, together referred to as 'the Group') from the date control commences until the date that control ceases.

'Control' is defined as the Group having power over the subsidiary, exposure or rights to variable returns from the subsidiary, and the ability to use its power to affect the amount of returns from the subsidiary. Further details of all subsidiaries are given in the 'Additional Information' section at the back of this Annual Report. All subsidiaries are 100% owned and the Group considers that it has control over them all.

Going concern

The Directors have undertaken a robust assessment and concluded that it is appropriate to prepare the financial statements on the going concern basis. They have not identified any material uncertainties. Full details are set out in the strategic review, starting on page 71.

The going concern review period covers the period of 12 months after the date of approval of these financial statements. The Board has considered the trading results and financial performance in 2022, and the Group balance sheet at 24 December 2022, noting that the Group is debt-free, has cash and cash equivalents of £308m, and appropriate levels of working capital. The Group also has a five-year, committed, multi-currency revolving credit facility of up to £150m which expires in September 2027 and which was not drawn at the year end.

Management have modelled various scenarios including:

- A 'base case' scenario. This is based on the final 2022 Group forecast, prepared in November 2022 and including the actual results of the 2022 peak sales period.
- A 'severe but plausible' downside scenario based on the worst 12-month year-on-year actual fall ever experienced in the Group's history. This is more significant than the combined effect of COVID and Brexit on 2020 actual performance.
- A 'reverse stress-test' scenario.

Notes to the consolidated financial statements continued

General information continued

In the base case and the severe but plausible downside scenarios, the Group has significant headroom throughout the going concern period after meeting its commitments. In the reverse stress-test scenario, the results show that sales would have to fall by a significant amount over and above the fall modelled in the severe but plausible downside scenario before the Group would have to take further mitigating actions. The likelihood of this level of fall in sales is considered to be remote.

Taking all the factors above into account, the directors believe that the Group is well placed to manage its financing and other business risks satisfactorily and have a reasonable expectation that the Group will have adequate resources to remain in operational existence for the going concern review period set out above.

Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following standards, amendments to standards, and interpretations, were in issue but not yet effective for the Group in these financial statements:

Annual Improvements 2018-2020 cycle
Amendments to IAS 37: Costs of fulfilling an onerous contract
Amendments to IAS 16: Property, plant and equipment
Amendment to IFRS 3: Business Combinations
Amendments to IAS 1: Presentation of financial statements and IFRS Practice Statement 2: Disclosure of accounting policies
Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction
IFRS 17: Insurance Contracts
Amendments to IAS 1 - Classification of liabilities as Current or Non-Current
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The Directors anticipate that the adoption of the standards and interpretations mentioned above will have no significant impact on the Group's financial statements when the relevant standards come into effect.

Significant accounting judgements and major sources of estimation uncertainty

The Group recognises significant judgement and estimation uncertainty in connection with its defined benefit pension scheme. It also recognises estimation uncertainty over making allowances against the carrying value of inventory. More details are given in the relevant notes.

Other significant accounting policies

These are presented as part of the related note to the financial statements.

Earnings

2 Revenue

Accounting policy

The Group recognises revenue when it has satisfied its performance obligations to the customer and the customer has obtained control of the goods or services being transferred. Revenue from sales of goods is recognised on collection or delivery of the goods. Revenue from services is recognised when the customer accepts that the services are complete.

We measure revenue at the fair value of the consideration received or receivable, excluding sales taxes and discounts. We recognise interest income as it accrues and measure it using the effective interest rate method.

3 Segmental reporting

(a) Basis of segmentation, and other general information

Information reported to the Group's Executive Committee, which is regarded as the chief operating decision maker, is focused on one operating segment, Howden Joinery. Thus, the information required in respect of profit or loss, assets and liabilities, can all be found in the relevant primary statements and notes of these consolidated financial statements.

The Howden Joinery business derives its revenue from the sale of kitchens and joinery products, and related services.

(b) Geographical information

The Group's operations are mainly located in the UK, with a small presence in France, Belgium and the Republic of Ireland. The Group has depots in each of these locations, with the first depot in the Republic of Ireland opening in 2022. The number of depots in each location at the current and prior period ends is shown in the five year record which is located towards the back of this Annual Report. The Group's manufacturing and sourcing operations are located in the UK.

The following table analyses the Group's revenues from external customers by geographical market, irrespective of the origin of the goods:

Revenues from external customers	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
UK	2,256.1	2,043.3
France, Belgium and Ireland	62.9	50.4
	2,319.0	2,093.7

The following is an analysis of the carrying amount of assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

Carrying amount of assets	24 December 2022 £m	25 December 2021 £m
UK	1,903.1	1,991.9
France, Belgium and Ireland	129.6	59.5
	2,032.7	2,051.4

Non-current assets	24 December 2022 £m	25 December 2021 £m
UK	975.4	982.8
France, Belgium and Ireland	74.5	32.5
	1,049.9	1,015.3

Additions to property plant and equipment and intangible assets	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
UK	122.7	82.8
France, Belgium and Ireland	24.5	7.0
	147.2	89.8

Notes to the consolidated financial statements continued

Earnings continued

4 Operating profit

Operating profit has been arrived at after (charging)/crediting:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Net foreign exchange (loss)/gain	(0.7)	5.2
Depreciation of property plant and equipment	(36.5)	(31.5)
Amortisation of intangible assets	(7.5)	(9.1)
Depreciation and impairment of lease right-of-use assets	(80.8)	(74.8)
Cost of inventories recognised as an expense	(893.1)	(789.9)
Write down of inventories	(14.0)	(20.0)
Profit/(loss) on disposal of fixed assets	-	(3.2)
Increase in allowance for expected credit losses on trade debts	(1.6)	(2.9)
Staff costs	(624.1)	(553.3)
Auditor's remuneration for audit services	(1.1)	(0.7)

All of the items above relate to continuing operations.

A more detailed analysis of auditor's total remuneration is given below:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Audit services:		
Fees paid to the Company's auditor for the audit of the Company's annual financial statements	(0.2)	(0.2)
Fees paid to the Company's auditor and their associates for other services to the Group:		
- the audit of the subsidiary companies pursuant to legislation	(0.9)	(0.5)
Total audit fees	(1.1)	(0.7)
Other services:		
Audit related assurance services (review of the half-year results)	(0.1)	(0.1)
Tax compliance services	-	-
Tax advisory services	-	-
Total non-audit fees	(0.1)	(0.1)

Details of the Group's policy on the use of auditors for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity were safeguarded are set out in the Corporate Governance Report. No services were provided pursuant to contingent fee arrangements.

5 Finance income

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Bank interest receivable	1.1	-
Other finance income - pensions	2.7	-
	3.8	-

6 Finance costs

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Interest expense on lease liabilities	(13.1)	(11.0)
Other finance expense - pensions	-	(0.4)
Other interest	(0.1)	(0.0)
Total finance costs	(13.2)	(11.4)

7 Current and deferred tax

Accounting policy

Income tax

The tax expense represents the sum of current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is based on taxable profit for the financial period and any adjustments to tax payable or receivable for prior years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years as well as items that are never taxable or deductible.

It is calculated as the best estimate of the tax expected to be paid or received. It reflects any uncertainty related to income taxes and is measured using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on the temporary difference between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. It is accounted for using the balance sheet liability method. It is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised, based on tax laws and rates that have been enacted or substantially enacted at the balance sheet date.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

The carrying amounts of deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Notes to the consolidated financial statements continued

Earnings continued

Current tax:

(a) Tax in the income statement

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Current tax:		
Current year	77.2	77.3
Adjustments in respect of previous periods*	(33.6)	(0.5)
Total current tax	43.6	76.8
Deferred tax:		
Current year	2.1	0.4
Adjustments in respect of previous periods*	(14.7)	(1.7)
Effect of changes in tax rate	0.6	0.3
Total deferred tax	(12.0)	(1.0)
Total tax charged in the income statement	31.6	75.8

UK Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdictions.

* The adjustments in respect of previous periods are primarily driven by two items:

As a result of a patent granted in 2021, a tax deduction was taken in relation to the Patent Box legislation for the periods from 2017 to 2021 by resubmitting the relevant tax computations accordingly. This legislation allows the income directly attributable to patented items to be taxed at 10% instead of 19% and the resubmission resulted in a prior year current tax credit of £36.1m.

As a result of the change of the tax rate from 19% to 25%, it was decided that the group would not claim capital allowances other than the deductions available under the capital allowance super deduction regime. This was to preserve the tax benefit available to be realised at a higher tax rate. This adjustment gave rise to a £10.4m debit to current tax and a corresponding £10.4m credit to deferred tax.

(b) Tax relating to items of other comprehensive income or changes in equity

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Deferred tax (credit)/charge to other comprehensive income on actuarial difference on pension scheme	(34.8)	33.5
Change of rate effect on deferred tax	(11.0)	8.5
Deferred tax charge/(credit) to equity on share schemes	1.3	(1.3)
Current tax (credit)/charge to equity on share schemes	(0.4)	0.1
Total(credit)/charge to other comprehensive income or changes in equity	(44.9)	40.8

(c) Reconciliation of the total tax charge

The total tax charge for the period can be reconciled to the result per the income statement as follows:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Profit before tax	405.8	390.3
Tax at the UK corporation tax rate of 19% (2021: 19%)	77.1	74.1
IFRS2 share scheme charge	0.3	(0.3)
Expenses not deductible for tax purposes	1.0	1.7
Overseas losses not utilised	2.7	2.2
Non-qualifying depreciation	1.6	0.6
Super deduction - capital allowances	(2.4)	(0.6)
Rate change	0.6	(1.7)
Patent box claim	(9.0)	-
Other tax adjustments in respect of previous years	(40.3)	(0.2)
Total tax charged in the income statement	31.6	75.8

The Group's effective rate of tax is 7.8% (2021: 19.4%). The lower effective tax rate is largely driven by the effect of the Patent Box deduction which was realised during the period as discussed in note 9(a) above.

Deferred tax:

Analysis of deferred tax assets and liabilities, and the movements on them during the period.

	Retirement benefit obligations £m	Accelerated capital allowances £m	Company share schemes £m	Leasing £m	Other temporary differences £m	Total £m
At 26 December 2020	9.1	1.3	0.3	3.1	1.5	15.3
(Charge)/credit to income statement	(2.3)	(1.1)	1.9	(0.5)	1.4	(0.6)
Credit to the income statement - change of rate	-	-	-	0.7	1.0	1.7
Credit outside the income statement- change of rate	(8.5)	-	0.3	-	-	(8.2)
(Charge)/credit outside the income statement	(33.5)	-	1.0	-	-	(32.5)
At 25 December 2021	(35.2)	0.2	3.5	3.3	3.9	(24.3)
(Charge)/credit to income statement	-	12.9	-	0.2	(0.6)	12.5
(Charge) to the income statement - change of rate	-	(0.4)	-	-	(0.2)	(0.6)
Credit outside the income statement - change of rate	11.0	-	0.2	-	-	11.2
(Charge)/credit outside the income statement	34.8	-	(1.5)	-	-	33.3
At 24 December 2022	10.6	12.7	2.2	3.5	3.1	32.1

Deferred tax arising from accelerated capital allowances can be further analysed as a £16.5m asset and a £3.8m liability (2021: £2.7m asset and £2.5m liability).

Notes to the consolidated financial statements continued

Earnings continued

The presentation in the balance sheet is as follows:

	24 December 2022 £m	25 December 2021 £m
Deferred tax assets	35.9	13.4
Deferred tax liabilities	(3.8)	(37.7)
	32.1	(24.3)

At the balance sheet date the group had unused tax losses as disclosed below. These losses are carried forward by particular group companies and may only be offset against profits of that particular company. Deferred tax assets are not recognised in relation to these losses as it is not considered probable that suitable future taxable profits will be available in the relevant company against which the unused losses can be utilised. Specifically, in the case of the trading and non-trading losses this is due to the unpredictability of future profit streams in the relevant entities, while for the capital losses it is due to the future capital gains not currently being forecast to arise. All unrecognised losses may be carried forward indefinitely and have been valued in GBP at the year end closing exchange rate.

The analysis below does not include any tax losses attributable to our former subsidiaries in the Netherlands and Germany, which have now ceased to trade.

	24 December 2022 £m	25 December 2021 £m
Trading losses	77	63
Non-trading losses	20	20
Capital losses	86	86
Total losses	183	169

The losses disclosed above relate to activities both in the UK and in overseas jurisdictions. Of the trading losses, £31m relate to UK activities with the remainder being attributable to Belgium (£1m), Ireland (£2m) and France (£43m). All of the non-trading losses and capital losses are attributable to UK activities.

