HOWDENS

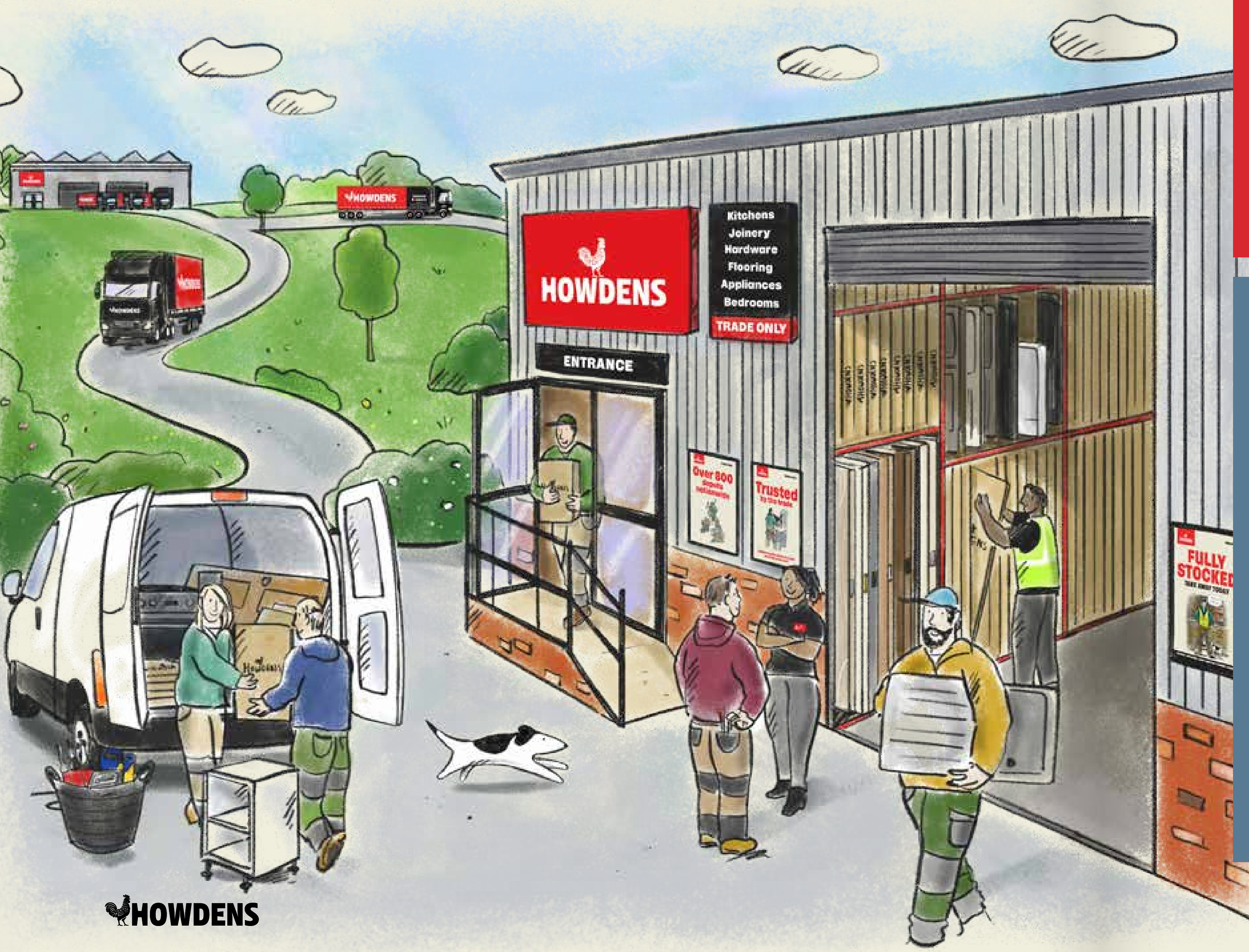
Annual Report and Accounts 2023

Howden Joinery Group Plc

The UK's number 1 trade kitchen supplier

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

We make builders' lives 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 2023

Financial highlights

"The Group delivered a resilient performance in 2023, against record prior year comparatives and in, as we anticipated, a more challenging marketplace.

Sales and profits met expectations and we progressed our investment programme, which is focused on our key capabilities and gives us, end to end, a stronger business.

Net cash at year end

£283m

2023	£283m
2022	£308m
2021	£515m
2020	£431m
2019	£267m

Revenue

£2.3bn

2023	£2.3bn
2022	£2.3bn
2021	£2.1bn
2020	£1.5bn
2019	£1.6bn

Operating profit

£340m

2023	£340m
2022	£415m
2021	£402m
2020	£196m
2019	£260m

Profit before tax

£328m

2023	£328m
2022	£406m
2021	£390m
2020	£185m
2019	£261m

Dividends paid in year

£114.1m

2023	£114.1m
2022	£115.0m
2021*	£133.6m
2020	£0.0m
2019	£70.6m

* 2021 included a special dividend of £54.1m.

Gross margin

60.8%

2023	60.8%
2022	60.9%
2021	61.6%
2020	60.1%
2019	62.3%

Earnings per share

46.5p

2023	46.5p
2022	65.8p
2021	53.2p
2020	25.0p
2019	35.0p

2023 FY dividend

21.0p

2023	21.0p
2022	20.6p
2021	19.5p
2020	18.2p
2019	3.9p

Share buybacks

£50m

2023	£50m
2022	£250m
2021	£50m
2020	£10m
2019	£126m

Operational highlights

32
new UK depots

5
new depots in France

5
new depots in Republic of Ireland

23
new kitchen ranges

Near-term Science-based Net Zero targets approved

Making more products in our own UK factories

Continuing to strengthen our digital offering

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HOWDENS

Strategic Report

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, and the scale of our operations, 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

At Howdens, we aim to be the best at what we do - the supply of kitchens, joinery products and related services to tradespeople.

We do this by having a single-minded focus on our trade customers with all our operations designed and structured around making life easier for them, so that by trading with us they can get their jobs done right first time for their customers.

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

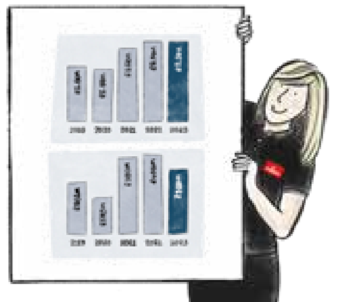
Worthwhile for all concerned

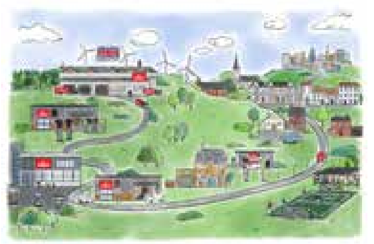
Outcomes

- Happy builders and end-users
- Sustainable profit growth, sector-leading margins and strong cash generation
- Returns to shareholders
  - our employees
  - new depots
  - new product
  - new manufacturing and logistics
  - digital
- Giving back to local communities
- Science-based Net Zero targets in place

Strategic Report

How we create value





Strategic Report

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 at best local price. Entrepreneurial depots supported by UK manufacturing and efficient sourcing and distribution.

See page 14

We respond to external opportunities and mitigate threats

Markets

Competing at all price points. Gaining market share.

See page 12

Risks

Effective risk monitoring and mitigation.

See page 36

Culture & values

Worthwhile for all concerned.

See page 11

Culture is aligned with purpose, values and strategy

Sustainability

Focus on climate resilience and Net Zero.

See page 42

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

Governance

A clear governance framework. Operating with integrity.

See page 72

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. Worthwhile for all concerned.

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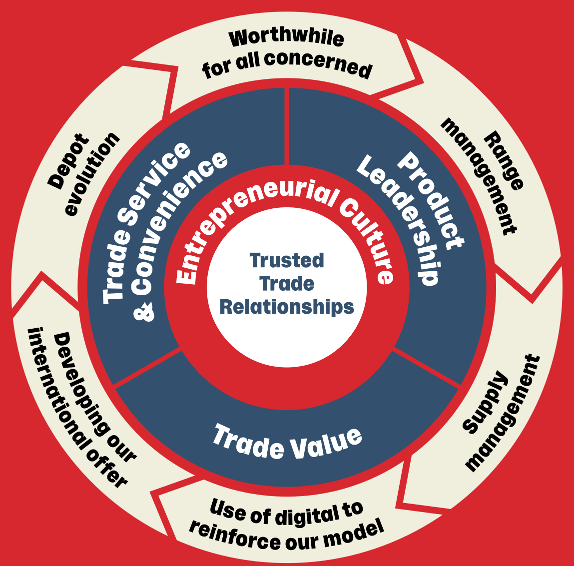
Our purpose

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 is at the heart of 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, doors, flooring, hardware and bedrooms. A free design service to help customers and end-users 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 for builders to fit, giving them more time.

Trade value

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

Our culture and values

Howdens was founded on the principle that the business should be worthwhile for all concerned – customers, 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 since 1995, 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 suppliers 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 900 communities.
- Giving back to charities and local communities.
- Responsible purchasing and environmental policies.

Our market

The kitchen market

- 28 million households in the UK; 18 million owned and 10 million rented.
- UK kitchen and joinery market of £12bn[1].
- 'Do It For Me' and the Trade market continue to be strong.
- Howdens sells to Trade customers who work flexibly across 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.

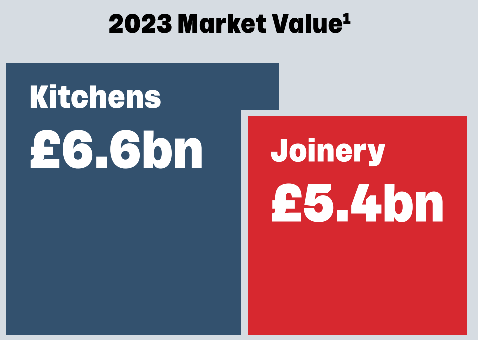
Structural drivers

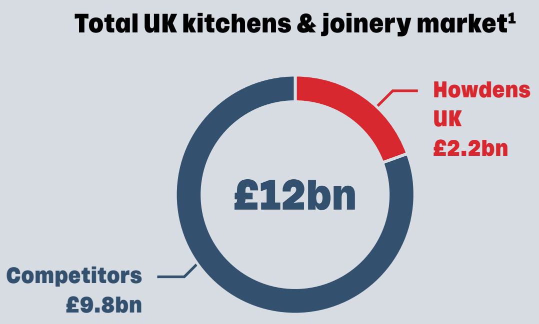
- Population growth: by 2030 UK population will grow by 3% and will have 2m new citizens[2].
- Ageing UK housing stock will drive renovation. Average age of UK housing stock is around 70 years[2].
- Entrepreneurial builders are well placed to win kitchens, joinery and bedroom work as part of wider home refurbishment projects. They are supported by Howdens' business model.
- Builders have remained optimistic in 2023 and workloads have remained relatively strong[1].

Recent trends

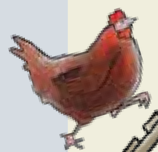
- 15% increase in adult children living with parents over last 10 years[2], together with hybrid working, mean the kitchen has to work harder.
- Consumers are more focused on design and use of kitchen space to maximise flexibility[1].
- An ageing population with significant purchasing power choosing to age in place. Baby boomers own nearly half, £2tn, of all British housing equity.

UK Kitchens and joinery market is valued at £12bn[1]





Significant room to grow market share



1 Howdens estimates based on proprietary data/builder 'Customer Pulse' surveys.
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 through:

Our long-term strategic objectives

Reach more builders

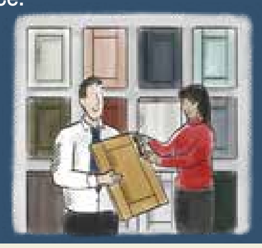
Grow market share.
Increase trade convenience.

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

Supported by:

Our medium-term strategic initiatives page 25

- 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, 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 900 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 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 2,100 specialist kitchen designers support the builder by visiting the end-user's home, or work with them remotely using our free virtual design service, and helping them choose, plan and design their dream kitchens.

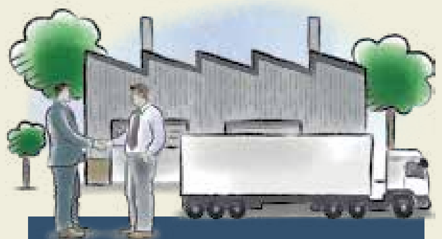
The value we create

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.

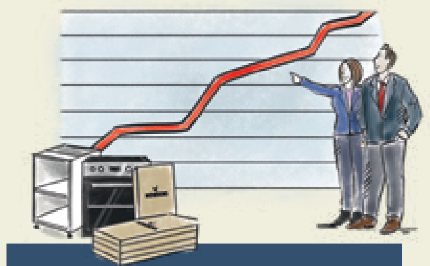
2. Staff

- 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 their 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 900 communities.
- Supporting local and national charities.
- Responsible ESG practices and policies.
- See our Sustainability report on page 42.

Strategic Report

Chairman's statement

Another year of strong progress

Peter Ventress
Chairman

I am pleased to report the Company delivered another year of strong progress supporting our trade customers with an outstanding product line up, industry-leading stock availability and, as always, a first-class service from our depot teams.

Another year of strong progress

Despite a challenging macroeconomic environment, I am pleased to report the Company delivered another year of strong progress supporting our trade customers with an outstanding product line up, industry-leading stock availability and, as always, a first-class service from our depot teams.

During the year we continued to invest in our strategic initiatives at pace. Our strategy is working well and I am confident that Howdens' in-stock, trade-only, local business model is the best way of supporting the day to day needs of our customers. This is evidenced by further above market revenue growth this year. In fact, since the pandemic, Howdens has grown revenues by over 45% while continuing to expand the number of customer accounts every year.

Central to our success as always has been the extraordinary talent and unwavering commitment of our people, whose entrepreneurial spirit and dedication to our customers make the business what it is. On behalf of the Board, I'd like to thank them sincerely for all that they do.

Financial performance

Overall in 2023, revenue was in line with last year's record performance, in very challenging kitchen and joinery markets. We continued to operate the business with sector leading gross margins of 60.8% (2022: 60.9%) made possible by our vertically integrated approach and market leading distribution and supply chain network, which are key differentiators of the Howdens 'in-stock' model. Given the challenging market environment we remained cautious on the cost base throughout the year, offsetting inflationary and energy cost increases with productivity and efficiency benefits. This protected over £50m of investments in our strategic initiatives to support future growth. As expected, profit before tax was lower than the prior year, and earnings per share for the year were 46.5p per ordinary share (2022: 65.8p).

Strong cash generation remains one of the great hallmarks of this business. Despite continued capital investments in our growth initiatives, running with additional safety stock to protect our customers and returning over £164m of cash to shareholders in dividends and share buybacks we ended the year with cash of £282.8m.

Strategic initiatives

Our kitchen and joinery markets are large and fragmented which presents an attractive long-term growth opportunity for Howdens. We believe our addressable kitchen and joinery markets in the UK are around £12 billion compared with the Company's UK revenue of around £2.3bn. We are investing commensurately in our consistent and proven growth strategy which is now well established under the leadership of Andrew Livingston and his team.

Our priorities are to invest in deeper vertical integration, depot expansion in the UK, product innovation and digital expansion. We are also investing in our international businesses in France, Belgium and more recently the Republic of Ireland which all present further growth opportunities. You can read more about our progress on many fronts this year in a Q&A with Andrew, starting on page 19.

A milestone year for ESG

The opportunity to have a positive impact on our environment, while creating a culture at Howdens where employees from all walks of life can thrive, underpinned by an appropriate governance framework to set the right tone, remain important areas of oversight for the Board. At Howdens we articulate this as being 'worthwhile for all concerned' which means doing the right thing for our people, our customers, our suppliers, the environment and the communities we work in.

2023 was a milestone year in Howdens' efforts to lower its carbon emissions with our near term Net Zero targets to 2030 being approved by the Science Based Targets Initiative (SBTi). This solidifies our route-map with appropriate targets so we can measure our progress. It commits us to reducing our Scope 1 and 2 emissions by 42% and our Scope 3 supply chain emissions by 25% by 2030 against a baseline year of 2021. The business has been on this journey already for many years but the targets underline our intent to go even further to reduce emissions and achieve Net Zero by 2050. Over 95% of our total emissions ultimately come from our supply chain so we are working in partnership with our major suppliers to share decarbonisation priorities and plans.

Our social agenda also continues to gain momentum as we seek to put our people at the heart of who we are and what we do. Our aim is to provide a culture in which our people thrive and feel valued for who they are and what they bring to Howdens. They drive the business forward and make Howdens a great place to work.

We continued our involvement in the local communities in which we serve. Our 'local first' approach saw us give every depot a £1,000 charity fund, over which they have absolute discretion. We continue to support our existing charity partners such as Leonard Cheshire Disability, Queen Elizabeth Scholarship Trust (QEST) and the Donmar Warehouse, a West-End theatre where we fund outreach activities support to develop skills for young people in their local communities.

The Howdens Worthwhile Foundation also launched two significant new partnerships in 2023. The 'Game Changer' programme, run in partnership with the Football Associations of England, Scotland and Northern Ireland provides £1m worth of kitchens and joinery products to grassroots football clubs every year for three years. During November, Howdens employees were also involved in fundraising activities for Movember, our newest charity partner.

Movember's focus on men's health issues, particularly mental health in the construction industry, is particularly appropriate for Howdens and we look forward to working with them further during the year ahead.

You can read about some of our considerable progress this year in our Sustainability report starting on page 42.

Governance and Board changes

As your Chair, one of my key responsibilities is to ensure good governance (see pages 72 to 145), and I continue to be well supported by my fellow Board members. This year we have continued to refresh the Board by rotation, ensuring we have the right balance of diverse backgrounds, skills and experience in the team to complement the talents of our executive team. I thank all those directors who have stepped down this year for their valuable contributions and I welcome our new directors to the Board. The team will continue to maintain rigorous oversight of the strategic, operational and compliance risks across the Group, refine our path to success and uphold the high standards expected of us.

In May, Geoff Drabble stepped down from the Board after nearly eight years of service, in particular as Senior Independent Director (SID). Andrew Cripps succeeded Geoff as the SID in addition to his other responsibilities. At the same time, we announced the appointment of Louis Eperjesi as a Non-Executive Director with effect from 1 June 2023. Louis is an experienced executive with a long and distinguished career in the building materials sector, most recently serving as CEO of Tyman Plc, a leading International supplier of engineered components and access solutions to the construction industry.

In July we announced that Debbie White, Non-Executive Director, informed the Board of her intention to retire in December 2023 to take up a new position as a Non-Executive Director and Chair of the Co-operative Group. More recently, in November we announced that Karen Caddick, Non-Executive Director and Remuneration Committee Chair, will step down from the Howdens Board at the end of the Annual General Meeting on 2 May 2024. We were pleased to announce the appointment of Vanda Murray as independent Non-Executive Director who joined the Board in February and will succeed Karen as Remuneration Committee Chair from 2 May 2024. Vanda has over 20 years of senior management experience across a range of sectors, including manufacturing, industrial, and support services in Europe, the USA, and Asia. We are planning to recruit more non-executives over time to ensure we retain a positive gender and ethnic diversity on the Board.

More details of all of these changes can be found in the Nomination Committee Report, starting on page 98.

HOWDENS

Strategic Report

Chairman's statement continued

Capital allocation and returns to shareholders

The Board recognises the importance of shareholder returns and has been rewarding investors through progressive dividends and share buybacks in recent years. Our approach to capital allocation is unchanged. 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.

Taking into account the Group's prospects and strong financial position, in July 2023 the Board declared an interim dividend of 4.8p per ordinary share (2022: 4.7p per ordinary share). The Board is recommending a final dividend for 2023 of 16.2p per ordinary share (2022: 15.9p per ordinary share), resulting in a total dividend of 21.0p per ordinary share (2022: 20.6p per ordinary share). The total dividend represents a year-over-year increase of 1.9% and if approved by shareholders at the AGM in May the final dividend will be paid on 24 May 2024 to shareholders on the register on 11 April 2024.

Looking ahead

The Group has delivered another year of strong progress 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. 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 our stakeholders. Our priorities in 2024 will be to continue to drive above market organic revenue growth, while investing behind the Company's differentiated business model. I remain confident our approach is the right one, and the Board looks forward to the year ahead with confidence.

Peter Ventress
Chairman

28 February 2024

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Chief Executive Officer's review

Our results demonstrate the strengths of our local, trade only, in-stock business model

Andrew Livingston
Chief Executive Officer

"In the UK we believe we gained market share by volume in 2023, which helped us mitigate a decline in the overall size of the kitchen market."

Q&A With Andrew Livingston, Chief Executive Officer

The Group delivered a resilient performance in 2023, against record prior year comparatives and in, as we anticipated, a more challenging marketplace. Sales and profits met our expectations and we progressed our investment programme, which is focused on our key capabilities and gives us, end to end, a stronger business.

All the questions in this section have been asked by institutional investors this year.

Q

Given the external challenges of 2023 how do you think Howdens has done this year?

A

I'm pleased with how we have delivered as a business this year. Our results demonstrate the strengths of our local, trade only, in-stock business model and we delivered in a more challenging marketplace this year. Group sales were in line with those achieved in 2022, and were up 46% on 2019, being the year prior to the onset of the pandemic. In the UK, we gained market share by volume in 2023, which helped us mitigate the impact of a decline in the overall size of the kitchen market.

We maintained our industry leading gross margin with gross profit at around the same level as last year, as we balanced recovery of significant input cost rises with our commitment to provide competitive pricing across the board for our customers. Excluding investment in our strategic initiatives, we actively contained our operating costs and kept these to 2022 levels, despite ongoing inflationary pressures.

Profit before tax was lower than in 2022, and in line with market expectations. It was 26% higher than in 2019. Our builders remained busy, and we made good progress on our strategic plans for the UK business and sales at our international operations continued to increase.

The business delivered strong operating cashflow and we maintained a robust balance sheet. This gave us the flexibility to continue to invest in future growth and provide shareholders with enhanced cash returns in the form of an increased dividend payout for 2023. We also completed a £50m share buyback programme during the year.

Strategic Report

Chief Executive Officer's review continued

Q

You've made some major strides this year in sustainability, where have you focused your efforts?

A

Yes, we have moved our 'ESG' agenda forward significantly. Most notably we achieved a major milestone this year with our near term Net Zero plan to 2030, which we submitted 12 months ahead of schedule last year, which has now been approved by SBTi. We have also committed to set long-term emissions targets to reach net zero by 2050. Our factories achieved zero waste to landfill again in 2023 and zero waste to landfill across our UK depots reached 99.7%.

External suppliers represent most of our total emissions and aligning the supply base with our reduction targets is a key priority. Our suppliers will, progressively from 2024 onwards be contractually obliged to have Net Zero targets in place and sustainability now forms a key part of our product design process, both for internally-generated products and those that we source. We are making good progress and in 2023 modifications to our best-selling Greenwich Matt kitchen frontals mean that they are now 100% recyclable. We have also launched a plastic pledge initiative looking across all products to remove reduce or replace plastic packaging where possible.

Q

How resilient is the business to current economic conditions?

A

Resilience is a key strength of our local, trade only in stock model and we believe we increased our market share by volume this year, consolidating the gains made in 2022. The foundation for this is our strong product line-up, high stock availability, industry leading service levels and our entrepreneurial depot teams who serve a trade customer with a similar mindset. In a challenging year, where market volumes fell significantly, we held our revenues to 2022 levels with average customer spend matching the previous year and we had a record number of customer accounts as at year-end. We also increased some prices, which helped us defray most of the impact of significant rises in annualised input costs, and to sharpen our pricing elsewhere.

As well as maintaining an industry leading gross margin, the business continued to deliver volumes on our core products, which in aggregate were well ahead of pre-pandemic times.

Our model is hard to replicate and we have initiatives in place to make it more so, in markets with significant longer-term growth opportunities for us. We continue to prioritise investment in the business on this basis.

Q

Are you running out of opportunities for your UK kitchen and joinery business?

A

Quite the opposite, our own research shows that the UK kitchen and joinery markets are large and fragmented with a significant opportunity for Howdens to continue to grow its market share. Our findings indicate the value of the kitchen market last year was around £6.6bn. The UK joinery market is also large and very fragmented at around £5.4bn across the four segments that Howdens supplies; joinery, doors, flooring and hardware. Consequently, we believe Howdens' addressable market for kitchens and joinery is around £12bn compared with Howdens' UK revenue of £2.2bn last year. We also entered the fitted bedroom market in 2023, which we think has an addressable market of over £1.2bn so we still have a huge opportunity to generate profitable growth in the UK for many years to come.

Q

Turning to growth, how are the UK depot openings and refits going? Are you hitting your financial hurdles in terms of the financial returns?

A

High service levels, including local proximity and immediate availability are very important to our customers and we continue to see profitable opportunities to open depots. We are using our updated format for all depot openings. Deployed in several forms, the format enables us to provide the best depot environment in which to work and conduct 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. We opened 33 new depots in 2023 with a total of 840 trading at the end of 2023. Overall, we continue to believe there is scope for around 1,000 depots in the UK and we plan to open around a further 30 depots in 2024.

These will include some more in the smaller sized format using our next day 'XDC' delivery service to supplement in-depot stock holdings. The smaller version enables us to open a depot in places lacking suitable properties to accommodate the standard one, or open an infill depot to provide a more local service in less densely populated areas.

We have progressed our revamp programme for existing depots. This continues to receive very positive feedback from depot staff and customers alike and providing such an attractive trading and working environment is important to our competitive position. In 2023 we planned to complete around 80 depots and in fact achieved a further 89 by the end of December bringing the total revamped to 274. The revamps are budgeted to pay back costs in less than four years and depot P&Ls are charged a reformat cost which ensures depot teams are motivated to deliver incremental sales. As we revamp more of our estate, we are modifying the scale and scope of the revamp at depots with relatively lower catchment areas so as to maintain incremental returns.

In 2024 we plan to revamp around 85 more depots which means by the end of 2024 we expect to have revamped around 54% of the 670 depots which opened in the old format and expect to have around 64% of all UK depots trading in the updated one.

Q

Over the past couple of years there has been a great deal of emphasis on new product introductions. Why is it so important?

A

We are committed to providing market leading and competitively priced product for our customers to sell to theirs. In 2023 we introduced 23 new kitchen ranges, which was on a par with 2022, and we want to lead the market with the latest trends that keep us front of mind for both builders and their customers.

Sales of new products continue to make a significant contribution to our performance. Sales of new product introduced ('NPI') in 2023 and 2022 represented around 22% of total UK product sales. Sales of NPI during 2022 alone increased by some 34% in 2023 and as in 2022, higher priced kitchens continued to contribute more to our kitchen mix by volume than previously, which has a positive impact on our average kitchen invoice value. So it has become very important to us for these reasons.

Managing our portfolio of kitchen ranges efficiently is crucial for both best availability, which is highly valued by our customers, and for profitability. In recent years we have reorganised our range architecture, removing duplications, and improved the balance between new kitchen introductions and timely discontinuations. We have also introduced a more efficient way of testing new kitchen colours and finishes which we call 'Find the Gap', which enables us to bring more proven new kitchen styles to market more quickly and our new paint to order service is also informing our from stock ranging decisions. At the end of 2023, around 60% of the kitchens available from stock comprised ranges brought to market between 2021 and 2023, and for 2024 we have a lower number of new kitchen introductions but fewer retirements than in recent times.

Price featured prominently in 2023, and given prevailing pressures on household budgets, we expect it to do so again in 2024. Our offering as enhanced by our 2024 NPI programme is well positioned to take advantage of this. With an emphasis on value for money and choice at all price-points, our NPI for 2024 includes nine new kitchen ranges aimed at the entry and mid-market segments and we have also introduced clearer and more delineated pricing within ranges and across families. We are innovating in other product categories and are adding bedrooms to our all depot offering. In 2023 we brought to market seven new entry level kitchen ranges, adding new frontal (door) options, and this year we are adding two more.

In 2023, we also continued to develop our higher priced kitchen portfolio, which is a large segment of the market, representing 30% plus of total market sales, where we are under-represented. The paint to order service for customers buying our Chilcomb and Elmbridge ranges, which we started offering in the second half of 2023, has been very favourably received by customers and depots alike.

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Chief Executive Officer's review continued

Q

Solid work surfaces was a new adjacency last year. How has it developed in 2023 and how has this helped Howdens address the higher price kitchen market?

A

The premium worksurfaces business has performed very strongly in 2023 and it's been a priority for us to develop a market-leading supply and fit capability as we have moved into the higher priced kitchen segment. Following the acquisition of the Sheridan worktop business two years ago and other investments, our in-house manufacturing capacity is now amongst the largest in the UK. The number of solid surface worktop orders taken by depots increased significantly in 2023 as we continued to improve our offer.

Last year we added six more 'entry level' decors to our solid surface 'Template and Fit' service and with the integration of Sheridan largely complete, we also reduced the time between template and fit to an industry leading five days in the second half of the year. For 2024 we have a comprehensive offering of 48 decors to suit all budgets.

Q

You are continuing to invest in manufacturing, what's the ultimate goal in terms of what products you make versus what you buy in?

A

We make all of our kitchen cabinets and some of the other kitchen products we sell, which is a significant source of competitive advantage for us in several ways. We keep under review what we believe is best to make or buy, balancing cost and overall supply chain availability, resilience and flexibility. We have recently invested in new lines at our Howden site, which are amongst the most advanced of their type in Europe. These give us the ability to make a wide variety of kitchen furniture, principally frontals (doors) and panels, for more of our ranges, at the same quality as we can source externally but at a lower cost and at a reduced lead time to delivery.

Production on the new lines totalled around 600,000 pieces in 2023 with a full year capacity of around 2 million pieces going forward. Separately we have also invested in two lines to facilitate our paint to order initiative. Located in a purpose-built facility near our Howden site, the lines give us an industry leading production capability in this area. Lastly our second architrave and skirting line became operational this year, enabling us to service in-house more of the substantial increase in demand we have seen for these products and for which we are extending our offering in 2024. We continue to see good opportunities to extend what we manufacture in-house over time.

Q

Being in stock is very important for Howdens' trade customers, how are you continuing to improve your service to them?

A

It's critical, we're an in-stock business and the trade tell us that a high level of stock availability is one of the key reasons they buy from us. In 2023, facilitated by our new stock management system, we rolled-out our 'Daily Traders' initiative to all UK depots. Daily Traders is a means to improve customer service levels and increase sales by optimising in-depot stock holdings of best-selling SKUs and associated 'range completers'.

Sales of these are outperforming those of non-Daily Trader SKUs and we have seen improvements to other key metrics including a reduction in customer back-orders and a higher proportion of stock being replenished via a depot's core weekly delivery order. This gives us efficiencies as it reduces utilisation of our XDC cross docking service introduced last year.

Building on this, we have recently improved stock replenishment by supplementing the depots core weekly delivery order with investment in a next day service via a regional cross docking centre (or 'XDC') combined with a rebalancing of where we hold stock. XDC is now a key enabler to delivering the levels of high service and availability which differentiate our offer. The improvements to stock replenishment enable depots to hold deeper stocks of faster selling lines, for example Daily Traders and makes it simpler and more efficient for them to deliver superior service levels and availability, backed by certainty over lead time to delivery for items not held at depot level.

Q

What are the advantages of digital for the business and how are they likely to evolve?

A

We use digital to reinforce our model of strong local relationships between depots and their customers by raising brand awareness, to support the business model with new services and ways to trade with us, and to deliver productivity benefits and more leads for our depot teams and our customers.

In 2023, use of our online account facilities, which provide efficiencies and benefits for customers and depots alike, has continued to increase. New registrations totalled some 75,000 and around 48% of customers had an online account at the year end. Following a substantial increase in 2022, total users viewing our trade platform increased by 7%, with around 75% of users regularly looking at their confidential prices.

Website visits to howdens.com, at 19.6 million, exceeded those of four key competitors. We continued to have the highest number of fitted kitchen site visits, and the time spent viewing pages and the number of pages viewed per visit were at consistently high levels. Across social media platforms, our follower base at around 554,000 was up 16%, with around 5.4 million monthly engagements. As our digital presence has grown, awareness of Howdens amongst end-consumers has increased. In 2023, our unprompted brand awareness amongst end-consumers at 31%, was approaching three times what it was across 2019, and we continue to push harder to improve brand awareness.

In 2023 we added new features to our trade platform which collectively improve stock and account knowledge, promote frequency and ease of trading and reduce time consuming manual tasks in depots, including stock allocation. This year we tested a digitised in-depot stock management system to record and pick deliveries, check allocations, and determine depot stock levels, which is now being installed in all UK depots. The stock surety this and other initiatives provides, has enabled us to upgrade significantly the 'click and collect' service we offer to customers or 'Live Stock' as we call it.

By mid-2024, the online account customers of all our depots will be able to check real time availability of stock on a depot-by-depot basis and make multiple purchases of products in the same family simultaneously. In addition, they will be able to place orders for collection at a time of their choosing, and in two clicks elect to pay either when placing their orders or on their normal terms see product reviews and special deals on product which may be of interest.

Q

Can the Howdens model work in other countries and how are your fledgling businesses in France and the Republic of Ireland (ROI) shaping up?

A

Yes, there's certainly potential to apply Howden's vertically integrated in stock, local business model to other geographies. In both France and ROI where we have established businesses the response we are getting from trade customers when they start to use Howdens is very encouraging. We are proceeding cautiously to ensure we establish the Howdens model in the right way particularly as we train and develop new entrepreneurial depot managers and their teams, which is critical to the success of the business.

In 2023, our operations based in France returned increased sales in a market at least as challenging as the one in the UK. By the end of 2022 we had doubled the depots trading in France and Belgium to 60 in a two-year period and opened a further five at the end of 2023. Consequently, when compared with their UK counterparts, many of our depot managers in France are less experienced in nurturing trusted trade relationships and for 2024 we are focussing on depot team development to foster these, and so we expect to open around 5 new depots this year. Alongside team development, we are investing in the business through enhanced offerings of 'footfall promoting' products and 2024 will see a regular schedule of 'trade days' at all depots with aligned promotional activity and more supplier support.

We commenced trading in the Republic of Ireland in 2022, using a similar depot location strategy to that in France, with the depot teams there supported by our UK infrastructure and our digital platform. During 2022 we opened five depots clustered around Dublin and our arrival in the Irish market attracted much attention locally. We opened five depots in 2023, of which three are around Dublin and two serve the Cork area, taking the total trading to ten at the year-end. We are encouraged by depot sales to date and in 2024, we plan to open around five more depots, taking the total trading to 15.

Strategic Report

Chief Executive Officer's review continued

Q

What are your expectations for Howdens in 2024?

A

We're confident of building on the strong foundations we have laid in recent years. We are well planned on our strategic initiatives, which are aimed at increasing our market share profitably, as we deliver value to customers across all price points. High stock availability is a major contributor to our performance and in 2024 we will continue with our safety stock policies at the more normalised levels by volume we deployed in 2023.

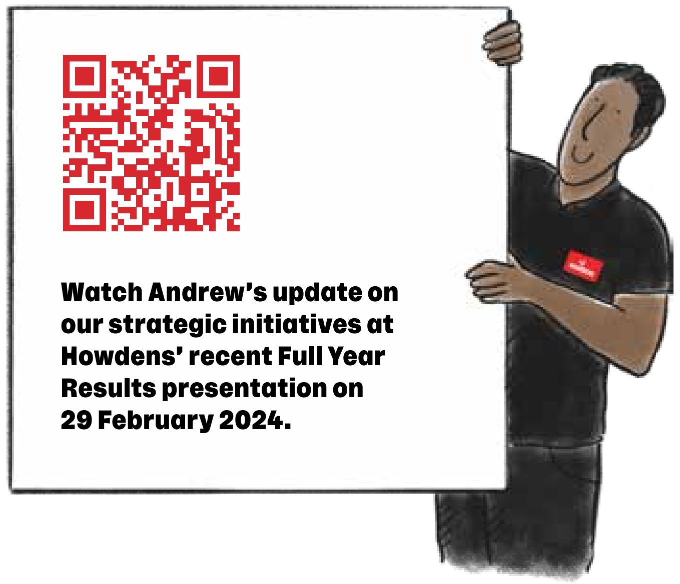
All of our confirmed new kitchen ranges for 2024 will be in-stock by the end of June, well ahead of peak Autumn trading, with an emphasis on entry and mid-price ranges together with our very competitively priced premium kitchen offering. We have a programme of 'Rooster Deals' promotions in place to keep Howdens at the front of the trade's mind, together with other price initiatives.

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

We will be making more in the UK, as our new lines at Howden move up towards full scale production, our solid surface business grows, and bedroom volumes increase. During 2024 we plan to open around 30 depots in the UK and refurbish around another 85 existing depots in the updated format. In France and Belgium we plan to have around 70 depots trading in 2024, with around 15 trading in the Republic of Ireland by the end of 2024.

We have made an encouraging start to 2024 in market conditions unchanged from 2023 and we are on track to meet our expectations for the business in 2024. We aim to retain a profitable balance between margin and volume, as we continue to maintain competitive pricing whilst aligning operating costs and working with suppliers to keep product and input costs controlled.

We are confident that our business model is the right one to address the opportunities our markets present. We are well placed to outperform our competitors in 2024 as we continue to invest in our key capabilities and growth opportunities which are pivotal to the longer-term development of the business.



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Our strategic initiatives

We have made further progress on our medium-term strategic initiatives, and we expect to deliver profitable growth and market share gains over the medium term. The four strategic initiatives are:

1. **Evolve our depot model**
2. **Improve our range and supply management**
3. **Develop our digital capabilities and services**
4. **Expand our international operations**

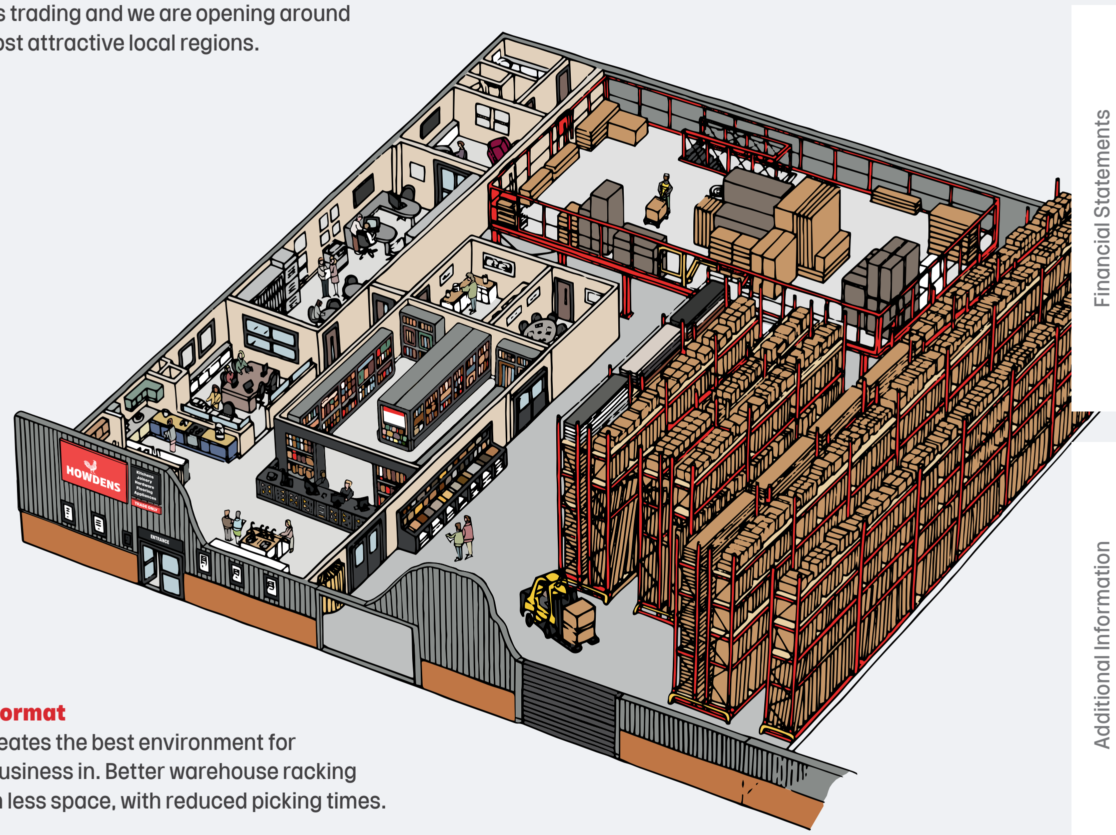
1

Evolve our depot model - we want to improve our depot network over time to ensure we use space more efficiently, and to provide the best environment for our customers to do business in.

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

Overall, we believe that there is an opportunity to open around 1,000 depots in the UK over time. At the end of 2023 there were 840 depots trading and we are opening around 25-30 a year in the most attractive local regions.

In 2018 we developed an updated depot format and have been rolling it out across our depot estate. It provides an attractive space for us to do business with our Trade customers, a place for them to bring their customers to see our product range and to work with our kitchen designers, and an improved warehouse space that makes space utilisation and productivity gains in a cost-effective way, by using vertical racking. The reformats are budgeted to pay back costs in less than four years. Depot P&Ls are charged a reformat cost which ensures depot teams are motivated to deliver incremental sales.



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.

Chief Executive Officer's review continued

Our strategic initiatives continued

2

Improving our range and supply management - to help customers' buying decisions, to improve service and to enhance productivity in our manufacturing, sourcing and supply chain activities.

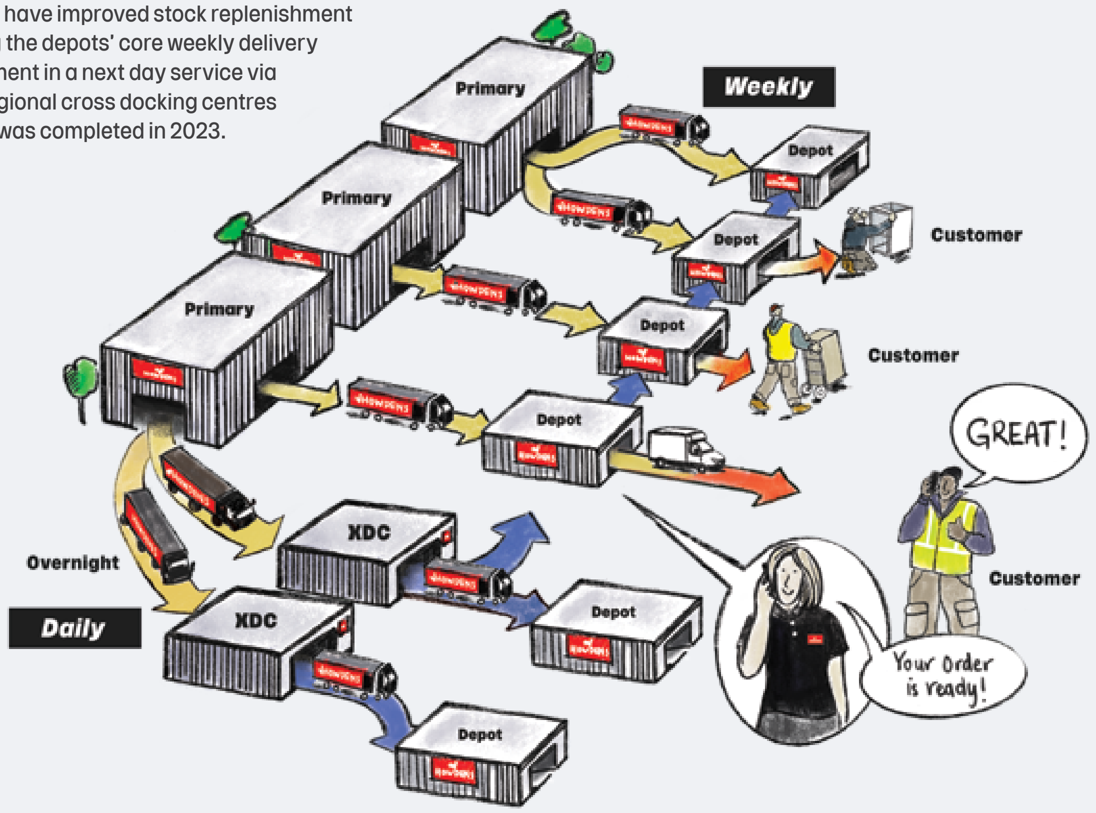
As product lifecycles shorten, managing the number of kitchen ranges efficiently is crucial for both our customers, who want best availability, and for profitability. We are managing range introductions and clearances so that we are offering the right number of range families, designed to fit all budgets. More recently we have placed more emphasis on building out our share of higher priced kitchens where we have been historically under-represented. This has included expanding our offering to encompass template to fit solid worksurfaces, a wider range of appliances (including own label) and premium services such as paint to order. We are also innovating in other product categories to expand our share of attractive niche markets in joinery.

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

We protect stock availability in several ways, which helps us deal with supply chain disruption and maintain our service levels. We have improved stock replenishment by supplementing the depots' core weekly delivery order with investment in a next day service via a network of 12 regional cross docking centres (or 'XDCs') which was completed in 2023.

XDC's are a key enabler to delivering the levels of high service and availability which differentiate our offer. The improvements to stock replenishment enable depots to hold deeper stocks of faster selling lines and makes it simpler and more efficient for them to deliver superior service levels and availability, backed by certainty over lead time to delivery for items not held at depot level.