8 Earnings per share

	52 weeks to 24 December 2022			52 weeks to 25 December 2021		
From continuing operations	Earnings £m	Weighted average number of shares m	Earnings per share p	Earnings £m	Weighted average number of shares m	Earnings per share p
Basic earnings per share	374.2	568.6	65.8	314.5	591.2	53.2
Effect of dilutive share options	-	2.1	(0.2)	-	2.1	(0.2)
Diluted earnings per share	374.2	570.7	65.6	314.5	593.3	53.0

The difference between the weighted average number of shares used in the calculation of basic earnings per share and the total number of shares in issue at the period end is due to the net effect of time-apportioned adjustments for shares held in treasury, shares held in trust which are not unconditionally vested, and shares bought back and cancelled in the period.

Operating assets and liabilities

9 Intangible assets

(a) Total amounts recognised in the balance sheet

	24 December 2022 £m	25 December 2021 £m
Goodwill	12.4	-
Software	23.5	22.6
	35.9	22.6

(b) Goodwill

The goodwill all arose on the acquisition in the current year of Sheridan Fabrications Ltd. Further details, together with the accounting policy for goodwill, are given in note 26.

(c) Software

Accounting policy

Directly attributable costs incurred for the development of computer software controlled by and for use within the business are capitalised and written off over their estimated useful lives, which are reviewed annually and which range between three and seven years. No amortisation is charged on assets under construction.

Amounts paid to third parties for development of assets not controlled by the Group are expensed over the period where the Group receives the benefit of the use of these assets. Licence fees for using third-party software are expensed over the period the software is in use.

	Intangible assets in use £m	Assets under construction £m	TOTAL £m
Cost			
At 26 December 2020	50.6	2.9	53.5
Exchange adjustments	(0.1)	-	(0.1)
Additions	5.6	4.4	10.0
Disposals	(13.1)	(0.1)	(13.2)
Reclassifications	3.3	(3.3)	-
At 25 December 2021	46.3	3.9	50.2
Exchange adjustments	0.1	-	0.1
Additions	1.8	6.5	8.3
Acquisition of subsidiary (note 26)	0.3	-	0.3
Disposals	(5.2)	(0.1)	(5.3)
Reclassifications	2.5	(2.5)	-
At 24 December 2022	**45.8**	**7.8**	**53.6**
Accumulated depreciation			
At 26 December 2020	(29.2)	-	(29.2)
Exchange adjustments	0.1	-	0.1
Charge for the period	(9.1)	-	(9.1)
Disposals	10.6	-	10.6
At 25 December 2021	(27.6)	-	(27.6)
Exchange adjustments	(0.1)	-	(0.1)
Charge for the period	(7.5)	-	(7.5)
Disposals	5.1	-	5.1
At 24 December 2022	(30.1)	-	(30.1)
Net book value at 24 December 2022	**15.7**	**7.8**	**23.5**
Net book value at 25 December 2021	18.7	3.9	22.6

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

10 Property, plant and equipment

Accounting policy

On adopting IFRS, the Group adopted the transitional provisions of IFRS 1 to use previous revaluations of freehold properties as the new deemed cost at the date of transition to IFRSs.

All property, plant and equipment is stated at cost (or deemed cost, as applicable) less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is provided to write off the difference between their cost and their residual value over their estimated lives on a straight-line basis. The current range of useful lives is as follows:

Freehold property	50 years
Leasehold property improvements and fittings	the period of the lease, or the individual asset's life, if shorter
Plant, machinery & vehicles	3-20 years
Fixtures & fittings	2-15 years

Capital work-in-progress and freehold land are not depreciated.

Residual values, remaining useful economic lives and depreciation periods and methods are reviewed regularly and adjusted if appropriate.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the income statement.

	Freehold property £m	Leasehold property improvements £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Capital WIP £m	TOTAL £m
Cost		£m	£m	£m	£m	£m
At 26 December 2020	42.9	91.9	184.7	182.1	21.5	523.1
Exchange adjustments	-	-	(0.2)	(0.6)	-	(0.8)
Additions	12.2	6.6	8.7	29.6	22.7	79.8
Disposals	-	(7.3)	(12.0)	(4.4)	-	(23.7)
Reclassifications	-	0.9	9.8	0.4	(11.1)	-
At 25 December 2021	55.1	92.1	191.0	207.1	33.1	578.4
Exchange adjustments	-	-	0.1	0.5	-	0.6
Additions	16.2	16.5	12.2	49.6	44.4	138.9
Acquisition of subsidiary (note 26)	0.1	-	0.3	0.1	-	0.5
Disposals	-	(0.3)	(5.3)	(1.3)	-	(6.9)
Reclassifications	1.7	(0.2)	8.1	8.2	(17.8)	-
At 24 December 2022	73.1	108.1	206.4	264.2	59.7	711.5
Accumulated depreciation						
At 26 December 2020	(7.8)	(32.2)	(125.0)	(109.3)	-	(274.3)
Exchange adjustments	-	-	0.1	0.2	-	0.3
Charge for the period	(1.3)	(4.7)	(11.9)	(13.6)	-	(31.5)
Disposals	-	7.3	11.3	4.3	-	22.9
At 25 December 2021	(9.1)	(29.6)	(125.5)	(118.4)	-	(282.6)
Exchange adjustments	-	-	(0.1)	(0.1)	-	(0.2)
Charge for the period	(1.7)	(5.1)	(12.3)	(17.4)	-	(36.5)
Disposals	-	0.3	4.9	1.3	-	6.5
At 24 December 2022	(10.8)	(34.4)	(133.0)	(134.6)	-	(312.8)
Net book value at 24 December 2022	62.3	73.7	73.4	129.6	59.7	398.7
Net book value at 25 December 2021	46.0	62.5	65.5	88.7	33.1	295.8

11 Lease right-of-use assets and lease liabilities

Accounting policy

We assess whether a lease exists at the inception of the related contract. If a lease exists, we recognise a right-of-use asset and a corresponding lease liability with effect from the date the lease commences.

The lease liability

The lease liability is initially measured at the present value of the lease payments due. As the discount rate inherent in our leases is not readily determinable, we use the Group's incremental borrowing rate to discount the payments and arrive at net present value.

The Group does not have a history of borrowing, and therefore it does not have a credit agency credit rating. Therefore, we derive the incremental borrowing rate by a process of:

- discussion with our bankers to estimate a reasonable proxy credit rating for the Group;
- using an independent third-party borrowing rate curve, giving indicative costs of borrowing for companies with a comparable credit rating over various durations, and
- selecting borrowing rates from the appropriate points on that curve to best match the duration of our lease portfolios.

Our leases are on relatively simple terms. Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives. We do not have variable lease payments which depend on an index, residual value guarantees, purchase options or termination penalties.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

We remeasure the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; or
- the lease payments have changed as a result of a change in an index, or, as is common with property leases, to reflect changes in market rental rates. In these cases, the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

In any cases other than those described immediately above, where a lease contract is modified and the lease modification is not accounted for as a separate lease, the lease liability is remeasured by discounting the revised remaining lease payments using a revised discount rate.

The lease liability is presented as a separate item in the balance sheet and is split between current and non-current portions.

The lease right-of-use asset

'The right-of-use asset comprises the initial measurement of the corresponding lease liability and any initial direct costs of obtaining the lease. It is subsequently measured at cost less accumulated depreciation and any impairment losses. Whenever we incur an obligation for costs to restore a leased asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Right-of-use assets are depreciated over the lease term as this is always shorter than the useful life of the underlying asset. Depreciation starts at the commencement date of the lease. We do not have any leases that include purchase options or transfer ownership of the underlying asset.

The right-of-use assets are presented as a separate line item in the balance sheet.

Lease term

It is uncommon for any of our leases to have extension options, although in the case of property leases it is common for us to enter into a new lease of the same property when the current lease expires. It is also uncommon for us to exit any leases before the end of their specified maximum term. Therefore we assume on inception that our leases will run to the maximum term in the lease agreement.

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

Property leases treated as short-term leases when in the process of being renewed

From time to time when renewing a property lease, the new lease may not be formally signed before the end date of the previous lease. In these circumstances, although both we and the landlord will have agreed our willingness to renew the lease in principle, and we may also have protection under property law which grants us the right to renew the lease, our interpretation of IFRS 16 is that there is no enforceable right to renew the lease until the new lease is formally signed.

Therefore, we treat any lease payments made in this period between expiry and renewal as short-term lease payments under IFRS 16 and we expense them, taking advantage of the IFRS16 short-term lease exemption.

Amounts treated as variable lease payments - rent reviews

It is common for property leases to contain a clause whereby the rent is reviewed every five years and adjusted in line with prevailing market rates. The process of agreeing rent reviews can sometimes be a lengthy one, and some reviews are not agreed until after their effective date.

In these cases we will continue to pay rent at the old rate until the rent review is agreed and neither the lease asset nor the lease liability is remeasured. If the new rent is agreed at a higher rate than the old rent, there will be a one-off payment to the lessor, covering the increase in rent for the period between the date from which the rent review was effective and the date on which the rent review was agreed.

This payment is treated as a variable lease payment and is not included in the remeasurement of the lease liability.

The lease asset and liability are remeasured from the rent review agreement date, based on the future agreed cashflows at the new agreed rent.

Nature of the Group's leasing activities

Around 90% of our leases by value are for depot, warehouse, and office properties. A typical depot lease would be for a period of 10 to 15 years, with warehouse and factory leases being for significantly longer and typical office lease periods being shorter. We also lease other smaller assets such as fork lift trucks, lorries, vans and cars, with typical lease periods ranging up to around 5 years.

Amounts recognised in the balance sheet

	24 December 2022 £m	25 December 2021 £m
Right-of-use assets		
Property	565.6	510.9
Vehicles, plant & machinery	48.7	44.9
	614.3	555.8
Additions to right-of-use assets in the period	141.6	70.0

The additions to right-of-use assets in 2022 includes £1.3m acquired as part of a business combination (see note 26).

	24 December 2022 £m	25 December 2021 £m
Lease liabilities		
Current	(95.3)	(57.5)
Non-current	(570.0)	(533.7)
	(665.3)	(591.2)

Amounts recognised in the income statement

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Included in net operating expenses		
Depreciation of right-of-use assets:		
- property	65.4	58.0
- vehicles, plant & machinery	16.3	15.2
Impairment and net (gain)/loss on lease termination	(0.9)	1.6
Total - recognised in net operating costs	80.8	74.8
Expense relating to short-term leases	5.4	3.7
Variable lease payments, not included in the measurement of lease liabilities	2.9	1.6
Included in finance costs		
Interest expense on lease liabilities	13.1	11.0

Cash flows and maturity analysis of lease liabilities

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Total cash outflow for leases	79.2	85.8

	24 December 2022 £m	25 December 2021 £m
Maturity analysis of lease liabilities		
Contractual undiscounted cashflows due		
- within 1 year	109.9	68.0
- 1 to 5 years	285.4	263.5
- more than 5 years	371.6	352.5
	766.9	684.0

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

12 Inventories

! Estimation uncertainty - allowances against the carrying values of inventories

In order to achieve the accounting objective that inventories are stated at the lower of cost and net realisable value, the Group carries an allowance against products which it estimates may not sell at a price above cost, or where we may be holding levels of product in excess of estimated future demand. The Group bases these estimates on regular reviews of stock levels, as well as of product lifecycles, selling prices achieved in the market and historical sales profiles of products after they have been discontinued. These estimates are regularly reviewed against actual experience, and revised to reflect any differences, but the accuracy of the estimates at any point in time can be affected by the extent to which current products may not follow historical patterns.

Both the gross inventory balance and the amount of the allowance against carrying value are material items and we would expect this to remain the case as the Group grows in size, and as consumer demand for regular introductions of new product continues.

We derive our allowance against carrying value based on specific kitchen ranges and stock items where a decision has been made to discontinue future sales or where our monitoring of current sales indicates that the rate of sales is in decline and the product may be coming to the end of its life cycle. The level of judgement and estimation involved requires assessing the obsolescence risk across a high volume of SKUs, which can have different risk profiles. As such, the allowance is specific in nature and does not lend itself to meaningful sensitivity analysis in the same way as a figure which is derived by a general formula. The potential range of reasonable outcomes could be material. In the analysis of the allowance below, we have separately identified the aggregate gross value of stock against which an allowance has been made.

Once a decision is made to discontinue future sales of a product, it will still be available for sale in depots for a standard period of time, after which any remaining units of that product will be removed from sale. Our stock allowance is calculated so that the carrying value of any unsold units is progressively written down to nil over the period during which they are available for sale. The rate at which the units are written down to nil is based on actual historical experience of realised selling prices for previous similar products, and recognises that higher selling prices are typically achievable at the beginning of the period than at the end of the period. Rates are reviewed regularly against historical experience and are adjusted if necessary.