We make all the kitchen cabinets and some of the other kitchen products we sell, which is the source of competitive advantage for us in several ways. We keep under review what we believe is best to make or buy, balancing cost and overall supply chain availability, resilience and flexibility. We have invested in new furniture lines at our Howden site, which are amongst the most advanced of their type in Europe, with a full year capacity of around 2 million pieces going forward. These give us the ability to make a variety of kitchen furniture, principally frontals and panels, but also skirting and architraves, for more of our ranges, at the same quality as we can source externally but at a lower cost and at a reduced lead time to delivery. We have also invested in two lines to facilitate our 'Paint to Order' initiative. Located in a purpose-built facility near our Howden site, the lines give us an industry leading production capability.



3

Digital - we are developing our digital platforms to raise brand awareness, support the business model and to deliver productivity gains and leads for depots and customers.

Our digital strategy reinforces our model of strong local relationships between depots and their customers by raising brand awareness and further supports the business model with new services and ways to trade. It also frees up time for depot staff and customers to use more productively.

Our online account facilities provide benefits for both customers and depots. Use continues to increase. Customers with an online account have, on average, continued to trade with us more frequently, spent significantly more, and bought across more product categories.

As our digital presence has grown, awareness of Howdens amongst end-consumers has increased. We have added new features to our trade platform which improve stock and account knowledge, promote frequency and ease of trading and reduce time consuming manual tasks in depots. The stock surety this and other initiatives such as Daily Traders provide, now enable us to upgrade significantly the 'click and collect' service we offer.

We have also invested in capabilities which help end users interact with Howdens online at each stage of their buying decision. As our digital presence has grown, awareness of Howdens amongst end-consumers has increased. We ended the year with 540,000 followers across the major social media channels with a significant rise in the number of engagements.

4

International - Expanding our presence in attractive kitchen and joinery markets outside the UK.

While the UK market for kitchens and joinery is large, fragmented and attractive, we believe that there is an opportunity to take Howdens' highly differentiated in-stock, trade only local business models to other markets outside the UK. For example, the company has established 65 depots in France and Belgium and in 2022 we also opened for business in the Republic of Ireland where we now have 10 depots.

A good example is France, where we believe the kitchen market is worth around €3.9 billion, excluding appliances, with most kitchens purchased through kitchen specialists and DIY stores. Currently there is limited choice locally for builders to be served by a dedicated supplier where products are available from stock either same day or next day. We have tested our ability to access this sizeable market in several ways before adopting 'a city-based' approach, serving solely trade customers, led and staffed by people who embrace the Howdens way of doing business. Alongside team development, we are also investing in the business through enhanced offerings of 'footfall-promoting' products and a regular schedule of 'trade days' at all depots with aligned promotional activity and more supplier support. Our current strategy is to establish profitable businesses in these regions which deliver attractive returns for our shareholders.

Strategic Report

Key performance indicators

Links to: Strategy Risk Remuneration

Financial

Sales

Why we measure it

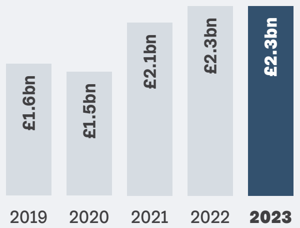
We believe that there are considerable opportunities to grow sales. As sales grow, we believe there are economies of scale which will also allow us to grow long-term profitability.

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 2023, in line with market expectations.



Profit before tax

Why we measure it

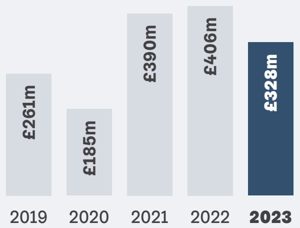
Profit before tax is a simple and widely understood measure. We consider that it gives a complete picture of our performance as it includes all of our operating, selling and distribution, admin and financing expenses.

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 of £328m in 2023.



Cash

Why we measure it

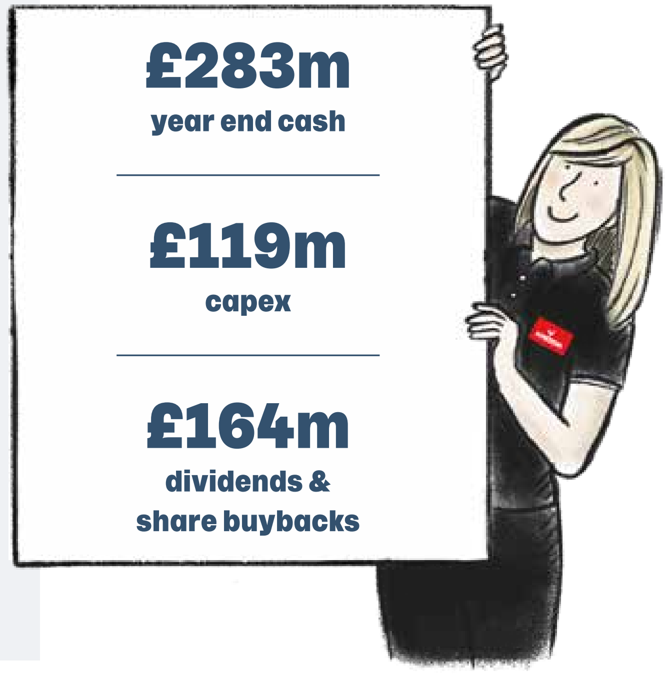
We aim to cover our investment needs, to retain at least one year's working capital requirement, to pay a progressive dividendand to return surplus cash to shareholders (see page 33 for details of our capital allocation model).

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 £119m in capital expenditure for future growth and have also returned £164m in dividends and buybacks, ending the year with £283m cash.



Non-Financial

Depot openings

Why we measure it

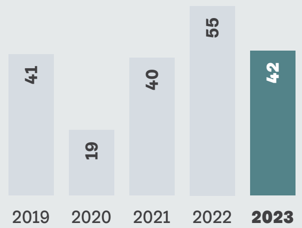
We believe that there is some way to go before the UK market is saturated. We continue to identify possible sites for new depots whilst at the same time keeping our model flexible, and allowing us to take account of economic conditions and phase the speed of our growth accordingly. We plan to expand our depot network in the UK, France and the Republic of Ireland in 2024.

Links to strategy, risks and remuneration

Reach more builders | Failure to maximise growth potential | Deterioration of model & culture

Progress

We ended 2023 with 32 more depots in the UK, 5 more in France and an additional 5 in the Republic of Ireland. We plan to continue to expand our network in 2024.



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 has remained low and is also significantly below the HSE all-industry average for the year. See page 56 for more detail.

Use of FSC® or PEFC certified materials

Why we measure it

We use almost a third of a million cubic metres of chipboard and MDF in our factories. FSC® and PEFC are the two main certification bodies. Ensuring that all our MDF and chipboard is certified by them gives us assurance over their provenance. See page 50 for more details.

Links to strategy, risks and remuneration

Product innovation | Product relevance | Continuity of supply

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

Zero to landfill

Why we measure it

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

Links to strategy, risks and remuneration

Operational excellence | Prudent financial management

Progress

At the end of 2022 we were zero to landfill across our manufacturing and warehouse operations. We are pleased to announce that in 2023 we are now zero to landfill across our whole UK operations. See page 57 for more details.

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Strategic Report

Financial review

- Maintained sector leading margins in higher inflationary environment
- Continued investment in strategic initiatives
- 21.0p 2023 full year dividend

Paul Hayes
Chief Financial Officer

> **Tight cost control enables us to protect our investments in strategic growth initiatives.**

HOWDENS

Financial results for 2023[1]

Revenue

Group revenue of £2,310.9m was in line with last year (2022: £2,319.0m) and 45.9% ahead of the same period in 2019. UK depot revenue of £2,241.1m (2022: £2,256.1m) was broadly consistent with last year's record performance and 1.7% lower on a same depot basis.

Revenue in the international depots was 11.0% ahead of the prior year at £69.8m (2022: £62.9m) and included sales in the Republic of Ireland, where we opened depots last year, for the first time. We continued to expand our international depot network with ten openings in the year, bringing the total to 75.

Gross profit

We maintained our sector leading margins by appropriately balancing pricing and volumes in an environment of high inflation. Gross profit was broadly similar to last year at £1,403.9m (2022: £1,411.2m).

The slightly lower gross margin percentage of 60.8% (2022: 60.9%) reflected the dilutive impact of a higher mix of everyday joinery products and growth of our solid work surfaces offering which performed strongly in its first full year of trading. Solid work surfaces, often associated with sales of higher priced kitchens, make an attractive cash margin contribution but have a lower gross margin percentage than most of Howdens kitchen products. During the year we also delivered a number of productivity improvements in our manufacturing operations which partially offset increases in commodities, wage inflation and energy costs.

Operating profit and profit before tax

Operating profit was below last year at £340.2m (2022: £415.2m) given the continued investment in the strategic initiatives and £17m of additional costs arising from an additional 53rd week. It was, however, 30.8% ahead of pre-COVID profit levels in 2019 of £260.0m.

Operating expenses increased by £67.7m to £1,063.7m (2022: £996.0m) with productivity and efficiency actions taken throughout the year more than offsetting cost increases of around £50m relating to inflation. This tight cost control enabled us to protect our ongoing investments in our strategic growth initiatives across the business. The £53m of strategic investments this year included £16m on new UK depots opened in 2022 and 2023 and £12m on international depots opened in the period and prior year.

1 The information presented relates to the 53 weeks to 30 December 2023 and the 52 weeks to 24 December 2022 unless otherwise stated.
2 Same depot basis for any year excludes depots opened in that year and the prior year.

Revenue[1] £m	2023	No. of depots	2022[5]
Group:	2,310.9	915	2,319.0
UK depots - same depot basis[2,4]	2,195.3	777	2,232.8
UK depots opened in previous two years	45.8	63	23.3[3]
Howden Joinery UK depots - total sales	2,241.1	840	2,256.1
International depots	68.8	75	62.9
Revenue €m			
International - same depot basis[2]	58.4	35	66.8
Depots opened in previous two years	21.9	40	6.9
Total - international depots	80.3	75	73.7

1 The information presented relates to the 53 weeks to 30 December 2023 and the 52 weeks to 24 December 2022 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.
4 One depot was closed in the UK at the end of 2023.
5 During 2022, 25 depots were opened and 5 depots were closed in France.

We also invested £25m in warehouse and transportation initiatives including the full year impact of our investment in our regional cross docking facilities (XDCs).

The net interest charge was £12.6m (2022: £9.4m). Profit before tax of £327.6m was £78.2m below the prior year (2022: £405.8m) and 25.7% ahead of 2019 (2019: £260.7m).

Tax, profit after tax and basic earnings per share

The tax charge on profit before tax was £73.0m (2022: £31.6m) and represented an effective tax rate of 22.3% (2022: 7.8%). This includes a higher corporation tax rate for businesses introduced in the UK from April 2023. The lower tax rate in the prior year reflected the previously announced backdated tax credit relating to the patent box claim which was included in Howdens' financial statements last year. While always subject to review by HMRC, as previously indicated, the Group expects an ongoing reduction of around 3% to Howdens effective tax rate, assuming current marginal tax rates.

Profit after tax was £254.6m (2022: £374.2m). Reflecting the above and the benefit of the reduced share count following the share buyback, basic earnings per share were lower at 46.5p (2022: 65.8p).

Cash

The net cash inflow from operating activities was £470.8m (2022: £548.5m). Overall working capital increased by £35.0m with stock £10m higher, mainly as a result of inflation. Debtors at the end of the period were £39m lower than at the end of the previous period with ageing in good shape and benefitting from the later timing of the year end. Creditors were £64.3m lower. Capital expenditure net cash payments were below the prior year at £118.9m (2022: £140.8m). Corporation tax payments were £63.5m (2022: £101.5m), and dividends amounted to £114.1m (2022: £115.0m). Share buy backs totalled £50.0m (2022: £250.5m). The interest and principal paid on lease liabilities totalled £121.8m (2022: £79.2m).

Reflecting the above, there was a net cash outflow of £23.1m (2022: outflow of £207.3m), leaving the Group with cash at the year end of £282.8m (2022: £308.0m).

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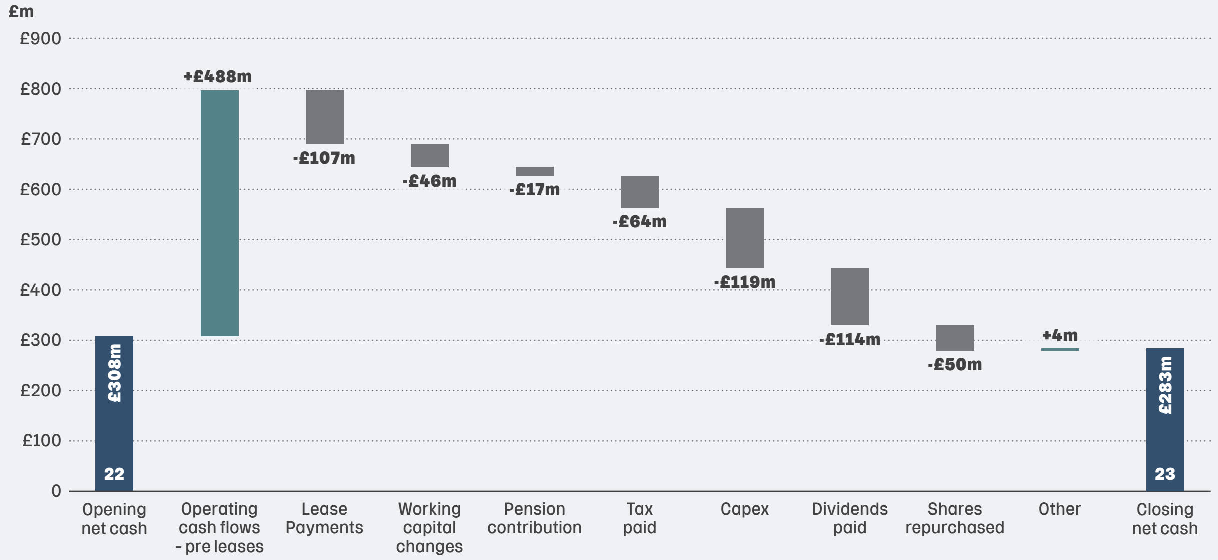
HOWDENS

Strategic Report

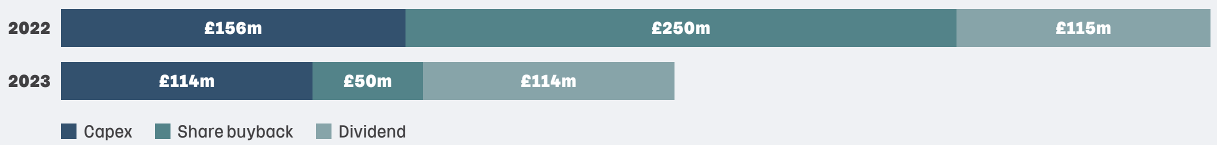
Financial review continued

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 period-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.

Considering the Group's prospects and strong financial position, in July 2023 the Board declared an interim dividend of 4.8p per ordinary share (2022: 4.7p per ordinary share).

The Board is recommending a final dividend for 2023 of 16.2p per ordinary share (2022: 15.9p per ordinary share), resulting in a total dividend of 21.0p per ordinary share (2022: 20.6p per ordinary share). The total dividend represents a year-over-year increase of 1.9% and if approved by shareholders at the AGM in May the final dividend will be paid on 24 May 2024 to shareholders on the register on 12 April 2024.

Pensions

At 30 December 2023, the defined benefit pension scheme was in a deficit position of £12.6m on an IAS 19 basis compared to a deficit of £41.5m on 24 December 2022. The scheme is closed for future accrual.

The triennial actuarial valuation of the scheme was conducted as at 31 March 2023 and the scheme was in a surplus position on a technical provisions basis. The Company and Trustee agreed a new recovery plan in November 2023, should the scheme move into a technical deficit, and this agreement will run until 31 May 2026. This recognises the improvement in the pension scheme funding since it was last set in 2020. Under this agreement deficit contributions of £1m a month will be made if there is a deficit, on a technical provisions basis for more than two consecutive months. This compares to the previous rate of rate of £2.5m per month. In the year to 30 December 2023 deficit payments totalled £19m.

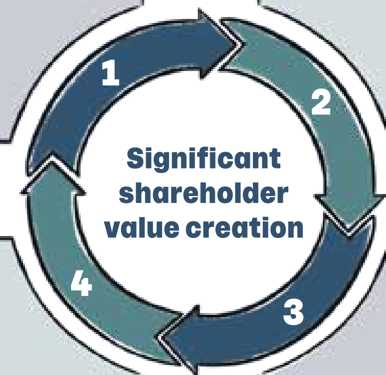
Howdens' approach to capital structure

Investing in organic growth:

- Open new and revamp existing depots
- Disciplined range management
- Optimise manufacturing & logistics
- Grow digital platform

Progressive ordinary dividend growth:

- Sustainable growth through the cycle



Return surplus cash to shareholders:

- After organic investment needs
- Seasonal working capital movements
- Fund pension scheme
- Distribute cash >£250m

Modest investment in adjacencies:

- Vertical integration e.g. solid surfaces
- Land purchases for expansion

Technical guidance for 2024

Income statement

- Continued operating expense investment to support our strategic initiatives including new depots, manufacturing and supply chain and digital investments.
- Given the current Red Sea situation, we are rerouting a significant proportion of our Far East freight and we anticipate additional costs of around £5m at current pricing.
- Foreign exchange sensitivity on COGS of Euro: +/- €0.01 = £1.8m; US Dollar: +/- $0.01 = £0.8m.
- Patent box impact on the Group's effective tax rate 3% lower to around 23%.

Cashflow

- Year-end receivables are expected to increase in 2024 due to the later timing of Period 12 end with a proportion of peak trading customer payments not being due until after the year end.
- Capital expenditure anticipated at c.£125m including investments to support our strategic initiatives.
- Following triennial valuation in 2023, reduced cash contribution to the Group pension scheme to £1m per month should the scheme be in deficit for more than two consecutive months.

Strategic Report

Financial review continued

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.

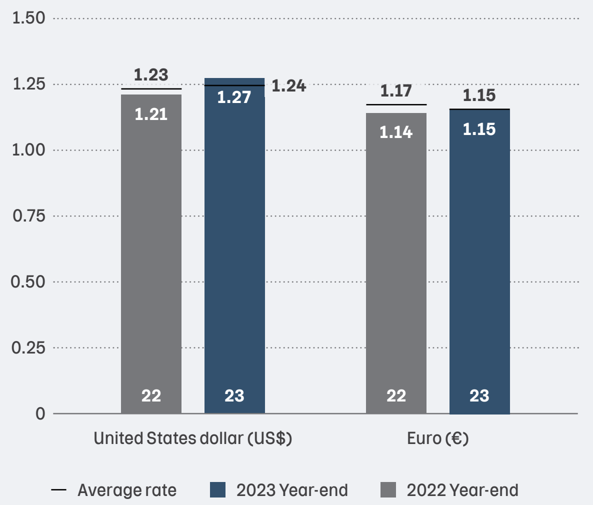
No speculative use of derivatives, currency or other instruments is permitted. The Treasury function does not operate as a profit centre and transacts only in relation to the underlying business requirements.

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 £8.2m. 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 2023 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 as part of our going concern assessment, which is further detailed beginning at page 69.

At the 2023 year end, the Group had £283m of net cash and £150m of funds available to borrow under the committed borrowing facility.

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.

Interest rate risk

The Group has not had any borrowings during 2023 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 2023 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

28 February 2024

Section 172(1) statement

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

The Directors are required to include a statement of how they have had regard to stakeholders and the other factors set out in section 172(1)(a) to (f) when performing their duty. The full s.172(1) statement may be found on pages 82 and 83. On pages 84 to 91, 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 and sustainability information

In order to consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006 in respect of Non-Financial Reporting, the table on page 145 shows where in this Annual Report and Accounts to find each of the disclosure requirements.

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.

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

Emerging risks

We consider emerging risks as part of our routine risk management process. We discuss emerging risks regularly within the management team and, where appropriate, with the Board.

We conduct periodic 'horizon scans' of emerging risks with the Executive Committee to gain insight on what our long-term risk profile looks like. Conducting this process enables us to consider risk over three timescales:

Short term

Those risks that are strategically and/or operationally important to us now and into the near future. They are typically visible, understood and already covered well in our operational risk register.

Medium term

Risks that are tactically important to achievement of our longer-term objectives, development and growth plans.

Long term

Longer term trends that could impact on the development of our strategic objectives. The output of this process is discussed with the Executive Committee and the Board.

If a specific emerging risk requires a more immediate response, we discuss it with the Business Continuity and/or Executive Committee as appropriate. Examples of emerging risks we are currently considering are:

- The governance of Artificial Intelligence technology and its use in Howdens.
- The changing geopolitical situation in the Middle East, Eastern Europe and China, and its potential impact on our supply base and on the UK economy.

Climate-related risk

Climate-related risk is an emerging risk, but is not a principal risk for us. 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 2023, and more detail on this can be found in our TCFD report at page 60. In 2023 our key climate risk developments include:

Risk identification

We have continued to engage with some of our key stakeholders, including our insurers and suppliers, 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 refined our risk assessment approach, that is modelled on the British Standard (BS EN ISO14091) and tailored to meet our needs, so that it 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.

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

The risk management process

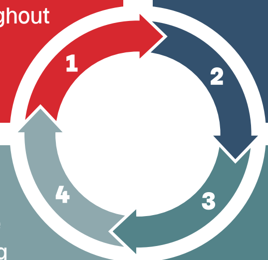
The main steps in the process are set out below:

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. Risks that exceed our appetite may require additional risk response.



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.

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.

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 (see page 79).

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.

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Principal risks and uncertainties

2023 Principal risks

The arrows alongside each risk show the year on year change

Links to strategy
R Reach more builders | O Operational excellence | P Product innovation | F Prudent financial management

1. Market conditions
R O P F

Risk and impact

We sell our products to small builders who install them in different types of housing. Our sales depend on the demand for repair, maintenance, and improvement services. If activity falls in these areas, it can affect our sales.

Mitigating factors

- We have proven expertise in managing selling prices and costs. Data on competitors, depot activity and pricing is discussed by the Executive Committee at each meeting.
- We use insights from our depot network, our builders' forums and other channels. This is reviewed regularly by the Executive Committee and the Board.
- We use our good relationships with our suppliers to alert us of any changes. Our suppliers update us on their assessment of trading and market performance through regular reviews with our leadership team. We also gather insights from supplier visits and our Supplier Conference.

Risk appetite

We have a low appetite for market conditions risks and we maintain close relationships with our customers and suppliers to identify movements early to enable appropriate action to be taken.

2. Supply chain
R O P F

Over 2023 this risk has decreased as our supply base continues to improve and return to a more pre-pandemic environment.

Risk and impact

Disruption to our relationship with key suppliers, manufacturing and distribution operations could affect our ability to service our customers' needs. If this happened, we could lose customers and sales.

Mitigating factors

- We maintain strong relationships with our suppliers. We use long-term contracts and multiple sourcing to safeguard the supply of key products.
- We have invested in our supply chain and distribution to secure capacity and agility when it is required. We have optimised our stock levels.
- Supplier reviews are discussed regularly with the Executive Committee. In addition, a sub-committee monitors governance of supplier risk and considers potential issues.

Risk appetite

We have a very low appetite for supply chain risks and put considerable effort into identifying them early to enable us to prevent stock issues at our depots.

3. Maximising growth
R O P F

Risk and impact

Failure to recognise, innovate and exploit opportunities could impact on growth, we must align our business model, risk appetite, structures, and skills with opportunities to maximise our growth potential.

Mitigating factors

- 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. Our strategic priorities are actively discussed at the senior leadership, Executive Committee and Board level. The Board is updated on the strategic plan regularly, and there is a regular programme of 'Spotlight' sessions which examine specific areas of the strategy.

Risk appetite

We have a balanced appetite for risk when it comes to growth, we are willing to accept some risk where we see opportunity but carefully balance that risk with the potential reward presented.

4. People
R O P F

Risk and impact

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

Mitigating factors

- We continue to invest in our employee value proposition, striving to provide the best possible working environment and growth opportunities for our employees.
- The Executive Committee and senior leadership team assess succession plans for key roles regularly to ensure that appropriate continuity in place.
- The Remuneration Committee and Board are regularly updated on key people activity such as our internal projects to improve diversity as well as key programmes such as employee financial education.
- We continue to support a wide variety of apprenticeships, accreditations and development programmes across all areas of our business.

Risk appetite

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.

5. Health and safety
R O P F

Risk and impact

We have a larger estate which employ various activities that could cause harm to our staff, our customers, their customers and the communities around us.

Mitigating factors

- 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.
- We make sure we keep talking about health and safety at every level of the business, led by the Executive Committee.

Risk appetite

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.

Strategic Report

Principal risks and uncertainties continued

2023 Principal risks continued

The arrows alongside each risk show the year on year change

6. Cyber security

R O P F

Risk and impact

A major cyber security breach could result in systems being unavailable, causing operational difficulties, and/or sensitive data to be unavailable or compromised.

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 mitigation.
- We employ industry standard IT security controls and regularly engage external specialists to validate the effectiveness of our controls against best practice.
- We have robust disaster recovery and business continuity plans that are tested regularly.
- We adopt a continuous improvement approach to IT security and continue to invest in the security of our systems.

Risk appetite

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.

7. Business model & culture

R O P F

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.

Risk appetite

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

R O P F

Risk and impact

If we do not support the builder with products that they and their customers want, we could lose their loyalty and sales could diminish.

Mitigating factors

- Our product team regularly refresh our offerings to meet builders' and end-users' expectations for design, price, quality, availability and sustainability.
- We work with our suppliers, 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.

Risk appetite

We have a balanced appetite for product risk and are willing to take some calculated risks when selecting new products to continue to meet the need of our customers.

9. Business continuity & resilience

R O P F

Risk and impact

We have some key business operations and locations in our infrastructure that are critical to the continuity of our business operations.

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.

Risk appetite

We have 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

Why Sustainability matters to us

Sustainability generates long-term value

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

Sustainability is part of our culture

The Howdens culture is to be 'worthwhile for all concerned'. 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.

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 900 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 38. 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, where sustainability considerations are built in as a pillar of the design process, mitigates our 'Product design relevance' risk.

Our material sustainability areas and our ESG strategy

We previously carried out an assessment of our material sustainability areas in 2020. During 2023 we refreshed this by commissioning an independent review with third party specialists, consulting both external and internal stakeholders.

We present the findings of the materiality assessment and show how the material topics are aligned to the strategic pillars and foundation principles of our ESG strategy at page 48. Our ESG strategy is summarised on the next page.

Our sustainability KPIs, Our Net Zero SBTi 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 50, 56 and 57.

Our SBTi Net Zero targets were submitted in the first half of 2023 and were approved in January 2024. We present these targets on page 46 and will be tracking progress against their first 6-year phase in future reports.

Our PSP share plan includes ESG-related vesting targets which are aligned with our Net Zero goal. Please see page 130 for details of the targets.

ESG strategic highlights of 2023

Road to Net Zero

- Science-based targets submitted and approved (pages 46 and 47).
- Extensive supplier engagement - linked to our SBTs (page 49).
- Reporting our Scope 3 data for first time (page 68).

Climate resilience

- Physical risk assessment (pages 49, 66).

Materiality

- Materiality assessment reperformed (page 48).
- Interviews with internal and external stakeholders.

Charities and communities

Our work in these two important areas is covered in the Chairman's statement on page 17.

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 140.

Our ESG strategy

Our vision

UK's leading responsible kitchen business

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

A unique and sustainable culture

Maintaining and building on our culture of being worthwhile for all concerned. Continuing to grow a sustainable business that appeals to current and future stakeholders.

Leader in risk and resilience governance

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

Our strategy

Strategic Objectives	Net Zero			Climate Resilience	
Strategic Pillars	Renewable energy /sustainable operations See page 50	Supply chain emissions See page 49	Decarbonise the fleet See page 51	Sustainable product offer & innovation See page 52	Supply chain risk mapping & resilience See pages 49 & 66
Foundations	EDI: Strategic priorities & wellbeing — See pages 54 & 55				
	Behavioural health & safety: Maintain & next steps — See page 56				
	Effective waste management: Zero to landfill — See page 57				
	Emissions reductions: Carbon neutral — See page 56				
Governance	Effective reporting & disclosure				

Our material SDGs

UN SDG description and relevant targets under each SDG

SDG	Description and targets
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.

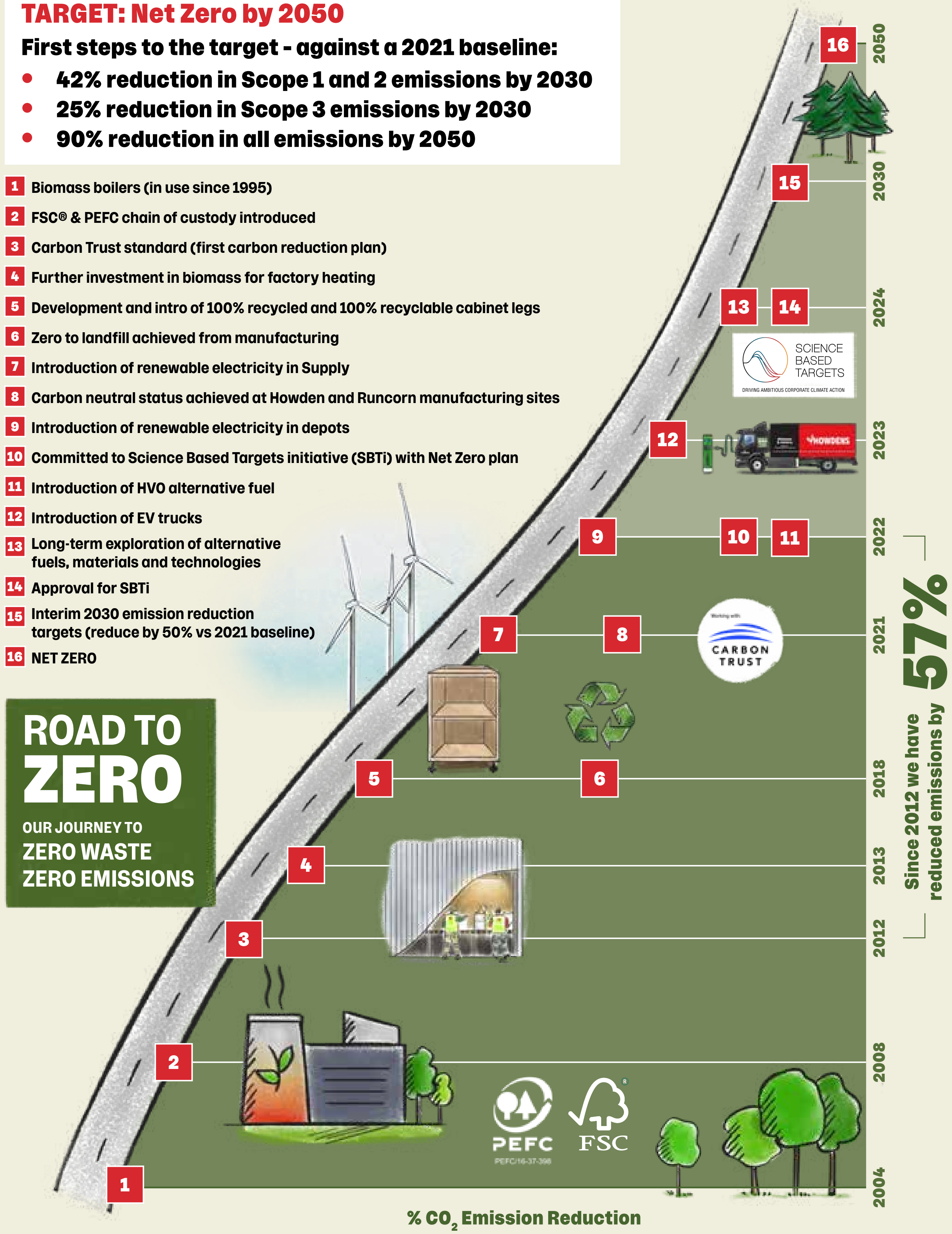
Our Net Zero commitment and targets

TARGET: Net Zero by 2050

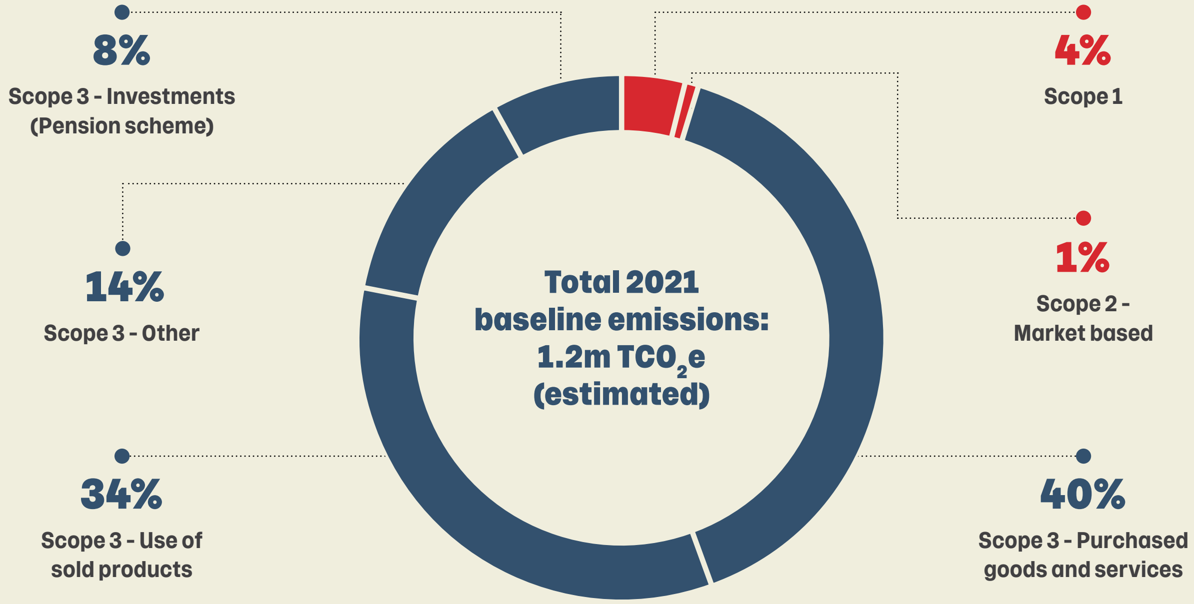
First steps to the target - against a 2021 baseline:

- **42% reduction in Scope 1 and 2 emissions by 2030**
- **25% reduction in Scope 3 emissions by 2030**
- **90% reduction in all emissions by 2050**

1 Biomass boilers (in use since 1995)
2 FSC® & PEFC chain of custody introduced
3 Carbon Trust standard (first carbon reduction plan)
4 Further investment in biomass for factory heating
5 Development and intro of 100% recycled and 100% recyclable cabinet legs
6 Zero to landfill achieved from manufacturing
7 Introduction of renewable electricity in Supply
8 Carbon neutral status achieved at Howden and Runcorn manufacturing sites
9 Introduction of renewable electricity in depots
10 Committed to Science Based Targets initiative (SBTi) with Net Zero plan
11 Introduction of HVO alternative fuel
12 Introduction of EV trucks
13 Long-term exploration of alternative fuels, materials and technologies
14 Approval for SBTi
15 Interim 2030 emission reduction targets (reduce by 50% vs 2021 baseline)
16 NET ZERO



Our emissions and how we plan to reduce them



"We are developing the options to meet our SBTi targets"

Scope 1 & 2		Scope 3
A - Distribution LNG trials and HVO usage underway Electric vehicles where feasible - test and develop business case Engaging logistics providers for solutions	**B - Renewable energy** All sites to switch 100% renewable energy. Invest in solar generation **C - Electric fleet** Company car transition to 100% electric/PHEV	**D - Supply chain** Initial focus on top 6 suppliers then roll out our findings across supply base (page 49) Capture emissions data Establish reduction plans and metrics Identify risks and opportunities

Costs of change

1) Minimal cost of change so far - including moving depots to renewable energy tariff in 2022. No material financial impact of meeting our SBTi targets in short or medium term (page 60)
2) Driving energy efficiency is an opportunity to tackle escalating costs in an inflationary environment
3) Increasing confidence that suppliers will be able to achieve 2030 targets without significant adverse cost impact

Our material sustainability issues

Refreshing our ESG materiality assessment in 2023

We last carried out an ESG materiality assessment in 2020 as part of a wider ESG Strategic Review. One of our priorities in 2023 was to refresh the assessment by commissioning an independent specialist review and carrying out interviews with both internal and external stakeholders.

Methodology and results of the materiality assessment and stakeholder engagement:

1. Desktop analysis and issue identification

Research into our initial internal views and communications around material issues. Identifying issues which external stakeholders and peer companies, sector guidance and frameworks commonly identify as being material.

Identifying a list of possible material topics for stakeholder interviews.

2. Stakeholder engagement

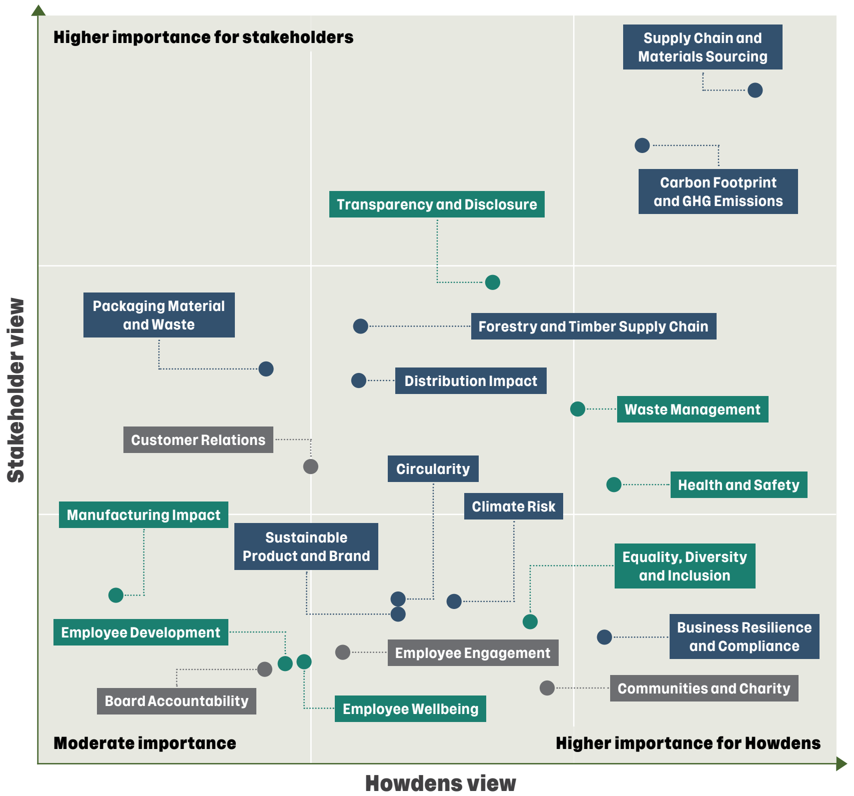
Interviews with key stakeholders to discuss the possible material issues identified in step 1, and to get their views on any other issues which they considered to be material.

This involved interviews with investors, suppliers, depot managers, other employees, and members of the senior leadership team.

3. Refinement and consolidation of issues

The findings from all the stakeholder group interviews were examined and consolidated into the matrix below.

We then compared them with our existing ESG strategic pillars and foundation values. Whilst there were variations in some of the terminology used, we were encouraged to see that the issues identified were the issues we were already focusing on.



- Link to our ESG strategic pillars
- Link to our ESG foundation values
- Link to wider business strategy and governance

Stakeholder view

Gathered from interviews with depot managers, employees, suppliers and investors.

Howdens View

Gathered from interviews with the senior leadership team.

Correlation of material topics with our ESG strategy

As well as showing the relative importance of each of the topics that arose in our stakeholder interviews, the diagram above shows how they link to our ESG strategic pillars and foundation values, set out at page 45, or in some cases, how they link with our wider business strategy and our governance.

Supplier engagement - addressing Scope 3 emissions together

Why supplier engagement is important

95% of our baseline total emissions are Scope 3. 76% of these relate to goods purchased from our suppliers and the use of products that we source from our suppliers.

We can only achieve our Net Zero SBTi targets by collaborating with our key suppliers.

Engaging with our top suppliers in 2023

During the first part of 2023, we engaged with our top 28 suppliers. It then became clear that we were likely to learn more by narrowing this down and concentrating in depth on our top six suppliers, who account for 25% of our total supplier emissions.

Whilst these six were the largest suppliers by spend, and the most critical to our business, they also covered a variety of business structures, product types, and geographies.

Engagement in action: supplier ESG summits

In July, we co-hosted our first ESG supplier collaboration summit in Venice in partnership with one of our largest cabinet frontal suppliers, Friul. Together we gathered Friul's key suppliers from around the world to share decarbonisation activities and to discuss solutions for future emissions reductions and other ESG priorities.

Our joint aim for the conference was to send a strong message to the Tier 2 and further upstream suppliers and focus on shared ESG objectives that will give mutual benefit. Main outcomes were:

- Giving a strong demonstration of industry leadership and a message to our wider supply chain.
- Confirming that all the suppliers are active on ESG, from emissions reduction to sustainable material innovation.
- Discussing and sharing Initiatives which are already underway, including: MDF recycling; renewable energy; Net Zero targets, and product circularity.
- Encouraging future investments in resource, technology and data verification.

In November we applied this successful format for a collaboration summit in Turkey, with appliance supplier BEKO and their parent company. Seven of their main material suppliers shared their ambitions and decarbonisation plans with us and we discussed how their own Net Zero plans could work alongside ours, for our mutual benefit.

Engagement in action: Net Zero commitments strengthen bonds with long-term supply partners

Our sustainability strategy hinges on working with engaged and proactive suppliers. Many have been working on improving efficiencies and adding value for some time, however, understanding the investments required to gather the data and turn it into meaningful sustainable actions remains a challenge.

Our biggest chipboard supplier, Egger, has always placed sustainability at the heart of its operations, in line with its founder's belief that 'wood is far too valuable to just throw it away'. As a result Egger has defined emissions targets, aiming to achieve Net Zero by 2050, with near term 2030 targets, many of which were initiated to support and align to our SBTI targets. Egger has committed significant investments to ensure delivery of its, and our, Net Zero plan.

Engagement in action: ESG objectives included in standard supplier terms of business

Initial ESG objectives were introduced into our Supplier Code of Conduct in 2022. Throughout this year we have worked to increase our understanding of the complexities around gathering and sharing good quality data, particularly around Scope 3, and how this effects the way we do business.

In 2024 we will be introducing clauses into our standard supplier terms and conditions making it clear that we expect our suppliers to comply with Net Zero obligations and carbon data reporting.

Agenda for the future

Key points for the future agenda on supplier engagement will be:

- Improving accuracy of supply chain emissions data to ensure a robust emissions figure.
- Working with our main suppliers to capture real emissions data from the value chain, supported by science-based targets.
- Continuing to lead and work with our supply partners to encourage actions that support our Net Zero emissions reduction targets.

Supply chain risk mapping and resilience to climate change

As we describe in our TCFD report (page 66), we are currently in Phase 2 of our physical climate risk assessment work, that involves using a specialist climate diagnostic tool to assess current and future potential supply chain exposures. Physical climate-related risks are captured across multiple scenarios including extreme winds, flooding, heat stress, sea level rise, etc. We have started by analysing exposure of our key suppliers and expect to have finished and reviewed this analysis in H1 2024.

Renewable energy & sustainable operations

KPI

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

KPI - FSC®/PEFC

We used 270,000 cubic metres of chipboard and 60,000 cubic metres of MDF in our factories in 2023 - enough to fill the Albert Hall more than 3 times - so it's natural that we have a long-standing KPI requiring all wood to be from certified sources.

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.

Emissions reduction developments in 2023

Waste heat recovery

As part of our Net Zero strategy towards a 42% reduction in our emissions by 2030, we have started a project at our manufacturing site at Howden which recovers heat from our generators and uses it to heat another part of the factory. This will reduce our reliance on gas and reduce our emissions by 600 TCO_2e/year. The project will be operational in 2024.

Energy monitoring

Energy-efficient production has always been part of our business model, so over the years we've already identified and implemented several large-scale energy-saving opportunities.

In 2023 we've started to install energy monitors at a process level. This gives our engineering and operations teams the ability to see the energy consumption at an individual process level. In the first phase of this project we've identified emission reductions of over 300 TCO_2e/year.

Solar energy investment approved

Solar panel investment has been approved in 2023 at our manufacturing site in Howden. The first phase will see PV panels installed on our main warehouse roof, covering an area of 350,000 ft². The work will begin in 2024 and we expect to see the benefit fully in 2025. Whilst dependent on the sun, the emissions reduction is calculated to be 1,000 TCO_2e/year and an 8% reduction in purchased energy.

Sustainable sourcing

We are 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.

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, Anti-Bribery and the SEDEX RADAR tool.

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. The remaining suppliers share their ethical data with us by different means, including SAP Ariba.

During 2023 we continued to risk rate all our suppliers by using the SEDEX RADAR tool. We have onboarded 55 new sites and currently 324 supplier sites share their ethical data with us. One third of suppliers sites have had a SEDEX Members Ethical Trade Audit ('SMETA', an audit designed to help protect workers from unsafe conditions, overwork, discrimination, low pay, and forced labour) in the last 3 years.

Using SEDEX insight, we are continuing to work with suppliers to deliver improvements in working practices across our supply chain.

Since last year we have successfully implemented SAP Ariba SLP (Supplier Lifecycle and Performance) to enhance supplier onboarding and requalification to align with anti-corruption, human rights and sustainability goals, as well as the Group's code of ethics.