Accounting policy

Inventories are stated at the lower of cost and net realisable value. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity, calculated using a standard cost which is regularly updated to reflect average actual costs. An allowance is made for obsolete, slow-moving, or defective items where appropriate.

	24 December 2022 £m	25 December 2021 £m
Raw materials	24.3	16.0
Work in progress	6.2	5.6
Finished goods and goods for resale	396.3	322.9
Allowance against carrying value of inventories	(53.5)	(42.9)
	373.3	301.6

The aggregate carrying amount of specific inventories against which allowances have been made is given below:

	2022		2021	
	Gross value of stock £m	Allowance against carrying value £m	Gross value of stock £m	Allowance against carrying value £m
Stock with no allowance against it	323.3	-	269.7	-
Stock with an allowance	103.5	(53.5)	74.8	(42.9)
	426.8	(53.5)	344.5	(42.9)

13 Other financial assets

Accounting policy

Trade receivables do not contain a significant financing component and are stated at their nominal value, reduced by an allowance for expected credit losses. This approximates to their fair value.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses. This uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses trade receivables have been grouped based on shared credit risk characteristics and the days past due.

To determine expected credit losses, the Group uses historical observed default rates for these different groups of receivables, adjusted for forward-looking estimates. The default rates and forward-looking estimates are revised at each reporting date.

Trade and other receivables

	24 December 2022 £m	25 December 2021 £m
Trade receivables (net of allowance)	173.5	166.5
Prepayments	55.2	34.3
Other receivables	4.6	5.0
	233.3	205.8

An analysis of the Group's allowance for expected credit losses on debtors is as follows:

	24 December 2022 £m	25 December 2021 £m
Balance at start of period	15.8	12.9
Acquired with subsidiary (note 26)	0.2	-
Increase in allowance recognised in the income statement	1.6	2.9
Balance at end of period	17.6	15.8

Trade receivables - exposure to credit risk and allowance for expected credit losses

We have no significant concentration of credit risk, as our exposure is spread over a large number of customer accounts. We charge interest at appropriate market rates on balances which are in litigation.

Before accepting any new credit customer, we obtain a credit check from an external agency to assess the potential customer's credit quality, and then we set credit limits on a customer-by-customer basis. We review credit limits regularly, and adjust them if circumstances change. In the case of one-off customers, our policy is to require immediate payment at the point of sale, and not to offer credit terms.

The historical level of customer default is low as a percentage of sales, and we consider the credit quality of period end trade receivables to be high. We regularly review trade receivables which are past due but not impaired, and we make an allowance against them based on any expected credit losses. We base our assessment both on past experience and also on whether there are any other likely significant future factors which might affect recoverability and influence our assessment of expected credit losses. We maintain regular contact with customers with overdue debts and, where necessary, we take legal action to recover the receivable.

We wrote off £7.9m of debts in the period (2021: £5.6m). Included within our aggregate trade receivables balance are specific debtor balances with customers totalling £44.7m before allowance for expected credit losses (2021: £42.6m before allowance) which are past due as at the reporting date. We have assessed these balances for recoverability and we believe that their credit quality remains intact.

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

An ageing analysis of these past due trade receivables is as follows:

	24 December 2022 £m	25 December 2021 £m
1-30 days past due	22.6	24.8
31-60 days past due	6.1	5.6
61-90 days past due	3.8	2.6
90+ days past due	12.2	9.6
Total overdue amounts, excluding allowance for doubtful receivables	44.7	42.6

There were no trade receivables which would have been impaired at either period end were it not for the fact that their credit terms were renegotiated. The Group does not renegotiate credit terms.

Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand together with demand deposits, and other short-term investments (see below). Cash at bank is either in current accounts, or is placed on short-term deposit, and is available on demand. Interest on short-term deposits is paid at prevailing money market rates. The carrying value of these assets approximates to their fair value.

Short-term investments

From time to time, the Group uses short-term investments in UK Gilts as part of its cash management activities. The Group reviews these investments before entering into them, and, after establishing that the Group intends to hold these investments in order to collect contractual cashflows which are solely payments of principal and interest, they are initially recognised at cost, including any transaction fees.

Subsequent to initial recognition, these investments are carried at amortised cost using the effective interest method. Income from these investments is recognised in the income statement on an effective yield basis. They form part of our cash and cash equivalents for cash flow purposes.

There were no investments at the current balance sheet date. The investments held at the previous balance sheet date had maturity dates ranging between 1 and 3 months. They returned a fixed rate of interest and their weighted average effective interest rate was 0.02% pa.

The carrying value of these investments at the previous period end approximated to their fair value.

14 Other financial liabilities

Accounting policy

Trade payables are not interest-bearing and are stated at their nominal value, which approximates to their fair value.

Trade and other payables

Current liabilities	24 December 2022 £m	25 December 2021 £m
Trade payables	189.5	178.8
Other tax and social security	91.9	86.6
Other payables	37.2	26.3
Accruals and deferred income	115.3	93.0
	433.9	384.7

Trade payables, other payables, and accruals principally comprise amounts due in respect of trade purchases and ongoing costs.

The average credit taken for trade purchases during the period, based on total operations, was 55 days (2021: 59 days).

The Group's policy on payment of creditors is to agree terms of payment prior to commencing trade with a supplier, and to abide by those terms on the timely submission of satisfactory invoices.

15 Provisions

Accounting policy

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount required to settle the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation, and are discounted to present value where the effect is material.

	Property £m	Warranty £m	Closure costs £m	French post-employment benefits £m	Total £m
At 26 December 2020	5.6	8.0	-	0.3	13.9
Additional provision in the period	3.2	7.7	2.2	-	13.1
Provision released in the period	(0.2)	-	-	-	(0.2)
Utilisation of provision in the period	(1.6)	(4.8)	-	-	(6.4)
At 25 December 2021	7.0	10.9	2.2	0.3	20.4
Additional provision in the period	1.3	7.0	-	-	8.3
Provision released in the period	(1.6)	-	(1.4)	-	(3.0)
Utilisation of provision in the period	(1.7)	(6.7)	(0.8)	-	(9.2)
At 24 December 2022	5.0	11.2	0.0	0.3	16.5
Presented as current liabilities	4.4	7.6	-	-	12.0
Presented as non-current liabilities	0.6	3.6	-	0.3	4.5
	5.0	11.2	-	0.3	16.5

In the current reporting period, provisions have been presented as either current or non-current liabilities for the first time. The basis of the allocation is outlined for each type of provision, below. In prior periods, all provisions were presented as non-current.

Property provision

The property provision covers obligations to make dilapidation payments to landlords of leased properties. Following the guidance in the IFRSs governing leases and provisions, our assessment is that, in general, the likelihood of a cash outflow for dilapidations at the time of signing a lease is remote, and therefore it would be unusual for us to recognise any costs relating to dilapidations at that time.

In these cases, the event which changes our assessment of the likelihood of a cash outflow for dilapidations from being remote to being probable, and which therefore triggers our recognition of a provision for that probable outflow, typically occurs as we come towards the end of a lease and we can assess the condition of the leased property and the likelihood of dilapidations being payable.

The timing of any outflows from the provision is variable, and is dependent on the timing of dilapidations assessments and works. Although circumstances will differ from property to property, a typical pattern would be that the outflow would occur within 1-3 years of the provision being made. The amounts provided are specific to each property and are based on our best estimate of the cost of performing any required works or, in cases where we will not be directly contracting for the works to be done, our best estimate of the outflow required to settle any claim from the landlord. Where the amounts involved are significant, we would typically take advice on the likely costs from third-party property maintenance specialists.

For the purposes of allocating this provision between current liabilities and non-current liabilities we have used our best estimate of when we would reasonably expect outflows to occur, based on circumstances at each relevant property.

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

Warranty provision

The warranty provision relates to the estimated costs of product warranties. As products are sold, the Group makes provision for claims under warranties, based on actual sales and on historical average warranty costs incurred. As claims are made, the Group utilises the provision and then uses the historical data on the rate and amount of claims to periodically revise our expectations of the amount of future warranty costs and therefore the rate at which it is appropriate to provide for warranty costs on each sale in the future.

For the purposes of allocating this provision between current liabilities and non-current liabilities we have used the historical data on timing and amount of claims to estimate the costs for the next 12 months and have classified this as a current liability.

Closure costs

Closure costs in 2021 relate to closing 5 depots in France, which did not align with our city-based depot expansion plans.

French post-employment benefits provision

This provision relates to a benefit which is payable to employees in our French subsidiary under French law on retirement. It is a lump sum payable on retirement, not a recurring pension. There will only be an outflow from this provision if any of the eligible employees are employed by our French subsidiaries immediately before their retirement.

The provision represents our best estimate of the potential liability and it is calculated based on several factors, mainly the age profile and salary details of the current workforce in France, and the current rate of staff turnover. The calculation to arrive at the best estimate of the required provision is revised periodically by third-party specialists and our provision is adjusted in line with the results of this calculation if necessary.

We have estimated that the whole of this provision is non-current.

Capital structure and risk

16 Share capital and reserves

Ordinary shares of 10p each:	52 weeks to 24 December 2022 No.	52 weeks to 25 December 2021 No.	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Allotted, called up and fully paid				
Balance at the beginning of the period	597,573,827	602,863,861	59.8	60.3
Bought back and cancelled during the period	(36,657,778)	(5,290,034)	(3.7)	(0.5)
Balance at the end of the period	560,916,049	597,573,827	56.1	59.8

Share capital

The Company has one class of ordinary share that carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Description of the nature and purpose of the other reserves shown in the balance sheet

The share premium reserve represents the amounts above the nominal value received for shares sold. The capital redemption reserve represents the nominal value of share capital bought back and cancelled. The ESOP reserve relates to the costs of providing share-based payments. The treasury share reserve represents the cost of shares bought from the market and held in treasury. The retained earnings reserve represents the Group's cumulative results.

17 Dividends

Amounts recognised as distributions to equity holders in the period:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Interim dividend for the 52 weeks to 24 December 2022 - 4.7p/share	26.1	-
Final dividend for the 52 weeks to 25 December 2021 - 15.2p/share	88.9	-
Interim dividend for the 52 weeks to 25 December 2021 - 4.3p/share	-	25.3
Final dividend for the 52 weeks to 26 December 2020 - 9.1p/share	-	54.2
Special dividend for the 52 weeks to 26 December 2020 - 9.1p/share	-	54.1
	115.0	133.6

Dividends proposed at the end of the period (but not recognised in the period):

	52 weeks to 24 December 2022 £m
Proposed final dividend for the 52 weeks to 24 December 2022 - (15.9p/share)	87.9
	87.9

The Directors propose a final dividend in respect of the 52 weeks to 24 December 2022 of 15.9p per share, payable to ordinary shareholders who are on the register of shareholders at 11 April 2023, and payable on 19 May 2023.

The proposed final dividend for the current period is subject to the approval of the shareholders at the 2023 Annual General Meeting, and have not been included as a liability in these financial statements.

Dividends have been waived indefinitely on all shares held by the Group's employee share trusts which have not yet been awarded to employees.

18 Notes to the cash flow statement

Analysis of net cash

	Cash at bank and in hand £m	Current asset investments £m	Cash and cash equivalents, and net cash £m
At 25 December 2021	490.3	25.0	515.3
Cash flow	(182.3)	(25.0)	(207.3)
At 24 December 2022	308.0	-	308.0

The current asset investments had a maturity of less than three months, and as such were considered to be cash equivalents for the purposes of the cash flow statement. More details are given at Note 13.

Changes in liabilities arising from financing activities

The only liabilities which have changed due to financing activities are lease liabilities. The cash and non-cash changes in lease liabilities are analysed below.

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Opening balance	(591.2)	(580.5)
Cash movement: repayment of principal on lease liabilities	66.1	74.8
Cash movement: lease interest paid	13.1	11.0
Non-cash movement: lease interest charged	(13.1)	(11.0)
Non cash movement: net additions to lease liabilities	(140.2)	(85.5)
Closing balance	(665.3)	(591.2)

Notes to the consolidated financial statements continued

Capital structure and risk continued

19 Borrowing facility

Accounting policy

Fees relating to borrowing facilities are recorded as prepayments and released over the life of the facility.

At the period end date, the Group had a £150m committed multi-currency revolving credit facility, due to expire in September 2027. The Group did not use the facility in the year.

As at 24 December 2022, the full £150m of the facility was available in addition to the Group's cash and short-term investments as shown on the Balance Sheet.

If the Group were to use the facility, it would carry interest at a rate of SONIA plus a margin of between 100 and 175 basis points, with the margin being dependent on the ratio of total net debt to EBITDA.

The facility has two covenants, both of which are calculated on a 12 month rolling basis twice each year, at year end and then again at half year end. Under one covenant the ratio of EBITDA to net debt has to be less than 3:1, and under the other covenant the ratio of EBITDA to net finance charges has to be greater than 4:1.