Our modern slavery statement can be found on our website here: www.howdenjoinerygroupplc.com/governance/modern-slavery-statement.

Whilst we have always taken a zero tolerance approach to any infraction on human rights we have introduced a more comprehensive Human Rights Policy, which was approved by the Board in 2023 and which is on our website: https://investorcom.sitefinity.cloud/docs/librariesprovider25/archives/governance/human-rights-policy.pdf

Decarbonising the distribution fleet

Strategic importance and current position

We operate our own transport fleet, and it accounts for around a third of our Scope 1 baseline CO_2 emissions, so it's a clear ESG strategic priority area for us.

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. With existing technology, the scope for step changes in a fleet that's already operating at a high level of efficiency is small but given the size of our distribution operation our fleet drove around 18m miles in 2023, every incremental gain is worthwhile.

Adopting new technologies where available

Where possible, we are trialling new technologies. 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 continued to use HVO in 2023, and we have committed to double our 2023 usage in 2024.

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 have six LNG vehicles in the fleet at the end of 2023 and we plan to add to that number in 2024.

Sharing ideas and aims with our partners

With current technology, there isn't a viable electric vehicle option that has the range to replace our long-haul fleet. Our XDC network (described at page 26), involves shorter-range deliveries and is operated on our behalf by third party logistics partners. In 2023 we engaged with one of our partners and came to an agreement whereby they are operating two electric vehicles to deliver on our behalf. Plans are in place to increase the use of electric vehicles in 2024.

We have been engaging and collaborating with our sub-contractors to understand what they are doing to reduce carbon emissions. For instance, in 2023 we shared an idea with our XDC partners around adjusting the layout of their vehicles' cargo area, which allows them to increase the volume of product on each delivery and reduce the total miles travelled.

Efficiency and safety through driver training and route planning

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. We have had an improvement in driver telematic scores of 5% year on year, delivering increased efficiency and safety.

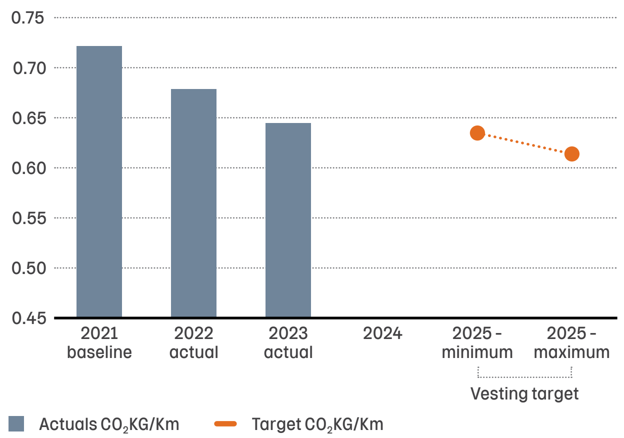
As our depot network has expanded over the years, we plan to reassess our delivery schedule in 2024 with the aim of driving down the distance we travel.

Metrics and targets

Our fleet is in the process of developing a 2030 emissions reduction plan, aligned with our SBTi Net Zero commitments.

The first step of this is the emissions reduction targets which are built into our PSP share awards (page 127) and are aligned with the first 5-year targets in our SBTs, giving minimum vesting at a total cumulative reduction from our 2021 baseline of 12%,and a maximum payout at 15%.

Progress against these targets is show below:



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HOWDENS

Strategic Report - Sustainability Matters

Sustainable product offer and product innovation

Our ambition is to create sustainable products that we're proud of. We make almost 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. Sustainability is built into our product design process and is one of our five standard pillars that we base new product design and sourcing decisions on, sitting alongside quality, design, cost and availability.

Some recent examples of building sustainable considerations into new product are shown below.

1 Cabinet guarantees and recycling

The product that sits at the heart of our business, all our cabinets come with a 25-year guarantee. We can offer that because we know quality and longevity are built into the design. We hold the furniture industry (FIRA) gold award for product excellence for our rigid cabinets. They are also 90% recyclable at end of life.

The chipboard in our cabinets is made using 35% recycled content. The cabinet feet are made of 100% recycled plastic and are 100% recyclable at end of life.

2 Recycled laminate worktops

Our own-manufactured laminate worktops are now made using 75% recycled content.

3 New developments

We are always looking for ways to improve the environmental impact of our products. Notable developments in 2023 are:

- Our new Halesworth frontals are made using 50% less plastic, resulting in 50% less CO_2 emissions.
- Our bestselling Greenwich Matt frontals are now 100% recyclable.

4 Plastic pledge

Our 'Plastic pledge' is an initiative looking across all the products we sell, and aiming to reduce, remove, and replace plastic in our packaging wherever possible.

Finding plastic-free replacements for some elements of packaging can be difficult because the product has to be protected all the way through the supply chain from manufacture to end-user.

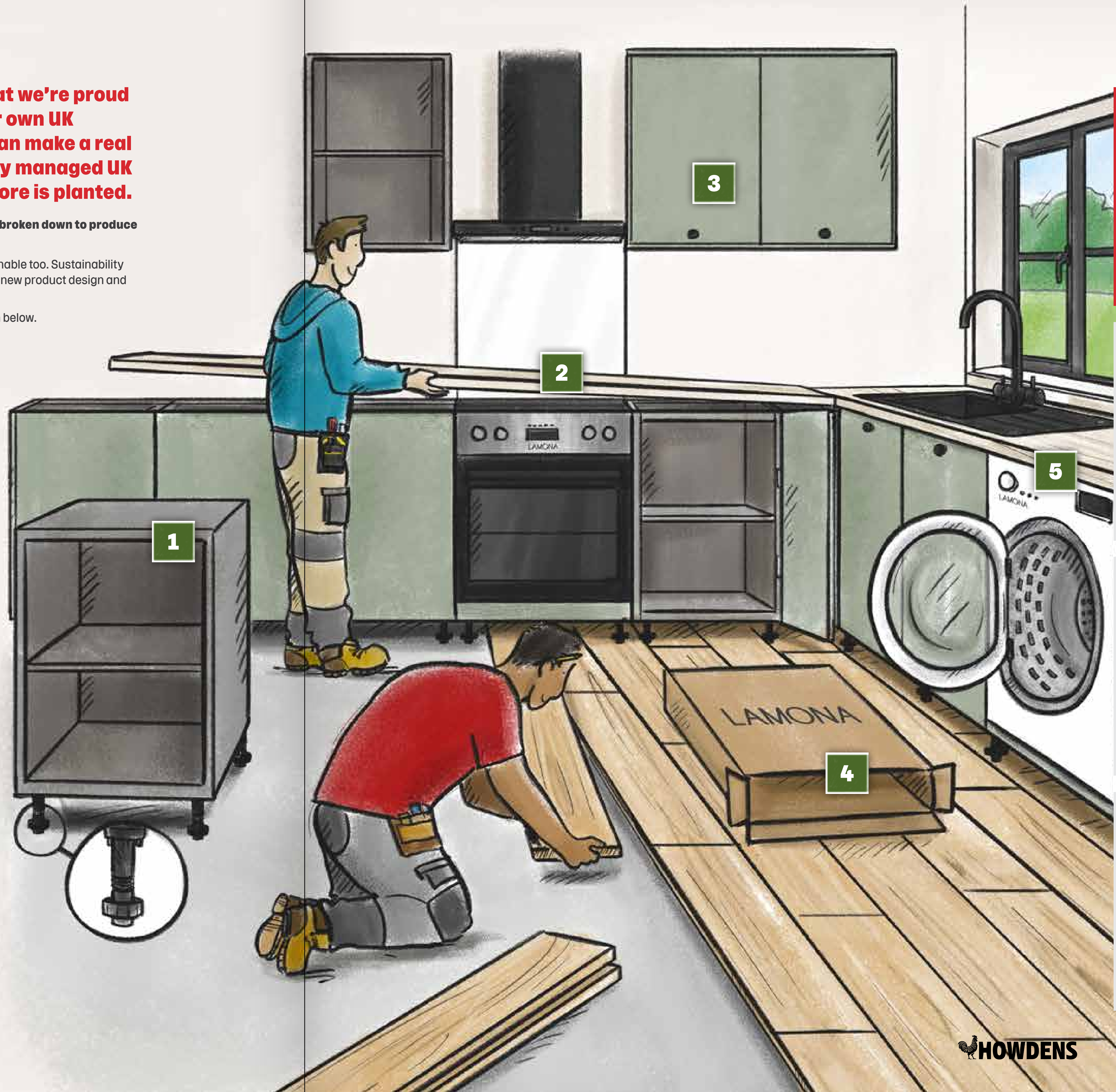
We are very pleased to have launched our first Lamona own-brand appliances with polystyrene-free packaging. Polystyrene is not commonly recyclable in domestic waste collections, and where it is recycled it takes a lot of energy to break it down. We've managed to find a solution which replaces the polystyrene with cardboard but which still offers the protection that our customers need.

In 2023 we removed approximately 300k pieces of polystyrene from the products we sold. Our aim is to increase this figure as we find more wins across the product range.

5 Eco washing machines

On Lamona washing machines, we worked with our third-party manufacturer to make the eco setting the default setting for the wash programme. This is not the case on all other brands.

We work hard to build reliability into all our own-brand Lamona appliances and we're proud to back that up with a 3-year warranty as standard. Where we have warranty claims we encourage end-users to accept our offer of sending an engineer to repair their appliance rather than replace it under the terms of the warranty. This happens in over 90% of claims.



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EDI & wellbeing

Rewarding careers, opportunities to develop and thrive

"I want Howdens to always be a 'home from home' place to work, where you are valued for who you are and where you can give the best of yourself, make meaningful contributions and build life-long friendships."

Andrew Livingston - CEO

At Howdens, we pride ourselves on being a place where every individual is actively encouraged to succeed, both for their personal growth and for the benefit of the business. This ethos is deeply rooted in our inclusive culture, which respects and values diverse backgrounds.

Our Inclusion Strategy

We have structured our inclusion strategy around three key areas:

1

Worthwhile for ALL

Clarifying and demonstrating our dedication to inclusion. Making a tangible difference, ensuring that everyone feels valued and supported.

2

Support for ALL

Empowering our managers. By providing them with the right tools and knowledge, they can foster an inclusive environment and get the best out of all their team members.

3

Accessible for ALL

Broadening our reach. By attracting diverse talent, we're not just filling positions; we're enriching our workplace with a variety of perspectives and experiences.

These values are at the heart of our workplace culture, where we want every employee to feel an integral part of the Howdens family. Our diversity priorities - Gender, Ethnicity and Disability - provide a framework for locally driven activities, led by our Executive Committee-sponsored employee working groups.

Worthwhile for ALL

This year we've taken further tangible steps forward. Employees can share their own career success stories via a dedicated space on our intranet so that we can encourage others to progress themselves too. A highlight was the launch of a powerful social mobility video featuring employees sharing their personal journeys.

We're also enhancing our approach to diversity data. Our aim is to have a more comprehensive data set in 2024, which will help us tailor our efforts more effectively.

Support for ALL

The role of managers in creating an inclusive workplace is critical. That's why we launched a development programme for managers, including modules on Actively Supporting Your Team and Creating an Environment of Trust and Openness.

We've also continued to deliver specific Equality, Diversity, and Inclusion ('EDI') awareness training for managers and their teams. We've refreshed our e-learning resources and launched new manager toolkits to reinforce practical learning and provide support when needed.

Case study

Women in Manufacturing and Engineering (WIME)

Our partnership with Longcroft School in Yorkshire is a good example of our outreach. This collaboration, part of the WIME initiative, showcases STEM careers to young female students.

During an event at the school, some of our female operations managers spoke about their careers. Later, we hosted the students at our Howden site for a factory tour and team activities, giving them a taste of the wide range of career opportunities that Howdens can offer.

The feedback from the event was very positive.

"Thanks for a really great day! The students got a lot out of it and felt really welcome... a huge thank you to you and your teams for arranging and supporting our visit.

Teacher at Longcroft School

Accessible for ALL

Our goal is for everyone who works with us to feel that Howdens is somewhere they are welcomed and supported to thrive. Part of this is our commitment to social mobility. We help career progression through apprentice programmes and in-house training. We're creating new learning pathways, especially for critical roles. An example is our new programme to train Kitchen Sales Designers.

Our commitment to nurturing 'homegrown' talent continues. In 2023, we recruited 362 new apprentices across the business.

We also launched a Chartered Management Degree Apprentice Scheme, providing work experience across different operational areas along with a degree qualification and real opportunities for career progression.

We remain committed to transferring 20% of our apprenticeship levy to fund construction apprenticeships in small businesses across the UK, directly addressing a skills gap relevant to our customer base. To date we have committed more than £880,000.

disability confident COMMITTED

Committed to being a menopause friendly employer — PROUD to display the BADGE

2023 Update on Our EDI priorities

Our Executive Committee sponsors continue to lead employee working groups focusing on gender, disability, and ethnicity.

Gender

An International Women's Day event in March 2023 was a highlight, featuring inspiring stories and interactive sessions.

The Gender group has also organised events and educational sessions on the Menopause, developed toolkits for managers and employees, and introduced wellbeing baskets in restrooms. An e-learning module for managers is part of our journey towards Menopause-friendly accreditation.

Ethnicity

This year we've published an EDI Toolkit for managers which includes guidelines for considering the diversity of local communities in recruitment and learning resources on different religions and cultures.

We launched awareness communications on festivals such as Ramadan and Diwali. We held a listening session with ethnic minority employees in Birmingham. The focus was on understanding their lived experiences and how we can be more inclusive. More sessions are planned for 2024.

Disability

We've achieved Disability Committed status, the first stage of the Disability Confident Government scheme.

Update on our wellbeing strategy

In 2023, we delivered a series of events on the key aspects of our wellbeing strategy: physical, mental, and financial wellbeing.

Financial Wellbeing

We held sessions during National Pensions Week, attended by hundreds of employees. We also introduced a new workplace ISA and a Cycle to Work scheme. A new retail discount platform provides savings for all employees.

Mental wellbeing

We've partnered with Retail Trust for our Employee Assistance Programme (EAP). A Mental Health toolkit for managers was launched, and events like 'Walk this May' encouraged walking for mental health benefits.

Physical wellbeing

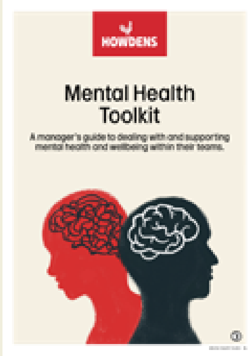
As well as our focus on the Menopause, mentioned above, we hosted webinars on various health topics for everyone including 'Know your numbers' - blood pressure and resting heart rate checks - and CPR/Defibrillation sessions as part of National Heart Month.

We have continued promoting our health benefits, including more accessible discounted gym memberships and we have trained more Employee Wellbeing Representatives.

Case study

Counter Talk podcast

Our Counter Talk podcast, featuring employees telling their own mental health stories and support strategies, was a significant step in promoting open conversations about mental health. It highlighted the supportive culture at Howdens.



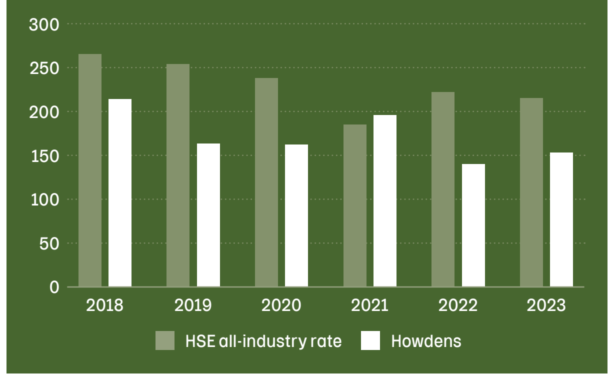
"I've been with a lot of companies where I've known I needed to keep it to myself, because it's going to cause a problem, but with Howdens you know that if you open up there is going to be a whole load of support.

Quote from an employee who shared their experiences.

Health & safety, carbon neutral, renewable energy and waste

Keeping our people safe and healthy

KPI **Reportable injuries/100k employees -** Reportable injury rates remain low



Our safety KPI has remained low at 153 RIDDOR reportable injuries per 100,000 employees in 2023. This is 29% below the 2022/2023 HSE All-Industry rate of 215.

Our accident severity rate has also remained low at 33.4 hours lost to accidents per 100,000 hours worked.

Our network of over 850 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.

Across the business we continue to work hard to embed the cultural value that safe operations is our way of doing things. In 2023 we introduced H&S recognition initiatives, such as the 'Safety Good Spot' and 'Local Safety Hero' Awards, celebrating the positive impacts of employee participation and proactive behaviour.

To maintain momentum on our safety culture improvement plan we have partnered with the Centre for Human Factors (CFHF) at the University of Hull. In 2024, the CFHF will be working with us to get a deeper understanding, through engagement, of the human factors and cultural elements that we can foster and, where necessary, improve on to embed and mature our safety culture.

Carbon Neutral certification changes to Route to Net Zero Standard

Manufacturing accounts for a significant proportion of our total Scope 1 and 2 emissions, and is entirely under our control, so it always made sense for us to start our emissions reduction efforts there. It also has a direct benefit to our profitability as it reduces input costs.

We previously had a commitment to achieve carbon neutral manufacturing at our Howden and Runcorn sites by 2021, which we achieved and which we had certified by the Carbon Trust, a global climate consultancy (with evidence provided in accordance with PAS 2060:2014 - Specification for the demonstration of carbon neutrality).

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). We committed to annual recertification which we successfully received in 2022.

From 2023 the Carbon Trust is no longer offering Carbon Neutral verification at a site level and is transitioning to a more demanding certification - the Route to Net Zero Standard. This standard aims to ensure transparency and clarity of environmental claims with an expectation of high ambition. It has a greater emphasis on reduction, more rigorous and ambitious requirements and a focus on language to enhance clarity of meaning. The scope of the Net Zero Standard is wider than the previous Carbon Neutral certification as it will cover the whole Group's operations.

We consider achieving the Route to Net Zero Standard as the next step in our Net Zero journey and a way to demonstrate our commitment to climate leadership, moving on from the achievement of Carbon Neutrality. The standard is aligned with our science-based carbon reduction targets with SBTi and, if achieved, will provide assurance that we are on track to achieve our targets and adopting sustainability best practices. We have begun working with the Carbon Trust with the aim of achieving the standard and will report on our progress and targets as they develop.

Working with: CARBON TRUST

Reducing waste

KPI **Zero to landfill across all UK operations**

Maintaining zero to landfill in 2023 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. Rather than sending our waste offsite to be burnt for energy recovery, we took the more difficult but more responsible method of using the principles of the 'Waste Hierarchy' and maximising the amount that we can reuse, recycle or recover. We have maintained this performance in 2021, 2022 and 2023, and this is our target for the future.

All UK depots zero to landfill at the end of 2023. 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 made further progress in 2022. In 2023 we have found a partner who can service our UK depot network with waste collection that offers 'cradle to grave' due diligence and tracing which means that by the end of 2023 all of our depots are now zero to landfill. We intend to maintain this performance in the future.

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 2023 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 by our biomass boilers was equivalent to the average electricity consumption of almost 9,000 households.

Use of renewable energy sources

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 ('REGOs'), and by the end of 2023 96% of all UK energy was coming from renewable sources.

Each year, this will avoid around 10,000 tonnes of indirect carbon emissions. The impact of this can be seen in our market-based emissions reporting figures.

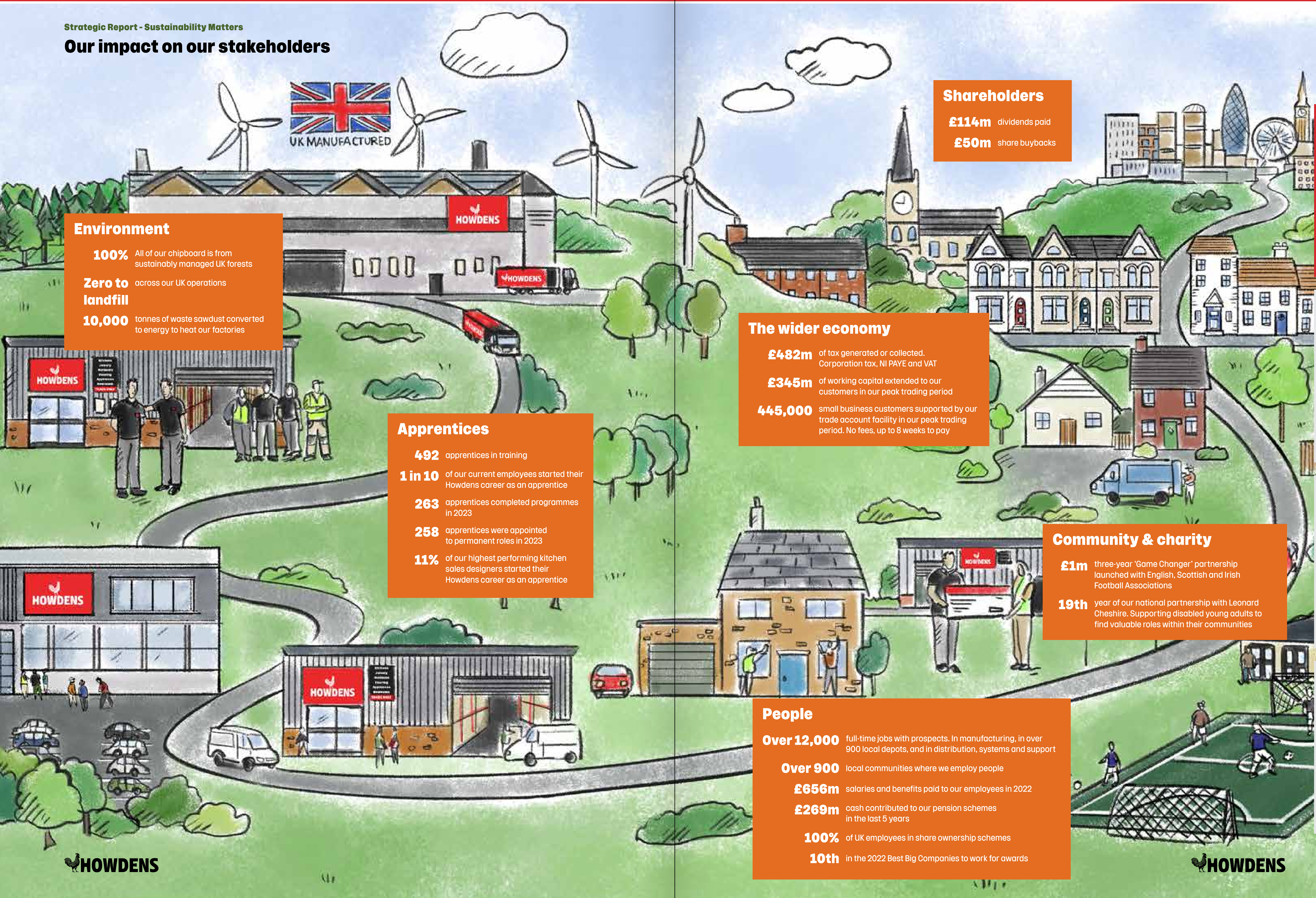
Biomass heat generation has been a feature of our Howden and Runcorn sites for almost 25 years with a combined heat output of 46,000MWh pa, we can heat 1m sq ft of manufacturing space with 98% less carbon emissions.

During 2023 we have approved investment in solar panels at our manufacturing site in Howden, which will come online in 2024 and which we discuss further at page 50.

We also use alternative, plant-based, HVO fuel in our lorry fleet, as we discuss further on page 51.

Strategic Report - Sustainability Matters

Our impact on our stakeholders



Environment

100% All of our chipboard is from sustainably managed UK forests

Zero to landfill across our UK operations

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

Apprentices

492 apprentices in training

1 in 10 of our current employees started their Howdens career as an apprentice

263 apprentices completed programmes in 2023

258 apprentices were appointed to permanent roles in 2023

11% of our highest performing kitchen sales designers started their Howdens career as an apprentice

Shareholders

£114m dividends paid

£50m share buybacks

The wider economy

£482m of tax generated or collected. Corporation tax, NI PAYE and VAT

£345m of working capital extended to our customers in our peak trading period

445,000 small business customers supported by our trade account facility in our peak trading period. No fees, up to 8 weeks to pay

Community & charity

£1m three-year 'Game Changer' partnership launched with English, Scottish and Irish Football Associations

19th year of our national partnership with Leonard Cheshire. Supporting disabled young adults to find valuable roles within their communities

People

Over 12,000 full-time jobs with prospects. In manufacturing, in over 900 local depots, and in distribution, systems and support

Over 900 local communities where we employ people

£656m salaries and benefits paid to our employees in 2022

£269m 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

HOWDENS

HOWDENS

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

Our approach to TCFD

We see TCFD as a useful framework to help us assess our climate resilience. We use it to talk about our climate risks and opportunities, to build them into our strategy and to measure our progress.

We have made good progress in 2023. We are using specialised technology to collect both physical and transition climate risk and opportunity data across our value chain. We've started to connect this technology with our key suppliers so we can access and challenge this data more easily and use it to build a collective picture of the challenges and solutions together.

We committed to SBTi Net Zero in 2022 and have had our targets approved in January 2024. We have started to collect real Scope 3 emissions data through our value chain. This is a complex exercise, and still involves some estimations, but we are making progress (page 68).

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

The results of our scenario modelling agreed with the results of our existing business risk management process (described starting on page 36), in that they did not identify any material climate-related risks in the short or medium term.

We are reviewing our supply chain in greater depth and are not currently aware of any material physical risks. We evaluate physical risks for time horizons to 2050.

No identified material financial impact of meeting our SBTi targets in the short or medium-terms

We have examined the estimated incremental costs of meeting our SBTi targets over the next three years, and neither the incremental capex requirement nor the net annual effect on operating profit is material.

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 Listing Rule 9.8.6R, i.e. that we are fully compliant with all 11 of the TCFD recommendations, and that we have taken into account all relevant and material elements of the recommended TCFD disclosures - including the TCFD's all-sector guidance and, where appropriate, the supplemental guidance for non-financial groups, as well as the climate-related financial disclosures required by section 414CB(A1) and (2A) of the Companies Act 2006.

TCFD recommended disclosure	Our disclosure and developments in 2023	Focus areas for 2024 and beyond
GOVERNANCE		
A **Describe the Board's oversight of climate-related risks and opportunities.**	• This process is led by the Board's Sustainability Committee, whose report is at page 140. • The Sustainability Committee met three times during 2023. The Director of ESG* reported to the Sustainability Committee at each meeting and provided updates on the climate-related risks and opportunities. • The Board considers climate risks together with other risks as part of its overall risk review processes described in detail starting at page 36. • When considering any material investment proposition, the Board considers the likely climate-related consequences.	• The Sustainability Committee will meet regularly in 2024 and will make recommendations to the Board as appropriate. • The Director of ESG will provide regular progress updates. • The Board incorporated environmental measures for 2023 executive share plan. The Remuneration Committee regularly monitor progress against each of these measures. Updated environmental measures are in place for the 2024 plan see page 130.

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

TCFD recommended disclosure	Our disclosure and developments in 2023	Focus areas for 2024 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 to manage and mitigate climate risks and take advantage of opportunities. The role of the ExCo is set out on pages 75, 80 and 81 . • The ExCo are responsible for delivering the climate-related targets determined by the Board. • The Director of ESG advises both Board and ExCo on progress against targets and other initiatives. He presented at all of the Sustainability meetings in 2023. • ExCo reviewed the TCFD materiality impact assessments and scenario analysis in 2023. • The Director of ESG worked with ExCo during the year to develop strategies to manage risks and pursue opportunities. • Our supplier engagement activities in 2023 (pages 49, 88 and 89) demonstrated industry leadership and provided clear messaging that our suppliers need to be active on emissions reductions.	• ExCo members have been assigned key responsibilities on managing climate risks and opportunities. • Management will continue to engage with our supply chain in 2024.
STRATEGY		
A **Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.**	• Our climate risk assessment identified no significant short or medium-term climate-related risks. • We give more detail on the potential risks and opportunities starting at page 64.	• Continuing to engage with our supply chain to obtain further data, which may also give additional information on ESG risks and opportunities as they evolve.
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 built on this by doing additional physical climate risk assessment in 2023. No significant short or medium-term risks were identified. • 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 64. • We discuss our Net Zero commitment on page 46.	• Climate-related risk screening is being incorporated into the due diligence process for major capital expenditure decisions. • Further collaboration with our top 30 suppliers should give us additional data on specific climate risks and opportunities that may inform our strategy and financial planning.

TCFD - building climate resilience continued

STRATEGY CONTINUED

TCFD recommended disclosure	Our disclosure and developments in 2023	Focus areas for 2024 and beyond
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, including a scenario aligned with below 2°C. These are described on page 64. They did not identify any material challenges to strategy in the short or medium-term. • We tested the scenario results with management, ExCo and Board in 2022. • In 2023, we established a TCFD working group to review the Net Zero strategy. No significant short or medium-term implications for our strategy were identified.	• We will refresh our scenario analysis in 2024. • We will continue to review various options for decarbonisation, including new technology, as and when it becomes available, and to consider whether there are any emerging implications for our future strategy.

RISK MANAGEMENT

TCFD recommended disclosure	Our disclosure and developments in 2023	Focus areas for 2024 and beyond
A **Describe the organisation's processes for identifying and assessing climate-related risks.**	• We use the same approach as for other risks (see pages 36 - 37), combined with horizon scanning to improve identification of medium and longer-term climate transitional and physical risks. • We use an approach modelled on British Standards, based on risk impact and our adaptive capacity. • We have built the outputs of our climate risk assessment into operational risk registers. • In 2023 we have improved our identification process for climate physical risks by using a modelling tool, covering all operations over a short, medium and long term. • We have engaged with our stakeholders, including our insurers, to understand how their focus on climate risk is likely to develop.	• Continue to improve our risk identification process, incorporating more data streams and trends. • Continue to 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 (e.g. 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 36 - 37), 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.	• Challenge the business on the effectiveness and accuracy of mitigation plans, including evidence of progress. • We continue to view climate risks as emerging risks see page 36.
C **Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.**	• We use the same approach as for other risks (see pages 36 - 37). We record them in our risk registers alongside our other operational, financial and strategic risks, albeit that we typically use longer time horizons when looking at climate risks. • We review and update them twice a year. • We have an emerging risk identification and management approach, with dedicated reporting to Exec and Board.	• Continue with specific climate-focused risk register reviews. • Continue to develop reporting to Exec and Board.

METRICS AND TARGETS

TCFD recommended disclosure	Our disclosure and developments in 2023	Focus areas for 2024 and beyond
A **Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.**	• Our emissions reporting starts at page 67. This is central to our SBTi targets, which were approved in January 2024 and which will be key metrics for the future. • We have long-standing KPIs on use of FSC® and PEFC raw materials and on production waste recycling - we report on these on pages 50 and 57.	• We are in the process of amending our standard contract terms with our long-term suppliers to make it clear that we expect them to work with us to reduce carbon emissions in the supply chain. The aim is that this will eventually lead to mutually agreed targets. • As we continue with supplier engagement, we will collect further supply chain emissions data, which will allow us to encourage suppliers to set SBTi targets.
B **Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.**	• See our emissions reporting, starting on page 68. We have disclosed estimated Scope 3 emissions for the first time in 2023. • We consider the risks relating to emissions as part of our overall climate risk reporting, summarised above.	• We will continue to work with our supply chain to gather additional data to inform our Scope 3 emissions reporting.
C **Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.**	• Performance against non-financial KPIs is shown on pages 29, 50, 56 and 57. • Our SBTi Net Zero targets are shown at page 46. • We incorporated environmental targets, aligned with our SBTi Net Zero targets, into our share plans for the first time in 2022. More details are given at pages 127 and 130.	• Continue to monitor performance against targets including assessing the industry specific metrics and targets introduced by latest frameworks and standards such as TPT (Transition Plan Taskforce) and ISSB.

TCFD - building climate resilience continued

Main risks and opportunities from our scenario modelling so far

Details of the scenarios and time horizons

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 for transition risks and opportunities, which we further split into time horizons, which we classify below as short term (to 2024), medium term (to 2026) and long term (to 2030). Physical risks are assessed using longer time horizons to 2050 and beyond (for chronic risks such as sea-level rise).

We have chosen the long-term horizon as it aligns with our first major milestone in our Net Zero plans (see page 46). We have chosen the duration of the short and medium terms because they align with the Group's strategic business and financial planning cycles. We plan to refresh our scenario analysis during 2024, an exercise which will include reviewing the time horizons.

We developed three scenarios to frame our discussions of potential climate risks and opportunities. These scenarios were based on the well-regarded and widely-used scenarios developed by Inevitable Policy Response, and were then enhanced to include additional factors specific to Howdens. The scenarios are:

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 (pages 38 to 41) and also indicated the resilience of our current strategy, in that they did not identify any material climate-related risks.

Under each scenario there were several possible short, medium and long-term risks and opportunities. We have summarised the most likely ones below. Whilst we have indicated the most relevant time horizon(s) for each risk and opportunity, there is inevitably significant crossover between the outputs of the different scenarios and time horizons, so our description of each risk and opportunity, as well of the related impact, contains an element of aggregation.

Over time we will continue to refresh and develop our scenario analysis. Our intention is to revisit it in 2024.

Overview of opportunities	Most relevant time horizons	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 (2026-2030)	Increased sales. Greater brand awareness. Increased market share. Stronger employee retention/relations.	Promoting awareness of our sustainability and Net Zero ambitions to employees, customers and end users. Sustainable customer offering and bringing the suppliers on the Net Zero and sustainability journey with us.

Overview of opportunities	Most relevant time horizons	Impact	Mitigation actions
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 and materials 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 (2024-2026) **Absolute reductions in energy consumption:** medium to long term (2026-2030) **Deployment of Decarbonisation technologies such as hydrogen:** medium to long term (2026-2030)	**Capitalise on energy opportunities:** installation of solar panels/wind turbines 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 financing.	Short to medium term (2024-2026)	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 (2026-2030)	Support the future sustainability of our assets and the Howdens brand.	Sustainable design is built in as a pillar of our new product development process.
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 (2026-2030) **Pressure on supply chains to decarbonise:** medium to long term (2026-2030) **Raw materials cost increase/ unavailability:** medium to long term (2026-2030)	**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.	Our commitment to SBTi Net Zero targets will help with mitigating the impact of future carbon prices due to absolute reductions in our emissions. We are using technology to collect data directly from our suppliers, which will give us an increased understanding of potential supply chain impacts and allow us to collaborate with suppliers to mitigate the potential future effects. For instance, the supply chain data should give us a more detailed view of potential effects on key raw materials and help us formulate mitigation strategies where necessary.

Strategic Report - Sustainability Matters

TCFD - building climate resilience continued

Overview of opportunities	Most relevant time horizons	Impact	Mitigation actions
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. 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. We will have a fuller view of potential value at risk once we have completed Phase 2 of our physical risk assessment. We consider that we have a high level of expertise in supply chain planning and successfully planned for and dealt with the disruptions of COVID and Brexit. **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-phase physical risk assessment of our own locations in the UK and our suppliers' locations around the world. Phase 1, which is completed, 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, which is in progress will deliver a vulnerability and resilience option assessment and it will allow us to estimate our Value at Risk for physical exposure and to understand our suppliers' adaptive capacity.
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 (2024-2026) **Transitional investment:** medium to long term (2026-2030)	**Additional capital expenditure:** to decarbonise our own operations, e.g. our buildings and fleet.	We are currently carrying out a study, which will clarify levers of decarbonisation available to us. We have estimated the incremental costs of meeting our SBTi targets over the next three years, and neither the capex requirements nor the net annual effect on operating profit are material.
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 (2026-2030)	**Impact on future sales:** from inability to meet customer needs.	Our ESG strategic ambition is to be the UK's leading responsible kitchen business. This commitment drives us to maintain a focus on sustainable product (pages 52 and 53).

Our SECR and Scope 3 reporting

SECR - Emissions reporting

Absolute carbon emissions reduced 3.6% against 2022

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. The intensity measure was chosen because it was felt most relevant to show changes in emissions relative to changes in turnover.

We have used the Operational Control boundary, which includes all UK and International operations with the exception of our new Paint to Order factory, which was commissioned in the second half of 2023. 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.

The 2023 data below includes additional emissions from the trade of Sheridan Fabrications Ltd, a business which we acquired part way through 2022, for the first time. Reliable data was not available for this business for 2022 or earlier years, so prior year figures have not been adjusted. Total scope 1 and 2 emissions for the Sheridans business in 2023 were less than 1% of total Group emissions.

	Total CO_2 emissions (Tonnes)	
	2023	2022*
Scope 1 - Direct: Gas	13,075	13,032
Scope 1 - Direct: Owned Transport (LGV/Van/Car)	24,665	28,302
Scope 1 - Direct: Other fuels	1,380	1,354
Scope 1 - Direct: Biomass	408	469
Scope 1 - Direct: Total	39,528	43,157
Scope 2 - Indirect: Electricity - location-based	13,725	12,067
TOTAL Scope 1 and 2 absolute emissions - location-based	53,253	55,224
Scope 2 - Indirect: Electricity - market-based*	1,266	5,193*
TOTAL Scope 1 and 2 - market-based	40,794	48,350
Turnover (£m)	2,310.9	2319.0
Carbon intensity ratio (tCO_2e per £m) gross, location-based	23.0	23.8
Inflation adjusted intensity ratio (tCO_2e per £m) gross, location-based	28.7	28.4
Additional carbon intensity ratio (tCO_2e per £m) net, market-based	17.7	20.8*
Additional inflation adjusted intensity ratio (tCO_2e per £m) net, market-based	22.0	24.9*
Energy consumption used to calculate above emissions (kWh)	290,613,944	321,585,787
Proportion of CO_2 emissions generated in the UK:	98.6%	98.6%
Proportion of total energy consumed (kWh) in the UK:	98.3%	98.5%

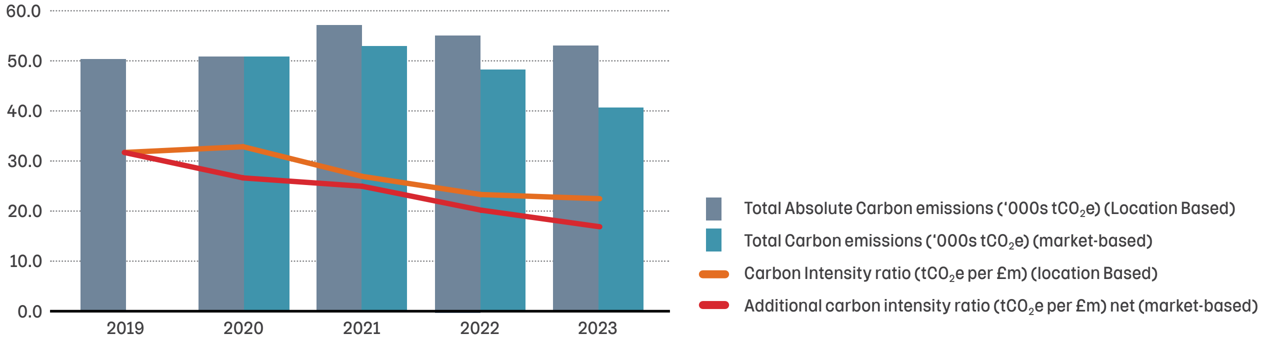
* **Restated data for 2022.** In our 2022 reporting, the figure for Scope 2 - Indirect: Electricity - market-based was incorrectly reported as 101 tCO_2e, when it should have been 5,193 tCO_2e. This error came to light in 2023. The 2022 data has been restated to reflect the correct figure. The 2023 market-based figure for indirect electricity is significantly lower because it reflects a full year of renewable energy.

Strategic Report - Sustainability Matters

Our SECR and Scope 3 reporting continued

SECR Reporting

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



Energy efficiency initiatives

See pages 50 and 51 for examples of developments in 2023 in our manufacturing and transport operations, our most significant sources of Scope 1 and 2 emissions.

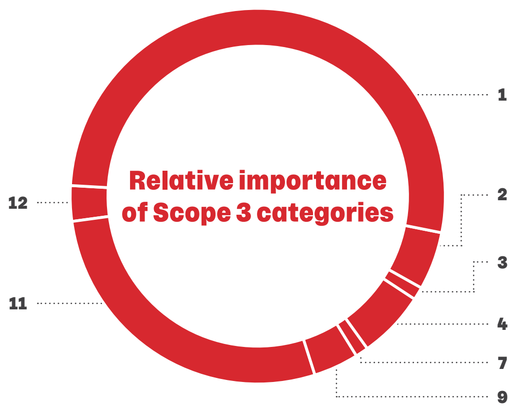
Use of renewable energy sources

We discuss this on pages 50 and 51.

Our 2023 Scope 3 emissions

As shown below and on page 47, around 95% of our emissions fall outside of our direct control and are reported as Scope 3 emissions. Renowned for being a more difficult area to gather consistent and quality data, we are continuing to make good progress with improving the integrity of our Scope 3 numbers and, for example, are working with our largest suppliers initially to collate and improve the quality of data on the emissions associated with our purchased goods and services (see page 49).

The majority percentage of our Scope 3 data has been calculated using available primary data. Where necessary, estimates have been used for some categories and therefore are subject to change. In accordance with the Science Based Target Initiative's recalculation policy, updated data will be published when available. Any estimates are in line with the GHG Protocol Corporate Accounting and Reporting Standard and are based on a combination of internal data coupled with the best available public sources on CO_2 emissions factors. To further aid transparency, we have coded the data below to show its source and status.



	Category	TCO_2e	%
1	Purchased goods and services	493,845	53%
2	Capital goods	48,684	5%
3	Fuel and energy related activities	10,856	1%
4	Upstream transportation & distribution	43,166	5%
5	Waste	945	0%
6	Business travel	2,391	0%
7	Employee commuting	12,961	1%
8	Upstream leased assets	N/A	0%
9	Downstream transportation	34,858	4%
10	Processing of sold products	N/A	0%
11	Use of sold products	257,811	28%
12	End-of-life treatment	31,581	3%
13	Downstream leased assets	N/A	0%
14	Franchises	N/A	0%
15	Investments (Pensions)	N/A	0%
	Total	937,098	100%

Key to Scope 3 data

Source of data

- Derived from data that is within our direct control or that we can more easily verify
- Derived from data that is not within our direct control or that is more difficult to verify
- Not applicable

Status of data

- Most secure - Good quality data/high confidence in estimations
- Less secure - some work to do to verify data quality/reasonable reliance on Industry estimations
- Least secure - more work to do to verify data quality/high reliance on industry estimation/assumption
- Not applicable

Strategic Report

Going concern and Viability statements

Going concern

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

Going concern review period

The going concern review period covers the period of at least 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 38.

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 2023, as well as early weeks' trading in 2024. They have reviewed the Group balance sheet at 30 December 2023, noting that the Group is debt-free, has cash and cash equivalents of £283m, 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 2023 Group forecast, prepared in December 2023 and including the actual results of the 2023 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.

Strategic Report

Going concern and Viability statements continued

Going concern continued

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 2023 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.

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 30 December 2023 of £283m.
- 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 36-37, followed by 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 2026. 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

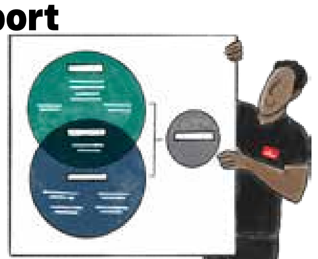
Having considered the Group's current position, strategy, business model and principal risks in their evaluation of the prospects of the business, and having reviewed the outputs of the scenario modelling, the Directors concluded that they have a reasonable expectation that the Group will continue to operate and to meet its liabilities in full and as they fall due during the three-year period to December 2026.

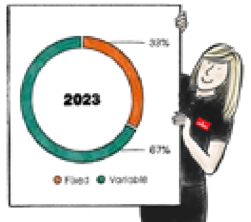
Further reading relevant to going concern and viability

	Page
Principal risks and mitigations	38-41
Trading results	16-35, and the Financial Statements
Balance sheet	163
Details of our £150m borrowing facility	187
Auditor's report, with details of their work and conclusions on going concern and viability	148-161

Governance

How we preserve value





Governance

Corporate governance report

Board meeting attendance

Peter Ventress (7/7)
Karen Caddick (6/7)[1]
Andrew Cripps (7/7)
Geoff Drabble (3/4)[2]
Louis Eperjesi (3/3)
Louise Fowler (7/7)
Paul Hayes (7/7)
Andrew Livingston (7/7)
Debbie White (7/7)

1 Karen was unable to attend the November Committee meeting due to illness.
2 Geoff retired from the Board following the AGM in May. The Board meeting was held immediately before the AGM and therefore he did not attend.

Peter Ventress
Chairman

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.

2024 Annual General Meeting (AGM)

Details of the 2024 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.

Introduction from the Chairman

Howdens is a resilient and well-run business. In my Chairman's statement at the beginning of this Annual Report and Accounts (pages 16 to 18), I spoke of the many challenges facing our business and the corresponding effect of these challenges on our end markets. During such periods, it is vital that boards provide clear and consistent leadership, underpinned by robust corporate governance practices. The work of this Board and its Committees are set out on the following pages and I hope that is showcases our governance achievements and priorities for the year ahead.

I was pleased when Howdens rejoined the FTSE 100 in September 2023 during my first full year as Chair. As a Board we recognise the additional scrutiny from a corporate governance perspective that this will bring but we are prepared to live into the high standards expected of us. We will also take time to consider the revisions to the UK Corporate Governance Code and what that will mean for us as a Board going forward.