20 Financial risk management

(a) Capital risk management

The Group manages its capital structure to maximise shareholder returns through its debt and equity balance, trading-off the benefits of financial leverage with the expected future costs of financial distress.

The capital structure of the Group consists of cash and short-term investments, the committed borrowing facility discussed further in note 19 - if needed - and equity attributable to equity holders of the parent (including issued share capital and reserves as disclosed in the Consolidated Statement of Changes in Equity, and in note 16).

The Board of Directors reviews the capital structure regularly, including at the time of preparing annual budgets, preparing three-year corporate plans, and considering corporate transactions. As part of this review, the Board reviews the costs and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and share buybacks, taking on or issuing new debt or repaying any existing debt.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are included in the relevant notes to the financial statements. An index to the notes is located between the cash flow statement and note 1

(c) Categories of financial instruments

	24 December 2022 £m	25 December 2021 £m
Financial assets (current and non-current)		
Trade receivables	173.5	166.5
Cash and cash equivalents	308.0	515.3
Financial liabilities (current and non-current)		
Trade payables	189.5	178.8

(d) Financial risk management

General

The Group is exposed in varying degrees to a variety of financial instrument related risks. The Board has approved and monitors the risk management processes, including documented treasury policies, counterparty limits, and controlling and reporting structures. The types of risk exposure, the way in which these exposures are managed, and the quantification of the level of exposure in the balance sheet is shown below (subcategorised into credit risk, liquidity risk and market risk). The Group is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the Group's financial performance.

The principles, practices and procedures governing the Group-wide financial risk management process have been approved by the Board and are overseen by the Executive Committee. In turn, the Executive Committee delegates authority to a central treasury function ('Group Treasury') for the practical implementation of the financial risk management process across the Group and for ensuring that the Group's entities adhere to specified financial risk management policies. Group Treasury regularly reassesses and reports on the financial risk environment, identifying and evaluating financial risks. The Group does not take positions on derivative contracts and only enters into contractual bank deposit or lending arrangements with counterparties that have appropriate credit ratings, as detailed in section (e) below.

Cash and cash equivalents

Cash at bank and in hand, which is the term used in the balance sheet, comprises cash on hand together with demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash, and are subject to an insignificant risk of changes in value. Cash and cash equivalents, which is the term used in the cash flow statement, comprises cash at bank and in hand, as defined immediately above, together with any current asset investments.

Arrangements are in place to ensure that cash is utilised most efficiently for the ongoing working capital needs of the Group's operating units and to ensure that the Group earns the most advantageous rates of interest available. The prime consideration in the investment of cash balances is the security of the asset, followed by liquidity and then yield.

Current asset investments consist of UK Government Treasury Bills with an initial term to maturity of up to three months. These investments are held to maturity and, whilst of lower liquidity than cash, will ensure that the primary Group policy objective of asset security is met.

Management of trade receivables is discussed in note 13.

(e) Credit risk

The Group's principal financial assets are cash, investments, and trade and other receivables. Our main credit risk is the risk of trade customers defaulting their debts. We have a policy of only dealing with creditworthy counterparties in order to mitigate the risk of defaults.

We describe our policy on dealing with trade customers in note 13. Trade receivables are spread over a large number of customers, and we do not have a significant exposure to any single counterparty.

We limit our exposure to credit risk on liquid funds and investments through adherence to a policy of minimum short-term counterparty credit ratings assigned by international credit-rating agencies (Standard & Poor's A-1 and Moody's P-1). However, when accounts are opened in new territories there may be instances where there is no appropriate partner which meets the Group's credit rating conditions. In such circumstances, arrangements with a counterparty which does not meet the Group's credit rating criteria can be made only at the specific approval of the Board and is subject to a maximum cash holding limit.

In addition, the Group Treasury function monitors counterparty risk through credit agency ratings.

Our maximum exposure to credit risk is presented in the following table:

	24 December 2022 £m	25 December 2021 £m
Trade receivables (net of allowance)	173.5	166.5
Cash	308.0	490.3
Current asset investments	-	25.0
Total credit risk exposure	481.5	681.8

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Notes to the consolidated financial statements continued

Capital structure and risk continued

(f) Liquidity risk

Liquidity risk is the risk that the we could experience difficulties in meeting our commitments to creditors as financial liabilities fall due for payment. The Group manages its liquidity risk by using reasonable and retrospectively-assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the businesses it operates and by maintaining sufficient cash and investment reserves, committed borrowing facilities and other credit lines as appropriate. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has agreed an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities as far as is possible. Included in note 19 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk. In addition, the Strategic Review contains a section describing the interaction of liquidity risk and the going concern review.

Maturity profile of outstanding financial liabilities

Our only outstanding financial liabilities, other than leases, are our trade creditors. These are capital liabilities, with no associated interest, and are payable within one year. Our lease liabilities are disclosed at note 11.

(g) Market risk

This is the risk that financial instrument fair values will fluctuate owing to changes in market prices. The significant market risks to which we are exposed are foreign exchange risk, and interest rate risk. These are discussed further below:

Foreign exchange risk

We are exposed to foreign exchange risk, principally as a result of operating costs incurred in foreign currencies, and to a lesser extent, from non-sterling revenues. Our policy is generally not to hedge such exposures. The exposure of the our financial assets and liabilities to currency risk is as follows:

	24 December 2022 £m	25 December 2021 £m
Euro		
Trade receivables	9.4	6.5
Other receivables	3.9	2.7
Cash and cash equivalents	56.7	59.7
Trade payables	(43.4)	(39.3)
Other payables	(7.3)	(7.5)
	19.3	22.1
US Dollar		
Other receivables	1.1	-
Cash and cash equivalents	25.3	23.3
Trade payables	(1.1)	-
	25.3	23.3
TOTAL	44.6	45.4

Interest rate risk

The Group does not have any significant exposure to interest rate risk.

(h) Financial instrument sensitivities

Financial instruments affected by market risk include deposits, trade receivables and trade payables. The following analysis, required by IFRS 7, is intended to illustrate the sensitivity of the Group's financial instruments as at its year end to changes in market variables, being exchange rates and interest rates. The sensitivity analysis has been prepared on the basis that the components of net cash and the proportion of financial instruments in foreign currencies are all constant. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the year end date was outstanding for the whole year. As a consequence, this sensitivity analysis relates to the position as at the balance sheet date. The following assumptions were made in calculating the sensitivity analysis:

- Deposits are carried at amortised cost and therefore carrying value does not change as interest rates move.
- No sensitivity is provided for accrued interest as accruals are based on pre-agreed interest rates and therefore are not susceptible to further rate movements.
- Finance lease interest payments are fixed at the inception of the contract and are not subject to repricing. They have therefore been excluded from this analysis.
- Translation of foreign subsidiaries and operations into the Group's presentation currency have been excluded from the sensitivity.

Using the above assumptions, the following analyses show the illustrative effect on the income statement and equity that would result from reasonably possible changes in the relevant foreign currency or interest rates:

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for floating rate non-derivative instruments at the balance sheet date. The Group holds no derivative financial instruments. Fixed rate liabilities are not susceptible to changes in interest rates, and are omitted from the analysis below. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points increase is used as this represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 50 basis points higher and all other variables were held constant, the Group's net profit and profit and loss reserve would increase by £0.6m (2021: increase by £1.1m).

For a decrease of 50 basis points, the current year figures would decrease by £0.6m (2021: decrease by £1.1m).

Foreign exchange sensitivity

As noted above, the Group is mainly exposed to movements in Euro and US dollar exchange rates. The following information details our sensitivity to a 10% weakening or strengthening in Sterling against the Euro and the US Dollar. These percentages are the rates used by management when assessing sensitivities internally and represent management's assessment of the possible change in foreign currency rates. The sensitivity analysis of our exposure to foreign currency risk at the reporting date has been determined based on the change taking place at the end of the financial period, and based on the outstanding foreign currency balances at the period end.

	24 December 2022 £m	25 December 2021 £m
10% weakening of Sterling to Euro	2.1	2.4
10% strengthening of Sterling to Euro	(1.7)	(2.0)
10% weakening of Sterling to US dollar	2.8	2.6
10% strengthening of Sterling to US dollar	(2.3)	(2.1)

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Notes to the consolidated financial statements continued

Employees

21 Staff costs and number of employees

The aggregate payroll costs of employees, including executive directors, were:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Wages and salaries	(536.3)	(474.6)
Social security costs	(47.8)	(44.7)
Pension operating costs (note 22)	(40.0)	(34.0)
	(624.1)	(553.3)

Wages and salaries includes a charge in respect of share-based payments of £7.3m (2021: £10.1m).

The average monthly number of persons (including executive directors) employed by the Group during the period was as follows:

	52 weeks to 24 December 2022 No.	52 weeks to 25 December 2021 No.
	12,408	10,789

22 Retirement benefit obligations

! Significant judgement and source of estimation uncertainty

There is significant judgement involved in selecting appropriate measurement bases for the actuarial assumptions used to measure the pension liability.

There is also estimation uncertainty relating to the assumptions, as reasonable alternative assumptions could have led to measurement at a materially different amount.

The key assumptions within this calculation are discount rate, inflation rates and mortality rates. These are set out below, together with sensitivity analysis that shows the effect that these estimates can have on the carrying value of the pension deficit.

There is also significant judgement around the valuation of the subset of the unquoted pension assets for which the most recent available valuations at the time of approving these financial statements are valuations from the relevant fund managers as at 30 September. Detail of the approach taken, and of the amounts involved, is given below under the heading 'Valuation of plan assets'

Accounting policies

Defined contribution pensions

Payments to defined contribution pension schemes are charged to the income statement as they fall due.

Defined benefit pensions

The calculation of the Group's net asset or obligation is performed by a qualified actuary using the projected unit method. When the calculation results in a potential asset, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. The Group considers that there are no restrictions caused by IFRIC 14 on recognising any pension asset.

Scheme liabilities are calculated by estimating the amount of future benefit that employees have earned in return for their service. That benefit is then discounted to determine its present value. The discount rate used is selected to closely approximate the yield at the balance sheet date on AA-rated bonds that have maturity dates approximating to the terms of the Group's obligations. This discount rate is also used to calculate the net pension scheme finance charge or credit.

Scheme assets are carried at fair value. More details are given in this note as part of the analysis of plan assets.

Current and past service costs and the net pension finance charge or credit are recognised in the income statement. Actuarial gains and losses are recognised immediately through the remeasurement of the defined benefit liability and are taken through the statement of comprehensive income.

(a) Overview of all retirement benefit arrangements

Defined contribution: auto-enrolment plan

The Group operates an auto-enrolment defined contribution plan for employees. Under the terms of this scheme, employees make pension contributions out of their salaries, and the Group also makes additional contributions.

The total cost charged to income in respect of this plan in the current period of £37.0m (2021: £26.5m) represents the Group's contributions due and payable in respect of the period. All of this amount was paid in the period as was also the case in the previous period.

Defined contribution: other plan

The Group operates another defined contribution plan for its employees. The assets of this plan are held separately from those of the Group, and are under the control of the scheme trustees.

The total cost charged to income in respect of this plan in the current period of £0.6m (2021: £0.7m) represents the Group's contributions due and paid in respect of the period.

Defined benefit plan

Characteristics and risks of the plan:

The Group operates a funded pension plan which provides benefits based on the career average pensionable pay of participating employees. This plan was closed to new entrants from April 2013, and closed to future accrual on 31 March 2021.

The assets of the plan are held separately from those of the Group, being held in a trustee-administered pension plan and invested with independent fund managers. The trustee directors of the plan comprise three member-elected trustees, two independent trustees, and three Group-appointed trustees. All trustees are required to act in the best interests of the plan beneficiaries.

The plan exposes the Group to actuarial risks, such as longevity risk, interest rate risk, inflation risk and market (investment) risk.

Longevity risk is the risk that members live for longer than is currently expected. That results in pensions being paid for longer than expected, thus costing schemes more money.

Examples of interest rate risk are that a decrease in corporate bond yields increases the present value of the defined benefit obligations, or that a decrease in gilt yields results in a worsening in the Scheme's funding position.

An example of inflation risk is that an increase in inflation results in higher benefit increases for members which in turn increases the Scheme's liabilities.

Investment risk comes from three main sources: risk that the fund will fall in value, risk that the pension fund's returns will not keep pace with inflation (real returns are negative), and risk that the pension fund does not perform well enough to keep pace with the growth in the cost of providing pension benefits.

Accounting and actuarial valuation

Contributions are charged to the consolidated income statement so as to spread the cost of pensions over the employees' working lives with the Group. The present value of the defined benefit obligation, the related current service cost, and past service cost are determined by a qualified actuary using the projected unit method. The most recent completed actuarial valuation was carried out at 5 April 2020 by the plan actuary. The actuary advising the Group has subsequently rolled forward the results of the 5 April 2020 valuation to 24 December 2022. This roll-forward exercise involves updating all the assumptions which are market-based (i.e. inflation, discount rate, rate of increase in pensions and rate of CARE revaluation) to values as at 24 December 2022. We are using CMI 2021 mortality tables, being the most recent tables available.

Notes to the consolidated financial statements continued

Employees continued

Funding and estimated contributions

The Group's contributions in the current and prior periods are shown in the tables below. The Group bears the plan's administration costs. The Group also has an agreement with the pension plan trustees to make additional deficit contributions to the plan of £30m per year until June 2023. Under the agreement, the scheme's funding position is monitored on a monthly basis and deficit contributions are be suspended if the scheme's funding position is 100% or greater as at the last working day of two consecutive months on a Technical Provisions ('TP') basis, and is resumed if the funding position subsequently falls back to below 100% on the last working day of two consecutive months.

The scheme's funding reached 100% on a TP basis part way through 2021 and additional deficit contributions stopped, according to the mechanism described above. The scheme remained in surplus on a TP basis until the part way through October 2022, and remained in TP deficit from that point until the 2022 year end. Additional deficit contributions commenced from the beginning of 2023.

The Group's estimated total cash contributions to the defined benefit plan in the 52 weeks ending 30 December 2023 are £30.6m. This figure allows for additional deficit contributions for the whole of 2023 at the current rate of £30m per year.

Differences between the defined benefit pension deficit on an IAS 19 basis and on a funding basis

As is mandatory under International Financial Reporting Standards, the Group values its pension deficit in these accounts on an IAS19 basis. As shown below, the IAS19 deficit at the current period end is £41.5m. On a funding basis (also known as a 'Technical Provisions basis', being the basis on which the triennial actuarial valuations are carried out), the funding deficit at the current period end is estimated at £64.7m, this estimate being based on an approximate roll-forward of the 2020 triennial funding valuation, updated for market conditions. The IAS 19 valuation requires 'best estimate' assumptions to be used whereas the funding valuation uses 'prudent' assumptions. This would typically result in the funding valuation producing a higher deficit, or a lower asset, than the IAS 19 valuation.

(b) Total amounts charged in respect of pensions in the period

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Charged to the income statement:		
Defined benefit plan - current service cost	-	4.8
Defined benefit plan - administration cost	2.4	2.0
Defined benefit plan - total service cost	2.4	6.8
Defined benefit plan - net finance (credit)/charge	(2.7)	0.4
Defined contribution plans - total operating charge	37.6	27.2
Total net amount charged to profit before tax	37.3	34.4
Charged to equity:		
Defined benefit plan - actuarial losses/(gains)	183.0	(170.4)
Total charge/(credit)	220.3	(136.0)

(c) Other information - defined benefit pension plan

Key assumptions used in the valuation of the plan

	52 weeks to 24 December 2022	52 weeks to 25 December 2021
Rate of increase of pensions in deferment capped at lower of CPI and 5%	2.70%	2.85%
Rate of CARE revaluation capped at lower of RPI and 3%	2.45%	2.55%
Rate of increase of pensions in payment:		
- pensions with increases capped at lower of CPI and 5%	2.65%	2.80%
- pensions with increases capped at lower of CPI and 5%, with a 3% minimum	3.45%	3.50%
- pensions with increases capped at the lower of LPI and 2.5%	2.15%	2.20%
Inflation assumption - RPI	3.15%	3.30%
Inflation assumption - CPI	2.70%	2.85%
Discount rate	4.70%	1.90%
Life expectancy (years): pensioner aged 65		
- male	86.6	86.6
- female	88.4	88.4
Life expectancy (years): non-pensioner aged 45		
- male	87.6	87.6
- female	90.2	90.3

Sensitivities

	Present value of scheme liabilities at 24 December 2022 £m	Projected 2023 pension cost		
		Total service cost £m	Net interest (credit)/cost £m	Net pension (credit)/expense £m
Assumption				
Current valuation, using the assumptions above	931	2.6	1.3	3.9
0.5% decrease in discount rate	1,007	2.6	4.4	7.0
0.5% increase in inflation	968	2.6	3.1	5.7
1 year increase in longevity	963	2.6	2.8	5.4

The sensitivities above are applied to the defined benefit obligation at the end of the reporting period, and the projected total service cost for 2023. Whilst the analysis does not take account of the full distribution of cash flows expected under the scheme, it does provide a reasonable approximation. The same amount of movement in the opposite direction would produce a broadly equal and opposite effect.

To address the requirements of both IAS 1 and IAS 19, we note that the effect on the discount rate and inflation sensitivities of flexing them down to 0.25% or up to 1% in a linear manner would give materially correct results.

Notes to the consolidated financial statements continued

Employees continued

Analysis of plan assets

	24 December 2022		25 December 2021	
	Quoted market price in an active market £m	No quoted market price in an active market £m	Quoted market price in an active market £m	No quoted market price in an active market £m
Liability-driven investments	174.1	-	435.7	-
Equities				
- passive equities	-	-	172.5	-
Private equity	-	0.6	-	0.6
Alternative growth assets				
- fund of hedge funds	-	152.4	-	148.6
- absolute return fund	1.0	-	91.4	-
Insurance-linked securities	-	105.2	-	100.9
Corporate bonds	1.8	-	232.2	-
Commercial property funds	7.7	239.9	114.0	175.6
Other secure income	1.2	179.3	-	150.1
Asset-backed securities	0.5	-	10.6	-
Cash and cash equivalents	25.3	-	21.1	-
Total	211.6	677.4	1,077.5	575.8

The plan assets do not include any of the Group's own financial instruments nor any property occupied by, or other assets used by, the Group.

Valuation of plan assets

All of the quoted assets have a daily price, and therefore are valued using market prices on the last trading day before our year end.

Unquoted investments are stated at values provided by the fund manager in accordance with relevant guidance. Some of the unquoted investments are valued on a weekly basis, some are valued on a monthly basis, and others are only valued on a quarterly basis. Based on asset values at the current year end, 48% of the unquoted assets are valued based on a valuation from fund managers as at 31 December 2022, and a further 10% are valued at 3 January 2023, in both cases they are adjusted for cash movements and rolled backwards using a suitable index if there is one. The fund managers' 31 December 2022 valuations for the remaining 42% of unquoted assets, which have a carrying value of £286.0m at the current period end, are not available until after these consolidated financial statements are approved and so the only available valuations for these funds at the current year is the 30 September 2022 valuations from the fund managers, which are adjusted for cash movements and rolled forward to our year end date using a suitably-correlated index where one is available.

Asset allocation

As set out in the plan's August 2022 Statement of Investment Principles, the plan trustees' long-term asset allocation strategy is to target a 60% allocation of assets to 'Return-seeking assets' and a 40% allocation to 'risk-reducing assets'.

The plans accounts then goes on to explain these classes of assets as follows:

'Return-seeking assets' target a higher expected return than that of risk reducing/matching assets and typically have a higher associated volatility, relative to liabilities. These assets would typically involve equities and could possibly include alternative asset classes such as different types of absolute return and hedge funds, infrastructure, property and illiquid credit approaches. Assets used to predominantly manage liquidity and cashflows within the Secure Income portfolio are also deemed 'Return-seeking'.

'Risk-reducing (or matching) assets' have characteristics that are broadly similar in nature to the liabilities. These assets are predominantly government or corporate bonds and could also possibly include other financial instruments such as interest rate and inflation swaps, credit default swaps and cash.

As can be seen from the asset analysis above, the actual mix of assets has been affected by the macroeconomic conditions of the current year and has resulted in the sale of many of the risk-reducing assets by the year end, with the result that the asset allocation set out in the August 2022 Statement of Investment Principles is not being met at the year end.

Analysis of plan members, scheme liability split and duration

	2022[1]		
	No. of members	% of total liability	Duration (years)
Deferred members	6,236		
Total members	6,236	63%	19
Pensioners	4,233	37%	11
Total No./average duration	10,469	100%	16

1 The membership figures are as given in the plan accounts and are as at 31 March 2022, the date of the latest audited pension plan accounts. The duration and % of liability figures are as calculated by the Group's actuary as at the Group's current year end.

	2021[2]		
	No. of members	% of total liability	Duration (years)
Active members	1,231		
Deferred members	5,305		
Subtotal	6,536	67%	24
Pensioners	4,031	33%	13
Total No./average duration	10,567	100%	20

2 The membership figures are as given in the plan accounts and are as at 31 March 2021, the date of the latest audited pension plan accounts. Since that date, the plan has closed to further accrual and all non-pensioner members are now deferred members. The duration and % of liability figures are as calculated by the Group's actuary as at the Group's current year end.

Duration depends on the discount rate. The higher the discount rate, the less valuable are payments in the long-term future - reducing the average duration of the (discounted) liabilities. There has been a 2.8% increase in the discount rate in 2022, which has shortened the duration.

Balance sheet

The amount included in the balance sheet arising from the Group's obligations in respect of defined benefit retirement benefit plan is as follows:

	24 December 2022 £m	25 December 2021 £m
Present value of defined benefit obligations	(930.5)	(1,512.5)
Fair value of scheme assets	889.0	1,653.3
Surplus/(deficit) in the scheme, recognised in the balance sheet	(41.5)	140.8

Movements in the present value of defined benefit obligations were as follows:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Present value at start of period	1,512.5	1,641.0
Current service cost	-	4.8
Administration cost	2.4	2.0
Interest on obligation	28.3	21.1
Actuarial losses/(gains):		
- changes in financial assumptions	(622.8)	(127.7)
- changes in demographic assumptions	(3.5)	(5.2)
- experience	55.8	20.5
Benefits paid, including expenses	(42.2)	(44.0)
Present value at end of period	930.5	1,512.5

Notes to the consolidated financial statements continued

Employees continued

Movements in the fair value of the plan's assets is as follows:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Fair value at start of period	1,653.3	1,593.3
Interest income on plan assets	31.0	20.7
Contributions from the Group	0.4	25.3
(Loss)/return on assets excluding amounts included in net interest	(753.5)	58.0
Benefits paid, including expenses	(42.2)	(44.0)
Fair value at end of period	889.0	1,653.3

Movements in the deficit during the period are as follows:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Deficit at start of period	140.8	(47.7)
Current service cost	-	(4.8)
Administration cost	(2.4)	(2.0)
Employer contributions	0.4	25.3
Other finance income/(charge)	2.7	(0.4)
Total remeasurements recognised in other comprehensive income	(183.0)	170.4
Deficit at end of period	(41.5)	140.8

Income statement

Amounts recognised in the income statement arising from the Group's obligations in respect of the defined benefit plan are shown below.

Amount charged to operating profit:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Current service cost	-	4.8
Administration cost	2.4	2.0
Total service cost	2.4	6.8

The total service cost is included in the financial statement heading Staff Costs.

Amount credited to other finance charges:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Interest income on plan assets	(31.0)	(20.7)
Interest cost on defined benefit obligation	28.3	21.1
Net charge	(2.7)	0.4

The actual return on plan assets was a loss of £(722.5)m (52 weeks to 25 December 2021: increase of £78.7m).

Statement of comprehensive income

Amounts taken to equity via the statement of comprehensive income in respect of the Group's defined benefit plan are shown below:

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Actuarial (loss)/gain on plan assets	(753.5)	58.0
Decrease in plan liabilities due to financial assumptions and experience	622.8	127.7
(Increase) in plan liabilities due to experience	(55.8)	(20.5)
Decrease in plan liabilities due to demographic assumptions	3.5	5.2
Net actuarial (loss)/gain, before associated deferred tax	(183.0)	170.4

23 Share-based payments

Accounting policy

The Group issues equity-settled share-based payments. They are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

1) Details of each scheme

The Group recognised a charge of £7.3m (2021: charge of £10.1m) in respect of share-based payments during the period. The Group has various share-based payment schemes, which are all equity-settled. The main details of all schemes which existed during the period are given below.

Share Incentive Plan ('SIP')

This is a UK tax-advantaged 'all-employee' share plan under which the Company may grant the following types of awards to eligible UK employees:

(i) **Free Shares,** the vesting and forfeiture period is three years commencing on the date of grant and subject to continued employment. The shares are not subject to any performance conditions. Dividends are payable on the Free Shares during the vesting period. Voting rights are attached to Free Shares during the vesting period.

(ii) **Partnership Shares,** which do not have a vesting period as they are purchased using deductions from the gross pay of participating employees. The shares are not subject to any performance conditions. Dividends are payable on the Partnership Shares from grant. Voting rights are attached to Partnership Shares from grant.