Fundamentally, we remain committed to the high governance standards which we have set ourselves and supporting the fundamental principle that Howdens should be worthwhile for all concerned.

Board succession

During the 2023 we announced the retirement of three of our experienced Non-Executive Board members: Geoff Drabble, Debbie White and Karen Caddick as part of our wider succession plans to refresh the Non-Executive Board. Whilst these Directors all contributed hugely to the success of Howdens during their respective tenures, we have already appointed two highly experienced Non-Executive Directors in Louis Eperjesi and Vanda Murray who bring a vast amount of experience to the board table as well as a fresh perspective. More information on Louis and Vanda's appointments can be found in the Nominations Committee Report beginning on page 98.

We will continue to work with the Nominations Committee during 2024 to further refresh the Board, mindful of our commitment to having a more diverse Board to lead the business.

Strategy

The Board discussed strategy and its strategic initiatives throughout the year. We continued to invest in deeper vertical integration, the depot expansion and refurbishment programme, product innovation and digital expansion, as well as supporting continued investment into the international businesses.

ESG and the work of the Sustainability Committee were also a key feature of the work of the Board during the year. We continued to build out the remit of the Sustainability Committee and were pleased to receive approval from the Science Based Targets Initiative (SBTi) of our Net Zero targets. Our environmental commitments are as important strategically to the Board as our other strategic initiatives and we will continue to monitor our performance and hold management to account on delivery of these targets.

Stakeholders

This report details how we have engaged with our stakeholders and how, as a Board, we balance their respective needs. Throughout 2023, we were in regular dialogue with the Pension Trustees of the Howden Joinery Defined Benefit Plan. Following the shock volatility in the gilts market in the autumn of 2022, we engaged with the Trustees on their updated investment strategy. From July, the Board agreed interim deficit recovery payments following the expiry of the previous deficit recovery plan and in November the Board and the Trustees completed the triennial actuarial valuation, agreeing an updated deficit recovery plan for the next three years. The Board is looking forward to further engagement with the Trustees, and all our other stakeholders, in the year ahead.

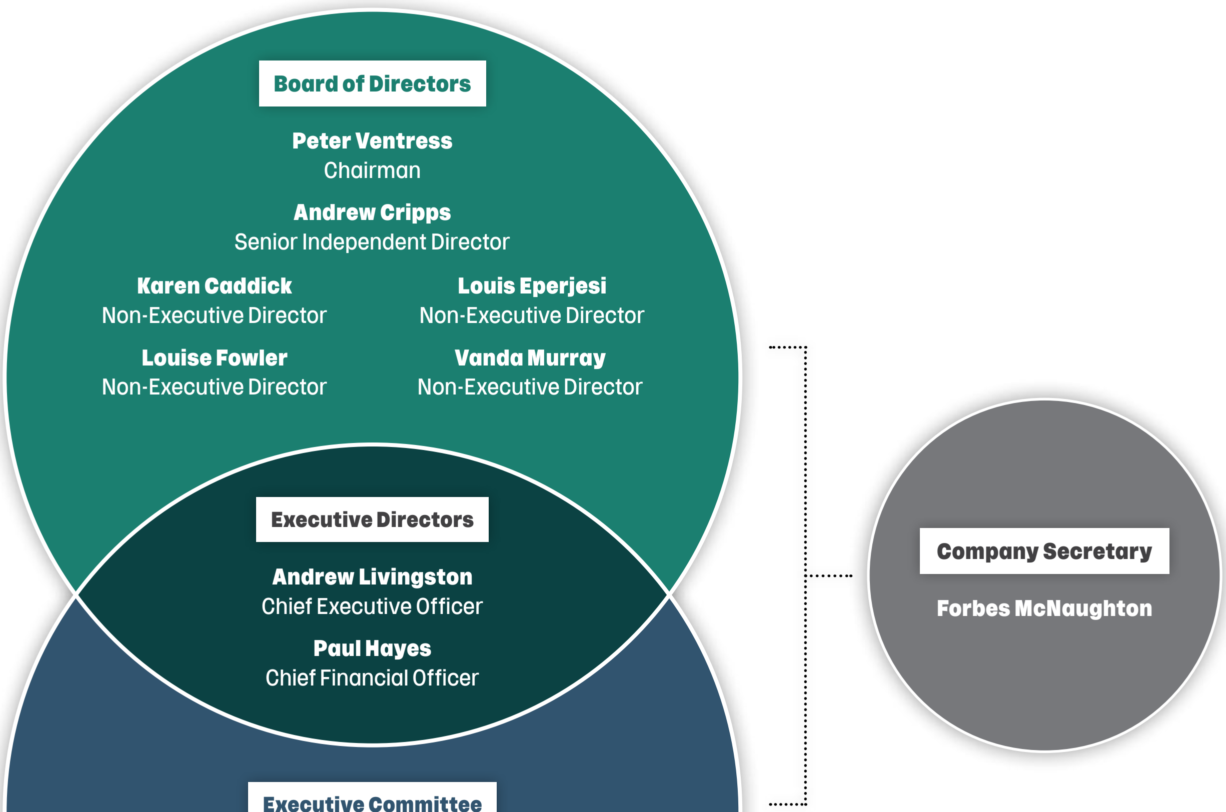
The Board in 2024

I am pleased with how the Board's agenda has developed during 2023 and the introduction of 'spotlight sessions' was widely welcomed in the Board evaluation feedback. We have a full programme of spotlight sessions in 2024 (details of which can be found on pages 78 and 79) which builds on the updates presented in 2023.

The Board will also work with the Remuneration Committee on updating the Directors Remuneration Policy and I look forward to working with our new Remuneration Committee Chair, Vanda Murray, in engaging with shareholders on the draft policy in the second half of the year.

I also look forward to engaging with our shareholders at the AGM in May.

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

Governance

Corporate governance report continued

Board of Directors

Executive Directors

	
Andrew Livingston Chief Executive Officer	**Paul Hayes** Chief Financial Officer
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.
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.
Other listed company appointments	
Non-Executive Director of LondonMetric Property Plc	None
Committee Membership	
Neither Executive Director is a member of any Board Committee.	

Non-Executive Directors

					
Peter Ventress Non-Executive Chairman	**Andrew Cripps** Senior Independent Director	**Karen Caddick** Independent Non-Executive Director	**Louis Eperjesi** Independent Non-Executive Director	**Louise Fowler** Independent Non-Executive Director	**Vanda Murray OBE** Independent Non-Executive Director
Appointed					
Peter was appointed to the Board as an independent Non-Executive Director in July 2022 and became Chairman and Chairman of the Nominations and Sustainability Committees in September 2022.	Andrew was appointed to the Board in December 2015 and became Chair of the Audit Committee in May 2016 and Senior Independent Director in July 2023.	Karen was appointed to the Board in September 2018 and became Chair of the Remuneration Committee in September 2019.	Louis was appointed Non-Executive Director in June 2023.	Louise was appointed to the Board in November 2019.	Vanda was appointed to the Board in February 2024.
Contribution to the long-term sustainable success of the Company					
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.	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.	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.	Louis has a strong background of manufacturing and supply of building products in international markets, together with commercial, strategy development, and change management experience. He is currently a non-executive director of Ibstock Plc, Trifast Plc, and AIM-listed Accsys Technologies Plc. Louis has had a long career in the building materials sector, most recently serving as CEO of Tyman Plc, a leading international supplier of engineered components and access solutions to the construction industry. He has also held senior executive roles in Kingspan Plc, Baxi Group Ltd, Lafarge SA and Caradon Plc.	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.	Vanda has over 20 years of senior management experience across a range of sectors, including manufacturing, industrial, and support services in Europe, the USA, and Asia. She has previously served as Chief Executive Officer of Blick Plc, and UK Managing Director of Ultraframe Plc, and she is currently the Chair of Marshalls Plc and is the Senior Independent Director and Chair of the Remuneration Committee at Bunzl Plc. Vanda's extensive experience in both executive and non-executive roles benefit Howdens from both a leadership and a strategy perspective, and her tenure as a remuneration committee chair means she will be able to transition easily into the Howdens Remuneration Committee Chair role when Karen Caddick retires from the Board in May 2024.
Other listed company appointments					
Chairman of Bunzl Plc	None	None	Non-Executive Director of Ibstock Plc, Trifast Plc, and Accsys Technologies Plc	Non-Executive Director of Assura Plc	Non-Executive Chair of Marshalls Plc and Non-Executive Director of Bunzl Plc
Committee Membership					
N S	A N R S	A N R S	A N R S	A N R S	A N R S

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.

Key to Board Committee membership
A Audit Committee N Nominations Committee R Remuneration Committee S Sustainability Committee ☐ Chair of Committee

Strategic Report
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Additional Information

HOWDENS

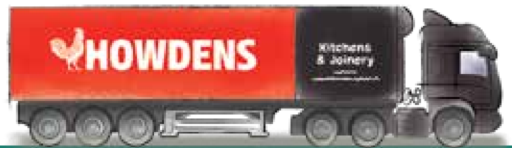
Governance

Corporate governance report continued

Key Board activity

Set out below and on the facing page are highlights of the matters the Board considered in 2023 and will consider in 2024. 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 2023 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.



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 41 and on page 96. We have reviewed our risk management processes and remain satisfied that they are robust and effective.

The annual review of the risk and control framework was presented to the Audit Committee in September 2023

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 90 and 91.

2023

January
- Health and safety update
- CEO and CFO updates
- Investor relations update
- 2023 Budget review
- Principal Risks review[2]
- Whistleblowing update

Executive Committee presenters: DS

Spotlight: Digital Strategy

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

April
- Health and safety update
- Board evaluation feedback
- CEO and CFO updates
- Pensions update
- Investor relations update
- Broker update

Spotlight: Product leadership

May
- Approval of Louis Eperjesi's appointment

May - AGM
- All resolutions were passed with the requisite majority. Further details about the meeting may be found on page 90.

July
- Health and safety update
- CEO and CFO updates
- Investor relations update
- Draft 2023 Interim results and announcement, including consideration of an interim dividend
- Key and principal risks review[2]
- Broker update
- Whistleblowing update

Executive Committee presenters: DS

Spotlight: Trusted trade relationships

September
- Health and safety update
- CEO and CFO updates
- Manufacturing and logistics capex approval
- Investor relations update
- Director training session (provided by the Group's corporate lawyer)

Executive Committee presenters: JL RS

Spotlight: Trade Convenience

November
- Health and safety update
- CEO and CFO updates
- Pensions update[1]
- Investor relations update
- Schedule of Matters Reserved for the Board and Board Committee Terms of Reference
- 2024 Board calendar approval
- Approval of Vanda Murray's appointment

Executive Committee presenters: DS

Spotlight: Trade Service and Convenience

2024

January
- Health and safety update
- CEO and CFO updates
- 2024 Budget review
- Investor relations update
- Principal Risks review[2]
- Whistleblowing report

Spotlight: Trade Service and Convenience

February
- CEO and CFO updates
- Investor relations update
- Draft 2023 preliminary results, draft 2023 Annual Report and Accounts and 2024 AGM documents
- Shareholder and capital returns
- Board evaluation review
- NED fees review
- Principal advisors

April
- Health and safety update
- Pensions update
- CEO and CFO update
- Investor relations update
- Broker update
- Group policies
- Strategic planning (separate session)

Spotlight: Product Leadership: Vertical Integration

May - AGM
- Further details can be found on page 214

July
- Health and safety update
- CEO and CFO update
- Investor relations update
- Draft 2024 Interim results and announcement, including consideration of an interim dividend
- Broker update
- Key risks review
- Whistleblowing report
- Employee engagement update

Spotlight: Product Leadership: Sourcing

September
- Health and safety update
- CEO and CFO update
- Employee engagement
- Investor relations update

Spotlight: International development

November
- Health and safety update
- CEO and CFO update
- Pensions update
- Related parties and conflicts of interest register
- Board Committees' Terms of Reference and the Schedule of Matters Reserved for the Board
- 2025 Board calendar
- Employee engagement update

Spotlight: Entrepreneurial Culture

Executive Committee presenters

- JL Julian Lee (Operations Director)
- DS David Sturdee (Chief Customer Officer)
- RS Richard Sutcliffe (Supply Chain Director)

Spotlight sessions

Spotlight 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

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.

2 The review includes an assessment of mitigation of the key and principal risks of the Group as appropriate and the Board provides challenge on these to the Executive Directors. The outcomes are fed back to the Executive Committee for implementation. During 2023, the Board also considered areas of emerging risk, such as AI governance, and provided challenge to the Executive Directors on the inclusion of these areas.

Corporate governance report continued

Executive Committee and Company Secretary

Executive Committee members

Guy Eccles
Group HR Director

Appointed

Guy joined Howdens in April 2020 and was appointed Group HR Director and a member of the Executive Committee in February 2024.

Contribution to the long-term sustainable success of the Company

Guy joined Howdens as Interim Group HR Director in 2020. Previously he had been running his own consultancy providing HR support to numerous privately-owned and publicly-owned companies across a range of sectors including retail, healthcare and hospitality. Prior to that he was HR Director of B&Q and Screwfix.

Guy has overall responsibility for all HR matters.

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.

Stuart Livingstone
Trade Director

Appointed

Stuart joined Howdens in April 2023 and was appointed to the Executive Committee in September 2023.

Contribution to the long-term sustainable success of the Company

Prior to joining Howdens, Stuart was Operations Director at Pets at Home and before this he was Director of Retail at Screwfix for six years. He has also held senior positions at American Golf, Kwik Fit, and Whitbread.

Stuart has overall responsibility for the performance and culture of the depots in the UK. He oversees the evolution of our depot estate, including our strategically important depot reformatting and the opening of new depots.

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 and acting Commercial 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 lead the highly successful XDC project, which is delivering superior service levels and availability to depots. Richard is also acting Commercial Director. This role includes range management, a key strategic initiative. Balancing choice and new product with disciplined range management is crucial to ensuring both availability and profitability.

Andy Witts
Chair of International

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. Andy was promoted to Sales Director in January 2007 and was appointed Chief Operating Officer of Trade in January 2014. In November 2023, following a handover period with Stuart Livingstone (Trade Director), Andy became Chair of Howdens' international businesses.

Andy's main function as Chair of the international businesses is to provide executive oversight of and counsel to the maturing French, Belgian and Irish businesses. He also supports the Chief Executive on exploring further international opportunities and other ad hoc projects.

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 76.

Corporate governance report continued

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 on 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 2023, please see pages 78 and 79.

The Board regularly considers feedback from the Company's stakeholders. These are set out in detail on pages 84 to 91. 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 from investors in relation to the operation of the Directors' Remuneration Policy for 2023 and direct 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 previous 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 2023.

Shareholder returns

In February 2023, the Board recommended a final dividend for 2022 of 15.9p per ordinary share and, in July 2023, it further recommended an interim dividend of 4.8p per ordinary share. In line with its capital allocations policy (more detail about which can be found on page 32), in February 2023, the Board also approved a £50m 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 whilst delivering a progressive dividend.

The Board takes regular feedback from its 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.

Howdens has a prudent risk appetite towards balance sheet management, an approach which has provided a source of great strength in challenging recent years. As markets recovered from the shock of COVID-19, 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.

Pension deficit recovery payments and triennial valuation

The Board meets with the independent Chair of the Pension Trustees at least annually and is mindful of its obligations to all employees and former employees in all its pension arrangements. Maintaining a strong covenant (the underlying financial strength and resilience of the Company) is the Board's primary objective and this underpins the strength of the defined benefit pension scheme. However, the Board is also committed to supporting the funding position of the scheme in proportion to its responsibilities to all of its stakeholders.

Following the expiry at the end of June 2023 of the previous deficit recovery plan agreed between the Company and the Pension Trustees, the Board agreed to continue deficit recovery payments of £1m per month until the conclusion of the triennial actuarial valuation which was ongoing at the time. The triennial valuation (as at 31 March 2023) was completed in November 2023. Following the review, the Company agreed to maintain deficit repair contributions at the rate of £12m per year and renewed the 'switch off' mechanism if full funding on the Technical Provisions basis was met. Full funding on this level was achieved at the date of the agreement and as a result the deficit repair contributions were suspended. At the end of January 2024, the scheme was in a modest surplus and as such deficit recovery payments remained suspended at that time.

The Company and Trustee Board continue to work together on the long-term investment strategy for the scheme with the aim to reduce reliance on the Company and the CFO reports to the Board on these matters as appropriate.

Investment in strategic initiatives

The Board believes that it is in the best interests of all stakeholders to invest in long-term, sustainable initiatives for the business. This includes continued investment in the depot network (both new depots and reformats), in digital infrastructure, and the international business. It also includes investment in our manufacturing and logistics capabilities.

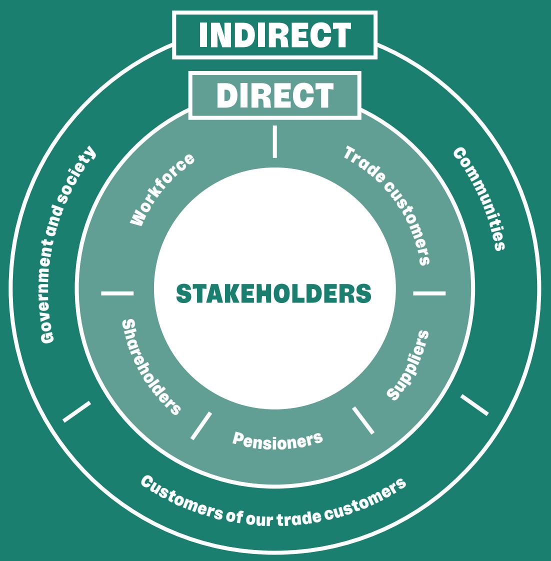
In September 2023, the Board approved investment in panel production and a new profile line at the Howden site in East Yorkshire. Our dedicated manufacturing is critical to the future success of our in-stock offer and the Board keep under review the mix of product bought-in versus that manufactured in-house, balancing cost, resilience, and flexibility.

In considering its approval of the investment, the Board considered the payback on investment and that the investment supported the Group's strategic plans to support core manufacturing processes, which in turn represented good value for shareholders. Furthermore, it was noted that, with ever-improving machinery safety requirements, the new machinery would possess enhanced safety features which were in the interests of the workforce working on the lines, and that, whilst the panel machining investment would lead to fewer panels being bought in from external suppliers, because demand was expected to grow, the reduction in bought-in panels would occur over the long-term allowing suppliers time to adjust their plans.

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 86 for further information), which the Trade Director 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, Trade Director 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

In addition to the face-to-face conversations we have with our customers in our depots, we run monthly trade customer surveys to better understand our trade customers' sentiment, price and value perceptions, purchase behaviour, business prospects, 'cost of living impacts', and forecasted activity.

Ad hoc 'deep dive' surveys are also used to ask trade customers about various product categories, including what is important to them within those product categories, what more they need from us, and what could cause them to shop elsewhere. In 2023, we completed deep dive surveys for all of our core categories. We received around 10,000 responses from our customers which has helped inform category strategy including supporting with brand and ranging direction, and depot training.

Twice a year, to ensure we keep abreast of any emerging areas of difficulty for three of our key stakeholders (depots, builders, and end-users), we carry out 'Voice of the Customer' research. During 2023, we received around 2,500 responses from this research. This has helped inform the prioritisation within our brand strategy.

Brochure research focus group

In 2023, we carried out research with both end-users and our depots to understand the purchase journey and role of the brochure, the brochure's performance versus competitors', and perceptions of Howdens. A mix of qualitative and quantitative methodologies was used, including focus groups and online surveys. Follow up surveys were also completed to assess improvements made in our follow-up edition of the brochure.

Cabinet research study

As part of our continual efforts to make builders' lives easier, we undertook a cabinet research study with our builder customers to understand the importance and perception of our cabinet quality.

27 tradespeople fitting at least two kitchens per year took part in four focus groups across two sites - one in the North and another in the South. The outcome focused on ensuring Howdens' cabinets remain best in class for our customers, with options for future improvements being investigated.

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

As a result of the Best Companies survey in March 2022, we have remained focussed on providing more support for employee wellbeing, an area that was highlighted for improvement. In 2023:

- We expanded our provision of employee wellbeing representatives. Nine new representatives were trained across our Support functions. This is in addition to those already at our manufacturing and logistics sites.
- We have partnered with a new provider, the Retail Trust, for our Employee Assistance Programme providing a 24/7 helpline, counselling services and signposting to other support.
- We have continued our focus on Mental Health, working with ANDYSMANCLUB to support men's mental health. Our new partnership with Movember has further bolstered this support. As referenced on page 55, we now have a mental health toolkit and our Counter Talk podcast on mental health was a first, encouraging more employees to be open about mental health and to support each other.
- Once again, in July 2023, we gave employees access to 'Know your numbers' (pre-peak blood pressure and resting heart rate checks) and CPR / Defibrillation sessions as part of Heart Month. 825 employees attended these sessions.
- We continued our menopause awareness training, partnering with Wellbeing of Women and Henpicked to give us access to a range of webinars on broader women's health issues and support tools. We have developed a Menopause e-learning package which will launch in 2024. More information is included on page 55.

We have also provided support around financial wellbeing. Pensions briefings delivered across the business to over 400 employees and a further 80 attended pre-retirement sessions. We launched a new workplace ISA, a Cycle to Work scheme and a new retail discount platform via Retail Trust.

We have a wellbeing calendar for 2024, which continues to build on the themes of men's and women's physical health, mental health and financial wellbeing with a drum beat of internal comms and a hub on our intranet site.

Further information on inclusion and wellbeing may be found on pages 54 and 55 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 Trade Director (and, previously, 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 Regional Board 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 UK regions in total and there are around five Regional Board meetings held per region per year, providing many opportunities each year for two-way discussions about critical business issues.

Townhalls and feedback sessions

The Operations Director continues to hold at least two business updates each year for all employees based at our manufacturing and logistics locations, supported by members of the Operations Leadership Team. The Operations Leadership Team also hold 'Ask away' sessions with groups of employees. All new starters are invited to a 'Meet and Greet' session with members of the Operations Leadership Team and, as part of that, all new starters are asked for their feedback about what they are enjoying and what we could do better.

At each of our manufacturing and logistic sites regular feedback sessions are held with employees. It was through these channels that employees continue to express any concerns or opportunities for improvement. Following some of these sessions, we have committed to improving our agreement for 'Flexible Working Arrangements', ensuring people have a better balance, whilst also ensuring we continue to maintain our excellent service levels.

Monthly townhalls are hosted by our Supply Chain Director, who is also acting Commercial Director, and separately by our Chief Customer Officer. The townhalls focus on business updates and updates on work ongoing within specific teams. Employees are given the opportunity to ask questions 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 2023, we continued to engage with the collective groups and undertook training together, facilitated by ACAS to help build even more productive and effective working relationships. As a result of the feedback from our trade union and works council groups, we have made enhancements to payslip access and remuneration information, launched the new in-house Occupational Health service, expanded and developed our wellbeing support framework including new wellbeing rep training via the Retail Trust, and continued to enhance benefits access and provision.