(iii) **Matching Shares,** the vesting and forfeiture period for which is three years commencing on the date of grant and subject to continued employment and retention of the associated Partnership Shares in the SIP trust. Matching Shares are granted to participants in a ratio determined by the Company up to a maximum of two free Matching Shares for each Partnership Share purchased. Matching Shares are not subject to any performance conditions. Dividends are payable on the Matching Shares during the vesting period. Voting rights are attached to Matching Shares during the vesting period.

(iv) **Dividend Shares,** which do not have a vesting period as they are purchased using dividend monies payable on existing SIP shares held in the SIP trust. The shares are not subject to any performance conditions. Dividends are payable on the Dividend Shares from grant. Voting rights are attached to Dividend Shares from grant.

Free Shares, Partnership Shares, and Matching Shares must be kept in the SIP trust for five years from the date of grant to be capable of being sold or transferred out of the SIP trust free of income tax and National Insurance contributions (exceptions apply for 'good leaver' scenarios). Dividend Shares must be held in the SIP trust for three years from the date of grant to be capable of being sold or transferred out of the SIP trust free of income tax liability.

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Howden Joinery Group Long-Term Incentive Plan ('LTIP')

This is a discretionary employee share plan under which the Company may grant different types of award including options, conditional awards and restricted share awards. With the exception of (iv) below, neither dividends nor dividend equivalents are payable during the vesting period. The different types of awards are as follows:

(i) **Conditional Share Awards,** the vesting period for which is three years commencing on the date of grant and subject to continued employment. The shares are not subject to any other performance conditions.

(ii) **Market value options,** the vesting period for which was three years commencing from the date of grant with an exercise period of seven years (i.e. a total life of ten years). The vesting conditions for these options were as follows:

Date of award	2012	2013
Vesting based on growth in profits - from year ended December	2011	2012
- to year ended December	2014	2015
Award vests at 25% if profits over the vesting period grow by	6%	6%
Award vests at 100% if profits over the vesting period grow by	12%	12%

Date of award	2014
Vesting based on growth in profits - from year ended December	2013
- to year ended December	2016
Award vests at 15% if profits over the vesting period grow by	8%
Award vests at 100% if profits over the vesting period grow by	20%

If profits grow by a figure between the upper and lower thresholds for each year, the award vests on a sliding scale.

(iii) **Performance Share Plan,** the vesting period for which is three years commencing from the date of grant. The awards are subject to the following performance conditions:

Date of award	2018	2019
Vesting based on growth in profits - from year ended December	2017	2018
- to year ended December	2020	2021
Award vests at 15% if profits over the vesting period grow by	5%	5%
Award vests at 100% if profits over the vesting period grow by	15%	15%

Date of award	2020	2021	2022
Performance Period - from year ended December	2019	2020	2021
- to year ended December	2022	2023	2024
Performance Conditions:			
Total shareholder return (the 'TSR tranche') represents the following proportion of the Award	67%	33%	33%
- TSR tranche vests at 15% if the Company is ranked compared to comparators at	Median	Median	Median
- TSR tranche vests at 100% if the Company is ranked compared to comparators	Upper quartile	Upper quartile	Upper quartile
in the Growth in pre-exceptional profit before tax (the 'PBT tranche') represents the following proportion of the Award	33%	67%	67%
- PBT tranche vests at 15% if profit grows over the Performance Period grow by	5%	5%	5%
- PBT tranche vests at 100% if profit grows over the Performance Period grow by	15%	15%	15%

If profits grow by a figure between the upper and lower thresholds for each year, the award vests on a sliding scale.

(iv) **Restricted Share Awards,** where the participant receives beneficial entitlement to shares upon grant of the award. The legal interest however is not transferred to the participant until the forfeiture provisions and restrictions applicable to the awards cease to apply. The shares are not subject to any performance conditions other than continued employment. Dividends are payable during the vesting period.

2) Movements in the period

52 weeks to 24 December 2022	SIP (i) Number	LTIP (i) Number	LTIP (iii) Number	LTIP (iv) Number
In issue at beginning of period	2,253,629	-	3,324,679	13,646
Granted in period	359,104	382,200	1,080,204	-
Lapsed in period	(102,785)	-	(38,868)	-
Exercised in period	(436,287)	-	(1,299,808)	(13,646)
In issue at end of period	2,073,661	382,200	3,066,207	-
Exercisable at end of period	1,130,011	-	67	-
Number of options in the closing balance granted before 7 November 2002	14,028	-	-	-
Weighted average share price for options exercised during the period (£)	7.10	N/A	6.92	7.79
Weighted average life remaining for options outstanding at the period end (years)	1.3	2.7	1.4	N/A
Weighted average fair value of options granted during the period (£)	7.71	5.27	6.24	N/A
Exercise price for all options (£)	0.00	0.00	0.00	0.00

	LTIP (ii) Number	WAEP (£)	SIP (iii) Number
In issue at beginning of period	307,429	3.17	18,577
Granted in period	-	N/A	73,576
Lapsed in period	-	N/A	(12,324)
Exercised in period	(67,083)	2.04	(558)
In issue at end of period	240,346	3.48	79,271
Exercisable at end of period	240,346	3.48	-
Number of options in the closing balance granted before 7 November 2002	-		-
Weighted average share price for options exercised during the period (£)	7.62		6.34
Weighted average life remaining for options outstanding at the period end (years)	-		2.4
Weighted average fair value of options granted during the period (£)	N/A		6.50
Exercise price for all options (£)	2.38 to 3.79		-

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52 weeks to 25 December 2021	SIP (i) Number	LTIP (i) Number	LTIP (iii) Number	LTIP (iv) Number
In issue at beginning of period	2,685,127	10,000	4,203,998	64,942
Granted in period	329,076	-	997,693	-
Lapsed in period	(118,566)	(600)	(1,877,012)	-
Exercised in period	(642,008)	(9,400)	-	(51,296)
In issue at end of period	2,253,629	-	3,324,679	13,646
Exercisable at end of period	854,403	-	32	-
Number of options in the closing balance granted before 7 November 2002	15,264	-	-	-
Weighted average share price for options exercised during the period (£)	7.96	7.47	N/A	7.33
Weighted average life remaining for options outstanding at the period end (years)	0.99	N/A	1.35	0.26
Weighted average fair value of options granted during the period (£)	7.45	N/A	6.18	N/A
Exercise price for all options (£)	0.00	0.00	0.00	0.00

	LTIP (ii) Number	WAEP (£)	SIP (iii) Number
In issue at beginning of period	412,962	3.25	-
Granted in period	-	N/A	18,806
Lapsed in period	(7,926)	3.79	(229)
Exercised in period	(97,607)	3.46	-
In issue at end of period	307,429	3.17	18,577
Exercisable at end of period	307,429	3.17	-
Number of options in the closing balance granted before 7 November 2002	-		-
Weighted average share price for options exercised during the period (£)	8.34		N/A
Weighted average life remaining for options outstanding at the period end (years)	0.00		2.88
Weighted average fair value of options granted during the period (£)	N/A		8.68
Exercise price for all options (£)	1.28 to 3.79		0.00

3) Fair value of options granted

The fair value of awards granted is estimated on the date of grant using a binomial or a Monte Carlo option valuation model, as appropriate for the type of award granted.

The key assumptions used in the model were:

	52 weeks to 24 December 2022	52 weeks to 25 December 2021
Dividend yield (%)	1.8 to 3.4	2.2
Expected life of options (years)	3.0	1.6 to 3.0
Expected share price volatility (%)	32.2 to 32.3	22.0 to 31.6

Other supporting notes

24 Financial commitments

Capital commitments

	24 December 2022 £m	25 December 2021 £m
Contracted for, but not provided for in the financial statements:		
- Tangible assets	16.1	16.1
- Intangible assets - software	0.7	2.1
	16.8	18.2

25 Related party transactions

Companies which are related parties

Transactions between Group companies, which are related parties, have been eliminated on consolidation and are not disclosed in this note. All transactions between the Group and the Group's pension schemes have been disclosed in note 22.

Remuneration of key management personnel

Key management personnel comprise the Board of Directors (including non-executive directors) and the Executive Committee. Details of the aggregate remuneration to these personnel is set out below. The figure disclosed for share-based payments represents the gain realised on the exercise of share options in the year, albeit that those options will have been granted in previous periods. All figures include any related employer's National Insurance.

	24 December 2022 £m	25 December 2021 £m
Short-term employment benefits	10.5	6.6
Termination payments	0.8	0.4
Share-based payments	4.2	0.5
	15.5	7.5

Other transactions with key management personnel

There were no other transactions with key management personnel.

26 Acquisition of subsidiary

Accounting policy - business combinations and goodwill

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any excess of consideration over net assets acquired is recognised on acquisition as goodwill and tested for impairment at least annually.

Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

On 13 February 2022, for a total consideration of £15m from existing cash resources, the Group acquired 100% of the shares and voting rights of Sheridan Fabrications Limited ('Sheridans'), a leading industry specialist in the manufacture, fabrication, laser templating and installation of premium worksurfaces. Sheridans employs around 200 people and is based in Normanton, Yorkshire, around 30 miles from the Group's factory at Howden.

The acquisition increases the Group's manufacturing capacity and supports our strategy of increasing our share of this growing market.

Notes to the consolidated financial statements continued

The fair value of the major classes of assets and liabilities at acquisition date and the amount of goodwill recognised is shown below:

	Fair value recognised £m
Intangible assets - software	0.4
Property plant & equipment	0.5
Lease right-of-use assets	1.3
Inventories	1.9
Trade and other receivables and prepayments	3.2
Trade and other payables and accruals	(3.2)
Cash	0.4
Borrowings	(1.2)
Total lease liabilities	(1.3)
Net assets acquired	2.0
Goodwill recognised on acquisition	12.4
Consideration paid for the net assets acquired - cash	14.4
Additional consideration paid in cash - treated as settlement of existing debt on acquisition, owed by the Group to Sheridans	0.6
Total consideration paid - cash	15.0
Total cash consideration paid - net of cash acquired	14.6

The goodwill represents the expected synergies from the acquisition in expanding the Group's activities in its addressable market, including the skills of the assembled Sheridans workforce. None of the goodwill is expected to be deductible for tax purposes. It is presented on the balance sheet as part of the Group's intangible assets.

The gross value of trade receivables on acquisition, excluding the debtor due to Sheridans from the Group, was £2.3m. Their fair value, and the best estimate at acquisition date of the cash flows expected to be collected was £2.1m.

The Group incurred acquisition-related costs of £0.3m, which were expensed in the period and are included in Operating expenses.

Details of the effect of the acquisition on revenue and profit are as follows:

	Revenue £m	Gross profit £m
Additional amounts recognised in respect of Sheridans in the Group consolidated statement of comprehensive income for the period since acquisition date (13 February 2022)	14.4	0.1
Management's estimate of results for the combined entity for the current reporting period if the acquisition date had been at the beginning of the reporting period (26 December 2021)	2,322.2	1,411.5

The figures in the table above exclude revenue and profit from transactions between Sheridans and the Group. The revenue and profit figures for the period since 13 February present leasing transactions on an IFRS 16 basis. The estimated figures for the period between 26 December 2021 and 13 February 2022 are on an FRS102 basis.

The Sheridans factory and offices, together with the land which they stand on - which were not owned by Sheridans Fabrications Limited - were bought for £10m in a separate transaction. This has been accounted for as an asset purchase, and forms part of the reported capital expenditure for the period.

Company balance sheet

	Notes	24 December 2022 £m	25 December 2021 (restated - note 6) £m
Non-current assets			
Investments in subsidiaries	3	699.0	699.0
Lease right-of-use assets	7	175.5	180.3
Amounts owed by wholly-owned subsidiary companies		103.3	1,957.3
Deferred tax assets		1.0	-
Prepaid credit facility fees		1.0	0.3
		979.8	2,836.9
Current assets			
Other debtors	4	9.9	9.2
Cash and cash equivalents		218.2	430.4
		228.1	439.6
Total assets		1,207.9	3,276.5
Current liabilities			
Lease liabilities	7	(10.2)	(4.2)
Amounts owed to wholly-owned subsidiary companies		(326.8)	(2,324.2)
		(337.0)	(2,328.4)
Non-current liabilities			
Lease liabilities	7	(192.1)	(199.2)
		(192.1)	(199.2)
Total liabilities		(529.1)	(2,527.6)
Net assets		678.8	748.9
Equity			
Called up share capital	5	56.1	59.8
Capital redemption reserve		9.1	5.4
Share premium		87.5	87.5
Treasury shares		(25.5)	(27.1)
Retained earnings		551.6	623.3
Total equity		678.8	748.9

The Company profit after tax for the 52 weeks to 24 December 2022 was £293.8m (52 weeks to 25 December 2021: profit after tax of £79.4m after restatement - see note 6).

The financial statements were approved by the Board and authorised for issue on 6 March 2023 and were signed on its behalf by

Paul Hayes
Chief Financial Officer

For and on behalf of Howden Joinery Group Plc, registered number 02128710

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Company statement of changes in equity

	Called up share capital £m	Capital redemption reserve £m	Share premium account £m	Treasury shares £m	Retained earnings £m	Total £m
At 26 December 2020	60.3	4.9	87.5	(28.2)	1,032.3	1,156.8
Effect of restatement - see note 6	-	-	-	-	(306.8)	(306.8)
Adjusted balances at 26 December 2020	60.3	4.9	87.5	(28.2)	725.5	850.0
Retained profit for the period, restated - see note 6	-	-	-	-	79.4	79.4
Reclaim of forfeited dividends	-	-	-	-	0.2	0.2
Proceeds from sale of forfeited shares	-				1.8	1.8
Buyback and cancellation of shares	(0.5)	0.5	-	-	(50.0)	(50.0)
Transfer of shares from treasury into share trust	-		-	1.1	-	1.1
Dividends declared and paid	-	-	-	-	(133.6)	(133.6)
At 25 December 2021, restated - see note 6	59.8	5.4	87.5	(27.1)	623.3	748.9
Retained profit for the period	-	-	-	-	293.8	293.8
Buyback and cancellation of shares	(3.7)	3.7	-	-	(250.5)	(250.5)
Transfer of shares from treasury into share trust	-	-	-	1.6	-	1.6
Dividends declared and paid	-	-	-	-	(115.0)	(115.0)
At 24 December 2022	56.1	9.1	87.5	(25.5)	551.6	678.8

	24 December 2022 £m
The Company's distributable reserves at period end are:	
Retained earnings	551.6
Treasury shares	(25.5)
Distributable reserves	526.1

Notes to the Company financial statements

1 Significant Company Accounting policies

General information

Howden Joinery Group Plc is a company incorporated in the United Kingdom under the Companies Act 2006. The Company's principal activity is being the parent company of the Howden Joinery Group. More information about the Group structure is given at page 212.

Basis of presentation

The Company's accounting period covers the 52 weeks to 24 December 2022. The comparative period covered the 52 weeks to 25 December 2021

Basis of accounting

These financial statements have been prepared on the going concern basis and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the UK Companies Act.

The accounts are prepared under the historical cost convention. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement or statement of comprehensive income.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Statement of Cash Flows and related notes;
- a comparative period reconciliation for share capital;
- disclosures in respect of transactions with wholly owned subsidiaries;
- comparative period reconciliations for tangible fixed assets and intangible assets;
- an additional statement of financial position in respect of the restatement at note 6, as required by IAS 1;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of Key Management Personnel.

As the Group Financial Statements include the equivalent disclosures, the Company has also taken advantage of the exemptions under FRS 101 available in respect of IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instruments.

Investments in subsidiaries

These investments are shown at cost less any provision for impairment.

Lease accounting

The Company's accounting policies for leases are the same as those for the Group, which are disclosed at note 11 to the Group consolidated financial statements.

2 Profit and loss account information

The Company has no employees (2021: none), did not pay directors' emoluments (2021: £nil), the fees payable to the Company's auditor for the audit of the Company's annual accounts were paid by another Group company in the current period, and were £10,000 in the prior period.

Notes to the Company financial statements continued

3 Investments in subsidiaries

	Total £m
Cost and carrying value:	
At 25 December 2021 and 24 December 2022	699.0

The investment represents the Company's 100% ownership of Howden Joinery Holdings Limited, which in turn holds 100% of all other Group companies - either directly or through one its 100%-owned subsidiaries. The combined results and financial position of the subsidiaries and this Company is shown in the consolidated Howden Joinery Group Plc financial statements.

The investment consists of a capital contribution in addition to ownership of the subsidiary's share capital of £2, which is held at cost.

Other than a small amount of interest receivable on cash and cash equivalents, the Company has no income receivable other than from transactions with its 100%-owned subsidiaries. Expenses payable by the Company to companies outside the 100%-owned Group are in excess of this interest income so it is considered that the market capitalisation of the Group, which was significantly in excess of the carrying value of the investments in subsidiaries at both the current and prior period end, is a useful indicator of any possible impairment in the Company's investment in subsidiaries.

Details of all Group subsidiaries are given on page 212.

4 Other debtors

	24 December 2022 £m	25 December 2021 £m
Other debtors	0.4	0.3
Other tax and social security	9.5	8.9
	9.9	9.2

5 Share capital

Ordinary shares of 10p each:	52 weeks to 24 December 2022 No.	52 weeks to 25 December 2021 No.	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Allotted, called up and fully paid				
Balance at the beginning of the period	597,573,827	602,863,861	59.8	60.3
Bought back and cancelled during the period	(36,657,778)	(5,290,034)	(3.7)	(0.5)
Balance at the end of the period	560,916,049	597,573,827	56.1	59.8

6 Prior year restatement

During the current period, the Directors have reassessed the Company's accounting for leases, intercompany receivables and investment in subsidiaries. This has resulted in prior year adjustments to the Company financial statements, as detailed below. There is no impact on the consolidated Group financial statements.

(a) Description of restatements

Property lease accounting

On adoption of IFRS16: Leases, the Directors determined that the companies who actively manage and operate the leased properties should record the lease liabilities and right-of-use lease assets. This approach has been revisited and the revised conclusion was that leases should be accounted for in the financial statements of the company who is the signatory to the lease.

A review of the Group's leases identified that there were five leases where this Company was signatory to the lease. Accordingly, an adjustment has been made to remove these leases from the financial statements of 100%-owned subsidiary company in which they had previously been reported, and to record them on the Company balance sheet. There is no impact on the consolidated Group position as previously reported.

Intercompany receivables and investment in subsidiary companies

In prior years, the Directors assessed the recoverability of the intercompany receivables based on the viability of the Group as a whole. This approach has been revisited to assess the ability and intent of the individual subsidiary entities to repay the amounts due on demand.

As a result of this review, it has been identified that some intercompany receivables were impaired at 26 December 2020 by £296.9, with a further impairment arising in the period ending 25 December 2021 of £12.1m, but these impairments had not been recognised in the parent company's financial statements. The impairments have therefore been recorded as prior year adjustments.

An additional result of this review of intercompany debts was that there were insufficient reserves in this Company's wholly-owned subsidiary to satisfy part of the dividend paid to this Company in 2021. This proportion of the dividend income has therefore been derecognised and reflected in the adjustments presented in this Company's financial statements. There is no impact on the consolidated Group position as previously reported.

Additionally, the investment in subsidiary entities has been re-presented to reflect the permanent substance of the financing arrangements. This is solely a disclosure adjustment and has no effect on the Company or Group financial position.

(b) Adjustments arising from restatements

	Lease right-of-use assets	Current lease liabilities	Non-current lease liabilities	Intercompany receivables	Dividend income from subsidiary	Net effect of restatements on reserves
Property lease accounting - transfer leases from fellow subsidiary	200.4	(6.8)	(203.5)	-	-	(9.9)
Intercompany receivables - impairment of intercompany debt	-	-	-	(296.9)	-	(296.9)
Effect of restatements on opening balances as at 26 December 2020	200.4	(6.8)	(203.5)	(296.9)	-	(306.8)
Property lease accounting - incremental effect in 2021	(20.1)	2.6	4.2	12.1	-	(1.2)
Intercompany receivables - incremental impairment in 2021	-	-	-	(12.1)	-	(12.1)
Partial write back of dividend from subsidiary in 2021	-	-	-	-	(71.4)	(71.4)
Incremental effect of restatements on year to 25 December 2021 figures	(20.1)	2.6	4.2	-	(71.5)	(84.7)
Assets/(liabilities) recorded on restated balance sheet at 25 December 2021	180.3	(4.2)	(199.2)			

	£m
Retained profit for the year to 25 December 2021 - before restatement	164.1
Partial write back of dividend from subsidiary in 2021	(71.4)
Intercompany receivables - incremental effect in 2021	(12.1)
Property lease accounting - incremental effect in 2021	(1.2)
Retained profit for the year to 25 December 2021 - restated	79.4

Notes to the Company financial statements continued

7 Lease right-of-use assets and lease liabilities

Nature of the Company's leasing activities

The Company is the signatory for leases on five warehouse and office properties which are used by other Group companies.

Amounts recognised in the balance sheet

Right-of-use assets	24 December 2022 £m	25 December 2021 £m
Property	175.5	180.3
Additions to right-of-use assets in the period	3.1	0.0

	24 December 2022 £m	25 December 2021 £m
Lease liabilities		
Current	(10.2)	(4.2)
Non-current	(192.1)	(199.2)
	(202.3)	(203.4)

Amounts recognised in the income statement

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Included in net operating expenses		
Depreciation of property right-of-use assets	7.9	7.8
Included in finance costs		
Interest expense on lease liabilities	4.5	4.5

Cash flows and maturity analysis of lease liabilities

	52 weeks to 24 December 2022 £m	52 weeks to 25 December 2021 £m
Total cash outflow for leases	8.7	11.3

Maturity analysis of lease liabilities	24 December 2022 £m	25 December 2021 £m
Contractual undiscounted cashflows due		
- within 1 year	14.6	8.7
- 1 to 5 years	42.7	46.7
- more than 5 years	204.6	215.1
	261.9	270.5

Additional Information

Parent company and all subsidiary undertakings

At 24 December 2022

	Country of registration or incorporation	Registered office
Parent company		
Howden Joinery Group Plc	England and Wales	40 Portman Square, London, W1H 6LT
All subsidiary undertakings		
Intermediate Holding Companies:		
Howden Joinery Holdings Limited	England and Wales	40 Portman Square, London, W1H 6LT
Howden Joinery International Holdings Limited	England and Wales	40 Portman Square, London, W1H 6LT
Trading:		
Howden Joinery Limited	England and Wales	40 Portman Square, London, W1H 6LT
Howdens Cuisines SAS	France	1 Rue Calmette, ZA Du Bois Rigault Nord, 62880 Vendin-Le-Vieil
Howdens Cuisines SRL	Belgium	Rue Des Emailleries 4, 6041 Gosselies
Howden Joinery (Ireland) Limited	Republic of Ireland	Suite 3, One Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland
Sheridan Fabrications Limited	England and Wales	40 Portman Square, London, W1H 6LT
Property Management:		
Howden Joinery Properties Limited	England and Wales	40 Portman Square, London, W1H 6LT
Howden Kitchens Properties Limited	England and Wales	40 Portman Square, London, W1H 6LT
Administration and Employee Services:		
Howden Joinery Corporate Services Limited	England and Wales	40 Portman Square, London, W1H 6LT
Howden Joinery People Services Limited	England and Wales	40 Portman Square, London, W1H 6LT
Dormant:		
Howden Kitchens Limited	England and Wales	40 Portman Square, London, W1H 6LT
Galiform Limited	England and Wales	40 Portman Square, London, W1H 6LT
Foreign Company Registrations:		
Howden Joinery Limited	Isle of Man	33-37 Athol Street, Douglas, Isle of Man, IM1 1LB
Howden Joinery Limited	Jersey	40 Portman Square, London, W1H 6LT
Howden Joinery Properties Limited	Isle of Man	33-37 Athol Street, Douglas, Isle of Man, IM1 1LB

Five year record

	December 2022 52 weeks £m	December 2021 52 weeks £m	December 2020 52 weeks £m	December 2019 52 weeks £m	December 2018 52 weeks £m
Summarised Income Statement					
Revenue	2,319.0	2,093.7	1,547.5	1,583.6	1,511.3
Operating Profit	415.2	401.7	195.7	260.0	240.1
Profit before tax	405.8	390.3	185.3	260.7	238.5
Full year dividend per share (pence)[1]	20.6	19.5	18.2	3.9	11.6
Basic EPS (pence)	65.7	53.2	24.9	35.0	31.3
Summarised Balance Sheet					
Non-current assets excluding leases and pension	471.5	332.1	290.7	251.7	221.4
Non-current lease right-of-use assets	614.3	555.8	544.2	-	-
Inventories	373.3	301.6	255.0	231.8	226.3
Receivables (including tax)	265.6	205.8	166.6	193.1	186.0
Payables and provisions	(454.2)	(468.7)	(338.2)	(272.2)	(261.9)
Pension (liability)/asset	(41.5)	140.8	(47.7)	(56.6)	(36.0)
Total lease liabilities	(665.3)	(591.2)	(580.5)	-	-
	(542.4)	(411.7)	(544.8)	96.1	114.4
Net cash & short-term investments	308.0	515.3	430.7	267.4	231.3
Total net assets	871.7	991.5	720.8	615.2	567.1
Number of depots at end of year					
UK	808	778	748	732	694
France	58	38	28	25	20
Belgium	2	2	2	2	2
Republic of Ireland	5	-	-	-	-
Netherlands	-	-	-	-	1
Germany	-	-	-	-	1
TOTAL	873	818	778	759	718
Capital expenditure	141	86	70	61	44

1 Dividends. In 2019, an interim dividend of 3.9p/share and a final dividend of 9.1p/share were declared, making a total of 13.0p/share. However, following the disruption caused by the outbreak of COVID in early 2021, the 2019 final dividend of 9.1p/share was not paid. In 2021, there was no interim dividend declared, but (see note 11 of these financial statements), there was a 2020 final dividend of 9.1p/share and also a special dividend of 9.1p/share, making a total of 18.2p/share for 2020.

Shareholder and share capital information

Annual General Meeting

The 2023 Annual General Meeting ('AGM') will be held at Freshfields Bruckhaus Deringer LLP, 100 Bishopsgate, London, EC2P 2SR on 4 May 2023 at 11.00am.

Shareholders will have the opportunity to discuss Howdens' progress and operations directly with the Board at the AGM. The notice of the AGM will be sent to shareholders at least 21 clear days before the meeting and will detail the resolutions to be voted on.

Dividend

Subject to the 2022 final dividend payment being approved by shareholders at the AGM on 4 May 2023, the following timetable will apply:

2022 Final Dividend	
Ex-Dividend date	6 April 2023
Record Date	11 April 2023
Payment Date	19 May 2023

Dividend reinvestment plan ('DRIP')

Howden Joinery Group Plc ('Howdens') offers a DRIP for our shareholders in eligible countries who wish to elect to use their dividend payments to purchase additional ordinary Howdens shares, rather than receive a cash payment. The DRIP is provided and administered by Equiniti Financial Services Limited ('Equiniti'). Further details regarding the DRIP can be found on Equiniti's website: www.shareview.co.uk/info/drip

Dividend payments directly to a bank or building society account

If you are a shareholder with a UK bank or building society account, you can arrange through our registrar, Equiniti, to have dividends paid directly to your account using a bank or building society mandate. You can arrange this by completing the form attached to a previous dividend confirmation you have received, through Equiniti's Shareview Portfolio website, portfolio.shareview.co.uk (registration is required), or by calling Equiniti on +44 (0) 333 207 6558.

Existing dividend mandate details can be amended to have dividends paid to a different UK bank or building society account. Dividend mandate details can also be de-selected if you would prefer to receive payments by cheque.

Share Capital

As at 24 December 2022, the Company had only fully paid up ordinary 10 pence shares in issue ('Shares'). Below sets out the share capital position at 24 December 2022 and at 25 December 2021:

		Number of Shares	
	% change	24 Dec 2022	25 Dec 2021
Total Shares in issue	(6.13)%	560,916,049	597,573,827
Treasury Shares	(5.92)%	5,237,907	5,567,555
Shares with voting rights	(6.14)%	555,678,142	592,006,272

Shares held in Treasury have no voting or dividend rights and are used solely for the satisfaction of employee share awards. Details of employee share schemes are set out in note 23 to the Financial Statements beginning on page 199.

Shares held by the Howden Joinery Group Plc Employee Benefit Trust abstain from voting at the Company's general meetings and waive dividends. Shares held in the Share Incentive Plan Trust, which have been allocated to employees through UK all-employee share plans, have both voting and dividend rights.

Shares in public hands[1] ('Free float' shares)

As at 24 December 2022, 0.89% of the Company's issued share capital was held in Treasury, 0.28% was held by Directors, persons discharging managerial responsibility (PDMRs), or connected persons of those Directors or PDMRs, 0.34% was held in employee share trusts (excluding any allocated shares which are not forfeitable), and 5.13% was held by major shareholders (those who have declared holdings above 5%).

Free float shares therefore accounted for 93.36% of the Company's issued share capital at the 24 December 2022.

Acquisition of the Company's own shares

During 2022, the Company repurchased and cancelled 37 million shares worth a total of £250m under its 2022 share repurchase programme. The repurchased shares represented a nominal value of £3,700,000 and equated to 6.2% of the called up share capital of the Company at the beginning of the period (excluding Treasury shares).

In line with our capital allocation policy (see the Chairman's statement on page 18 for more information) the Company returns surplus capital to shareholders. The Board considered that a share buy back programme was, and continues to be, the most efficient means of deploying surplus capital to shareholders.

1 The definition of 'Shares in public hands' may be found in Listing Rule 6.14.3R. The Company considers shares which meet the definition of 'shares in public hands', as set out in the Listing Rules, to be 'free float' shares.

At the AGM on 12 May 2022, the Directors were granted authority by shareholders to purchase up to 59,200,627 of the Company's ordinary shares through the market[1]. The authority expires at the conclusion of the 2023 AGM or within 15 months from the date of passing the resolution (whichever is earlier).

Rights and restrictions

Issued share classes:	Ordinary only (fully paid)
Voting rights at general meetings:	One vote per share
Fixed income rights:	None
Individual special rights of control:	None
Holding size restrictions[2]:	None
Transfer restrictions[2]:	None

The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of shares or on voting rights.

Substantial shareholdings

As at 6 March 2023, the Company had been notified, in accordance with Rule 5 of the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company:

Substantial Shareholder	% of total voting rights	Date of last notification
BlackRock, Inc	5.45%	23 November 2022

The percentage interest is as stated by the shareholder at the time of notification and current interests may vary.

1 At prices ranging between 10p and the higher of (a) 105% of the average middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and (b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System.

2 Governed by the general provisions of the Articles of Association (which may be amended by special resolution of the shareholders) and prevailing legislation.

Significant agreements

There are a number of agreements that take effect, alter or terminate upon a change of control such as commercial contracts, bank loan agreements and employee share plans. The only one of these which is considered to be significant in terms of likely impact on the business of the Group as a whole is the bank facility (as described on page 71 and in note 19 on page 188). If the lender were not prepared to consent to a change of control, a mandatory repayment of the entire facility would be triggered.

The Directors are not aware of any agreements between the Company and its Directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

Provision for indemnity against liability incurred by a Director

The Company has provided indemnities to the Directors (to the extent permitted by the Companies Act 2006) in respect of liabilities incurred as a result of their office. Neither the indemnity nor any insurance provides cover in the event that the Director is proven to have acted dishonestly or fraudulently.

Listing Rule 9.8.4R(2) disclosure

The following statement, characterised as a profit forecast, was included in the Group's Trading Update on 3 November 2022 for the financial year ended 24 December 2022:

"Against a backdrop of economic uncertainty, we will remain vigilant for any potential headwinds while managing inflationary and supply chain pressures. We are confident in our resilient business model and our well-established strategy. Given the continued momentum in the period, the Group now expects profit before tax to be marginally ahead of the average of published analyst consensus forecasts for FY 2022."

A footnote to the statement above read:

"Analysts' consensus is available on the Howdens corporate website. Profit Before Tax consensus for 2022 is an average of £387m with a range of £373m to £410m. The year ended 30 December 2023 contains an additional (53rd) week of Group operating costs."

The actual Group profit before tax figure for the period ended 24 December 2022 is set out on page 164.

Shareholder Ranges as at 24 December 2022

	Number of holders	Number of shares	Percentage of holders	Percentage of shares
Corporate holders				
0 to 1,000	81	25,282	1.14	0.00
1,001 to 5,000	84	208,705	1.18	0.04
5,001 to 10,000	37	272,882	0.52	0.05
10,001 to 50,000	152	3,966,359	2.14	0.71
50,001 to 100,000	59	4,144,297	0.83	0.74
100,001 to 250,000	107	17,171,999	1.50	3.06
Over 250,000	219	527,953,053	3.08	94.12
	739	553,742,577	10.39	98.72
Individual holders				
0 to 1,000	5,189	1,846,330	72.94	0.33
1,001 to 5,000	1,012	2,288,323	14.23	0.41
5,001 to 10,000	108	768,340	1.52	0.14
10,001 to 50,000	59	1,140,213	0.83	0.20
50,001 to 100,000	4	311,989	0.06	0.06
100,001 to 250,000	1	126,277	0.00	0.02
Over 250,000	2	693,000	0.03	0.12
	6,375	7,174,472	89.61	1.28
Total	**7,114**	**560,917,049**	**100.00**	**100.00**

Corporate timetable

2023	
Trading update	27 April
Annual General Meeting	4 May
Half-Yearly Report	20 July
Trading update	2 November
End of financial year	30 December

Advisors and registered office

Principal Banker

Lloyds

25 Gresham Street
London
EC2V 7HN

Joint Financial Advisers and Stockbrokers

Numis Securities

45 Gresham Street
London
EC2V 7BF

Barclays

1 Churchill Place
Canary Wharf
London
E14 5HP

Solicitors

Freshfields Bruckhaus Deringer

100 Bishopsgate
London
EC2P 2SR

Auditor

KPMG

15 Canada Square
London
E14 5GL

Registrar

Equiniti

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Registered Office

40 Portman Square
London
W1H 6LT

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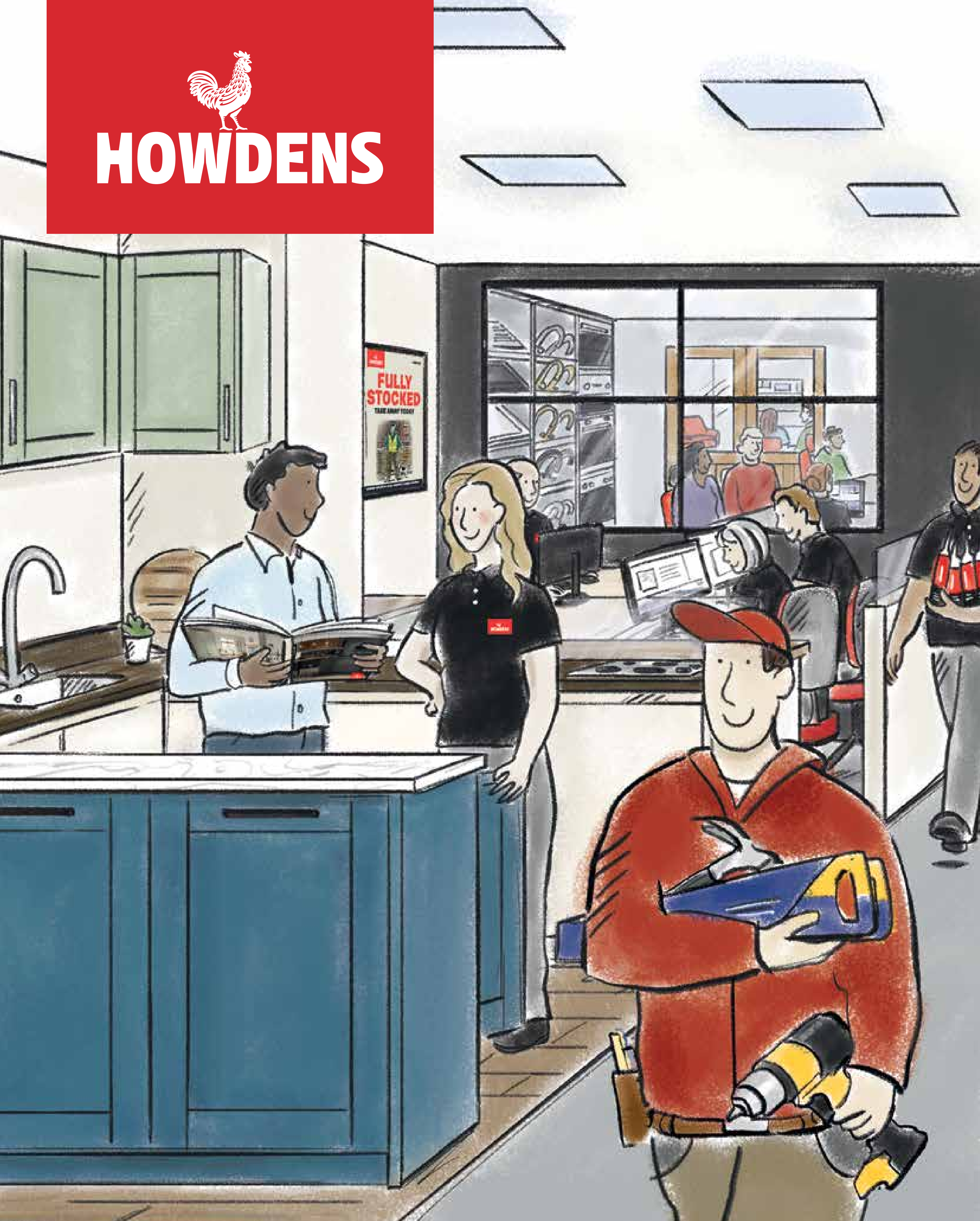

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