In 2023, a new Employee Engagement Forum was created in HWS West (Normanton) to ensure that as we harmonised terms and conditions we did it in a way that included, involved, and had the employee voice at the heart of what we did. This Forum meets on a regular basis to focus on the issues and opportunities most important to our workforce. We strongly believe direct communication is the best method of engagement.

The Howdens Show

In January 2023, we hosted the Howdens Show, which welcomed over 1,100 employees to the International Convention Centre in Wales. Our CEO 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.

The Board's workforce engagement arrangements

Following the retirement in 2023 of Geoff Drabble, who was the Non-Executive Director Responsible for Workforce Engagement, a review of workforce engagement by the Board was undertaken. Given the complexity of Howdens operations (when considering the variety of role types in our vertically integrated business and its various geographies), it was agreed by the Board that workforce engagement would become a collective responsibility for the all the Board members. This will ensure that the diversity of Howdens workforce are properly and proportionately represented. Further detail about the new arrangements is set out on page 92.

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.

HOWDENS

Corporate governance report continued

Stakeholder engagement continued

Suppliers

Engagement with our suppliers includes the following:

- Supplier conferences and meetings
- Category team relationships

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) has helped improve the onboarding and management of our suppliers and allows them to transact and communicate with us digitally.

Supplier conferences

Maintaining strong supplier relationships based on trust is a key facet of our resilient business model (see page 15). Co-operative engagement with suppliers on new products and the scale necessary to support suppliers' businesses and investment plans helps us to ensure the relationships are enduring and worthwhile for both parties.

Supplier engagement is also key in our plans to achieve our Net Zero SBT Plans (further detail about our Net Zero SBT Plans can be found on pages 46 and 47). In July 2023, we co-hosted our first ESG supplier collaboration summit in partnership with one of our largest cabinet frontal suppliers.

In November 2023, we applied the successful format of the July summit to a further collaboration summit with one of our appliance suppliers and their parent company. Further information about the supplier engagement activities we undertook in support of our Net Zero plans, and the outcomes of these, can be found on page 49 within our Sustainability matters report.

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.5,700 are deferred members, and c.4,600 are pensioners and dependants.

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. The Company and Trustees have an information sharing protocol in place which is reviewed annually.

In 2023, the Company engaged with the Trustee Board on a number of matters outside of the normal engagement cycle of investment and funding strategy, including:

- an extension to the existing deficit repair plan;
- collaboration on the triennial actuarial valuation;
- review and implementation of a new investment strategy;
- completion of the Trustees' first formal TCFD disclosures and net zero commitment for the Plan;
- enhanced monitoring of LDI collateral headroom and overall liquidity;
- review and approval of information sharing protocols; and
- preparations for the pensions dashboard roll out.

Newsletters

In October 2022, a newsletter was sent to all members of the DB Plan. The newsletter provided updates on matters such as Trustee Board changes, appointment of a new Plan actuary, changes to the online member portal, latest funding position and financial review, and 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 Company agreed interim deficit recovery payments in the first half of the year of £1m per month ahead of the expiry of the previous deficit recovery plan at the end of June.

The triennial actuarial review as at 31 March 2023 was completed in November 2023. The Company agreed to maintain the new run rate for deficit repair contributions of £12m per year and continued the 'switch off' mechanism if full funding on the Technical Provisions basis is met for two consecutive periods.

The Company and the Trustees agreed that, as the Plan was fully funded on a Technical Provisions basis at the date the new actuarial assumptions were agreed, deficit recovery payments should cease and resume only if there were two consecutive periods of the DB Plan returning to deficit (on a Technical Provisions basis). Since November, there have not been two consecutive periods in deficit and therefore, at the date of approval of this report, deficit recovery payments have not resumed.

Governance

Corporate governance report continued

Stakeholder engagement continued

Shareholders

Engagement with our shareholders includes the following:

- Annual General Meeting
- Shareholder meetings and roadshows

Annual General Meeting (AGM)

The 2023 AGM was held in-person and was an opportunity for the Board members to be able to converse with shareholders 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, the Board was asked questions on the following topics: stock availability and team incentives. The questions raised were answered fully on the day and no further action or considerations were required.

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 2023, we continued to focus our approach working with our corporate brokers to identify potential target investors located in the major investor hubs internationally. 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 investors, 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 has been used to prioritise meetings for the investor programme throughout the year.

Following each period end, the Board is provided with an investor relations update, which gives an overview of investor feedback. The Director of Investor Relations regularly provides feedback at Board meetings on the investor relations 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 continue to be supportive of the Company's strategic initiatives and the resilience of Howdens' business model despite challenging market conditions.

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.
- Site visits to London based depots to highlight the capabilities of our new reformatted depots and small format depots.
- Supporting industry conferences held by the major banks selling equities.
- Targeted marketing roadshows to major investor hubs internationally.

Governance

Corporate governance report continued

2018 UK Corporate Governance Code: application and compliance

The Financial Reporting Council (FRC) published the 2024 UK Corporate Governance Code on 22 January 2024. This iteration of the UK Corporate Governance Code will, in the main, apply to premium listed companies' financial years commencing 1 January 2025.

This Annual Report and Accounts has been prepared under the 2018 UK Corporate Governance Code (the 'Code'), 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 5, 12, 40, and 41.

Provision 5 provides that boards should understand the views of the company's other key stakeholders and that, for engagement with the workforce, one or a combination of the following methods should be used: (i) a director appointed from the workforce; (ii) a formal workforce advisory panel; or (iii) a designated non-executive director.

From the beginning of the reporting period until 4 May 2023, the Company was compliant with Provision 5 having appointed Geoff Drabble as the Non-Executive Director Responsible for Workforce Engagement in 2019. Following Geoff's retirement from the Board, a review of workforce engagement by the Board was undertaken and it was agreed that, given the complexity of Howdens operations (when considering the variety of role types in our vertically integrated business and its various geographies), workforce engagement would become a collective responsibility for the Board. This will ensure that the diversity of Howdens' workforce is properly and proportionately represented. The Board will consider employee engagement at two dedicated sessions each year and a dashboard of key employee engagement metrics will be developed for these meetings. In keeping with Howdens' culture of open and direct feedback, an annual programme of employee engagement events will be collated, which will include Regional Board meetings, factory 'fish and chip Friday' listening sessions, EDI listening sessions, town hall sessions and other engagement activities. Non-Executive Directors will be expected to attend a minimum number of sessions each year and to provide feedback formally after each session. It is anticipated that these measures will be sufficient to satisfy Provision 5 of the Code, and an explanation of the effectiveness of the new arrangements will be reported in the 2024 Annual Report and Accounts. During the period of review of workforce engagement by the Board during 2023, members of the Board continued to attend Regional Board meetings across the country (further information on these meetings may be found on pages 86 and 87), where Depot Managers were able to directly engage with the Directors as well as members of the Executive Committee.

The Board considers the attendance at Regional Board meetings (which are Howdens' primary method for direct employee engagement and an efficient way of accessing a significant proportion of the employee population) to be an effective measure of employee sentiment. The Board has also received regular updates from management on matters such as trade union and workers council relations.

Provision 12 provides that the board should appoint one of the independent non-executive directors to be the senior independent director (SID). Until 4 May 2023, Geoff Drabble held this role. The role is now held by Andrew Cripps, who was appointed to it on 13 July 2023. Whilst there was a technical breach of this provision for a short period during this reporting period, this occurred during a quiet time in both our Board and corporate calendars and, should an urgent need have arisen, the Board had long-serving members with previous SID experience. The Company can confirm that it expects to be compliant with this provision throughout the 2024 reporting period.

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 2023; 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, the Company's Share Incentive Plan (SIP), which is a UK all-employee share plan, 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 UK Corporate Governance Code 2024 has removed Provision 40 of the 2018 Code and therefore there will be no non-compliance with this provision when the 2024 version of the Code is adopted. The Remuneration Committee will keep under review the need to engage the workforce more directly on Executive remuneration arrangements. Details of how Executive Director pay is considered in the context of the workforce is set out on page 122.

2018 UK Corporate Governance Code: application of Principles

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.

Further information on our resilient business model and strategy can be found on pages 8 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 42.

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 113 to 116.

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 86 and 87.

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 page 103.

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 41. Our Audit Committee report provides a summary of our internal control framework on page 138.

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. 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 82 to 91. How the Board members discharged their 'Section 172' statutory directors' duties is described on pages 82 and 83.

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 122.

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.

HOWDENS

Governance

Corporate governance report continued

2018 UK Corporate Governance Code: application of Principles continued

Section 2: Division of responsibilities continued

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 2023 internal Board evaluation concluded that the Board was effective, supportive of management and doing well. Further information about the outcomes and process of the evaluation may be found on pages 106 and 107.

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.

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 76 and 77. 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).

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 74. Similarly, the number of meetings of each Board Committee and the attendance may be found on the following pages: 98 (Nominations Committee), 108 (Remuneration Committee), 132 (Audit Committee), and 140 (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, no existing Directors took on additional external appointments.

Members of the senior management team regularly presented to the Board (see pages 78 and 79 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 pages 135 and 139.

Section 2: Division of responsibilities continued

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.

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 103 of the Nominations Committee report and the Board's diversity policy is available on page 102.

The Nominations Committee regularly reviews the skills matrix and the tenure of each Board member (see pages 100, 103 and 104 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 100.

The tenure of each Director may be found on pages 103 and 104. 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 6 months to 8 years, and the average tenure is 4.2 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 2023 internal Board evaluation process and outcomes may be found on pages 106 and 107 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 76 and 77. Reference to the specific reasons and where to find them in the Annual Report and Accounts will accompany the resolutions to elect or re-elect Directors in the 2024 AGM Notice. The Board recommends that shareholders vote in favour of the election or re-election of all the Directors.

Corporate governance report continued

2018 UK Corporate Governance Code: application of Principles continued

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 132.

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, can be found on page 144.

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 41) 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 138, the management team continued to 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, Audit 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 41). 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 108.

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 can be found on page 109 of the Remuneration Committee report.

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.

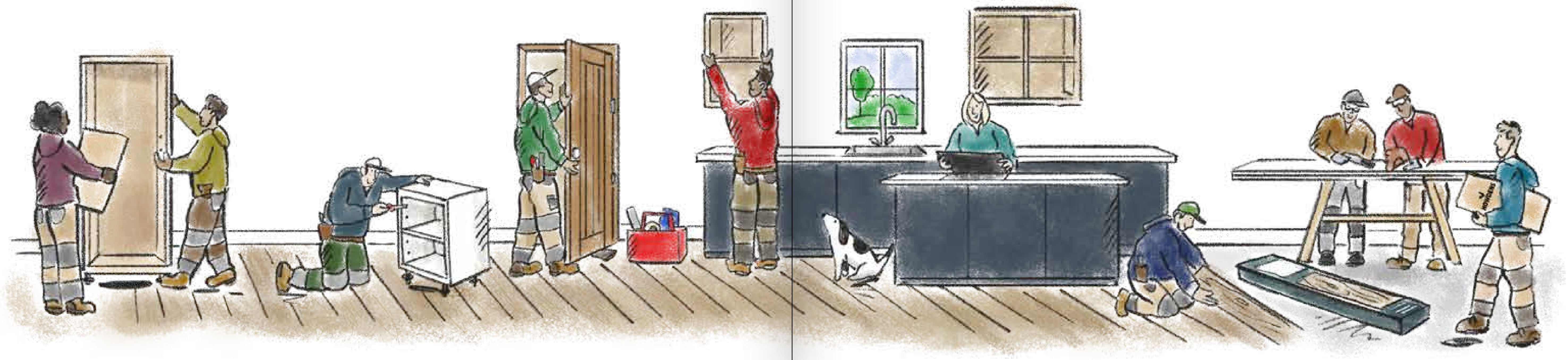
The Remuneration Committee has delegated responsibility for setting the Executive Directors' remuneration under the shareholder-approved Directors' remuneration policy (the full policy is set out in full at www.howdenjoinerygroupplc.com/governance/remuneration-policy). The Remuneration Committee also 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 can be found in the Remuneration Committee report on page 122.

By order of the Board

Peter Ventress
Chairman

28 February 2024



Nominations Committee report

2023 meeting attendance

Peter Ventress (4/4)
Karen Caddick (3/4)[1]
Andrew Cripps (4/4)
Geoff Drabble (1/2)[2]
Louis Eperjesi (2/2)
Louise Fowler (4/4)
Debbie White (4/4)

1 Karen was unable to attend the November Committee meeting due to illness.
2 Geoff retired from the Board following the AGM in May. The out-of-cycle May Nominations Committee meeting was held immediately before the AGM and therefore he did not attend.

Peter Ventress
Nominations Committee Chair

Key activities in the year ahead

- **All current Directors will stand for election or re-election at the AGM on 2 May 2024.**
- **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.**
- **Board evaluation planning.**
- **Review of the Committee's Terms of Reference.**

Introduction from the Nominations Committee Chair

I am pleased to present this report covering the work of the Nominations Committee in 2023.

2023 was my first full year in charge of the Nominations Committee and we have made good progress during the year. One of the main features of the role of the Chairman of the Board is to take a leading role in determining the composition and structure of the board. I was very fortunate to inherit an engaged and well-balanced Board with a good mix of skills and experience when I took on the role in 2022, but with routine retirements during 2023 and coming in 2024 we have an opportunity to build a Board of Directors to support Howdens and the management team in the next phase of its development. There is also an opportunity to address some of the wider diversity issues that all companies are currently facing.

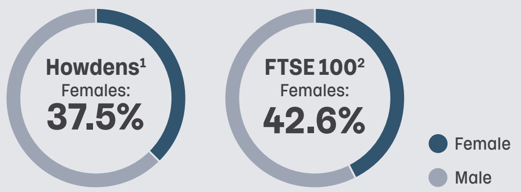
The Nominations Committee primary function is to enable the Board to put the right people in the right places, both at Board and senior management level. It must do so in a way that is transparent and procedurally fair to ensure the avoidance of bias and I am pleased that the Committee has been engaged and challenged throughout the year.

Succession

During 2023 two directors retired from the Board and two were appointed. Geoff Drabble and Debbie White retired with nearly 15 years of Howdens' experience between them. They have been replaced by Louis Eperjesi and Vanda Murray who bring a huge amount of relevant sector and executive experience to the table. Details of the appointment processes for both Louis and Vanda are contained in this report on page 103. Karen Caddick also expressed her intention to retire from the Board following the AGM in 2024 and therefore Vanda will additionally take on the role of Remuneration Committee Chair following Karen's retirement.

The Committee was also involved with new appointments to the Executive Committee and received an update from the Chief Executive on his senior management succession strategy. We have included a case study in this report on the induction of the new Trade Director (page 105).

Board gender split



1 Figures correct as at 30 December 2023.
2 Figures derived from the February 2024 FTSE Women Leaders Review.

Composition and diversity

The Nominations Committee remains mindful of the importance of diversity and inclusion and of the benefits of that it brings to our teams. More information on Howdens' ongoing equality, diversity and inclusion programmes can be found on pages 54 and 55 of the Sustainability matters report.

In 2023, the Committee committed to meeting the gender and ethnicity targets contained in the FTSE Women Leaders Review and the Parker Review. We remain committed to these targets but, following Howdens' readmission to the FTSE 100 in September 2023, we are no longer in line with the recommendations of the Parker Review. It is our intention to be compliant with the recommendations of the Parker Review and appoint at least one director from an ethnic minority background before the end of 2024. Similarly, it is the Committee's intention to be compliant with the recommendations of the FTSE Women Leaders Review to have at least 40% female representation on the Board and to have identified a woman for one of the 'big four' board roles (Chair, SID, CEO and CFO) by the end of the year. I look forward to providing an update on our progress in the 2024 Nominations Committee Report.

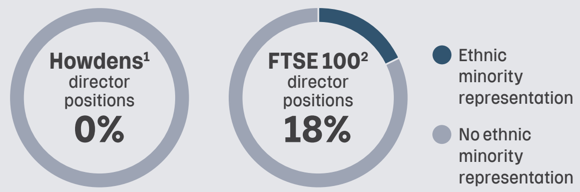
Evaluation

In line with the Board's stated practice, we conducted an internal review of Board effectiveness in 2023. For the first time, a third-party platform was used to collate more quantitative data on the Board's perceptions of its priorities, strategic objectives, and leadership, as well as governance structures and process. More information on the Board evaluation process and outcomes is set out on pages 106 and 107.

I look forward to answering any questions on the work of the Nominations Committee from shareholders at our AGM in May.

Peter Ventress
Nominations Committee Chair

Board ethnicity split



1 Figures correct as at 30 December 2023.
2 Figures derived from the March 2023 Parker Review update 'Improving the Ethnic Diversity of UK Business'.

2023 Nominations Committee activity

February

Committee meeting
- Board evaluation process and outcomes
- Non-Executive Director succession update
- Board recommendations for AGM elections
- Draft 2022 Nominations Committee report

May

Committee meeting (out of cycle)
- Non-Executive Director succession - recommendation to appoint Louis Eperjesi to the Board and the Audit, Nominations, Remuneration and Sustainability Committees

September

Committee meeting
- Senior management talent update
- Board Diversity policy
- Board succession planning, including consideration of diversity, tenure and skills matrix
- Internally facilitated Board evaluation approval
- 2024 Nominations Committee calendar
- Nominations Committee Terms of Reference

November

Committee meeting (out of cycle)
- Non-Executive Director succession - recommendation to appoint Vanda Murray to the Board and the Audit, Nominations, Remuneration and Sustainability Committees

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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	5	1
Logistics, distribution and supply chain management	H	4	2
Consumer goods	H	5	1
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	5	1
Audit committee chair experience	M	2	2
Senior independent director experience	M	4	0
Policy development	M	5	1
Technical			
Accounting and Finance	H	1	5
Audit	H	1	3
Executive management	H	6	0
Risk management	H	5	1
HR/Remuneration	M	2	4
Ecommerce	M	3	3
Marketing	M	5	1
IT/Cyber security	M	0	5
Legal	M	0	4
Howdens-specific considerations			
Vertical integration	H	5	1
Multisite depot operation	H	3	3

Importance

M Medium H High

Diversity

Board and Executive Committee Diversity

Listing Rule 9.8.6R(9) requires that a company state whether it has met certain targets on diversity. These targets and whether the Company has met them as at the reference date[1] of 30 December 2023 are set out below. The Board confirms that no changes to the membership of the Board have occurred between the reference date and 28 February 2024 that have affected the Company's ability to meet one or more of the targets.

Target:	(i) At least 40% of the individuals on the Board of Directors are women.	(ii) At least one of the following senior positions on the Board of Directors is held by a woman: (a) the Chair; (b) the Chief Executive; (c) the Senior Independent Director; or (d) the Chief Financial Officer.	(iii) At least one individual on the Board of Directors is from a minority ethnic background.
Has the target been met by the Company?	The Company has not yet met target (i). The Board is made up of 37.5% women.	The Company has not yet met target (ii).	The Company has not yet met target (iii).
If the target has not been met, why this is the case:	Debbie White retired as a Non-Executive Director at the end of 2023 after seven years on the Board to focus on her new role as Chair of the Co-operative Group. Had Debbie remained on the Board for the duration of her final three-year appointment period, the Board would have been compliant with this target from 1 February 2024. It is the Board's stated intention to meet this target by the end of 2024.	The Board has a well established CEO and CFO and appointed a new Chair in 2022. Whilst the SID role became vacant during 2023, two of the female Non-Executive Directors had indicated that they would retire from the Board in the near future and it was determined that Andrew Cripps had the most relevant experience to perform this role in the short-term whilst a longer-term candidate was identified. It is the Board's stated intention to have identified a female candidate for one of the roles listed above before the end of 2024.	As part of its succession process, the Board considered candidates from minority ethnic backgrounds in 2023. The Board determined that alternative candidates were better suited (due to relevant sector experience, for example) for those roles at that time. However, the Company is committed to the appointment of at least one individual from an ethnic minority background before the end of 2024.

The data below is presented in accordance with the FCA's Listing Rule 9.8.6R(10). The applicable reference date[1] for this data is 30 December 2023. To collect this data, the Company asked members of the Board and Executive Management[2] to complete a confidential and anonymous online survey.

Gender identity or sex:

	Board Members		Number of senior positions on the board (CEO, CFO, SID and Chair)	Executive Management[2]	
	Number	**Percentage**		**Number**	**Percentage**
Men	5	62.5%	4	6	85.7%
Women	3	37.5%	-	1	14.3%
Not specified/prefer not to say	-	-	-	-	-

Ethnic background:

	Board Members		Number of senior positions on the board (CEO, CFO, SID and Chair)	Executive Management[2]	
	Number	**Percentage**		**Number**	**Percentage**
White British or other White (including minority white groups)	8	100%	4	7	100%
Mixed/Multiple Ethnic Groups	-	-	-	-	-
Asian/Asian British	-	-	-	-	-
Black/African/Caribbean/Black British	-	-	-	-	-
Other ethnic group, inc. Arab	-	-	-	-	-
Not specified / prefer not to say	-	-	-	-	-

1 The reference date follows the Company's year end date. The Company operates a financial reporting calendar of 13 periods and therefore the year end date will change year-on-year.

2 'Executive Management' means members of the Executive Committee (not including the Executive Directors) and the Company Secretary.

Governance

Nominations Committee report continued

Composition continued

Group Gender Diversity

The Nominations Committee reviews the gender statistics shown in the table below. Where other data is available, this is presented to the Committee in order to determine whether there are any implicit diversity issues. The reference date for the data below is 30 December 2023.

	Board of Directors		Senior Management[1]		Grades 1 to 3[2]		Group[3]	
	Number	%	Number	%	Number	%	Number	%
Men	5	62.5%	6	85.7%	131	74.4%	8,438	69.5%
Women	3	37.5%	1	14.3%	45	25.6%	3,705	30.5%

1 Members of the Executive Committee, excluding Executive Directors and including the Company Secretary.
2 These are generally the direct reports of Senior Management and includes Grades 1 to 3 equivalents.
3 Calculated on an individual basis, not on an FTE basis. Includes UK, France, Belgium, the Republic of Ireland, and the Isle of Man.

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, sexual orientation, disability, 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. 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 will have identified at least one woman director for one of the 'Big 4' roles (those being Senior Independent Director, Chair, CEO, and CFO) by year end 2024.

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 2024, and it will continue to review this policy on an annual basis to ensure it remains appropriate. This policy shall also apply to each of the Audit, Nominations, and Remuneration Committees of the Board and we will ensure that at least 40% of members of each of these committees are female. 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 30 December 2023, 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 30 December 2023.

Group Diversity Policy

We want Howdens to be a place where everyone is welcomed and has the opportunity to thrive, being Worthwhile for ALL concerned. We're committed to encouraging diversity, inclusion and equality amongst our workforce and to eliminating unlawful discrimination. We value the difference a diverse workforce brings and want each employee to be respected, able to be themself and give their best. Howdens will aim to:

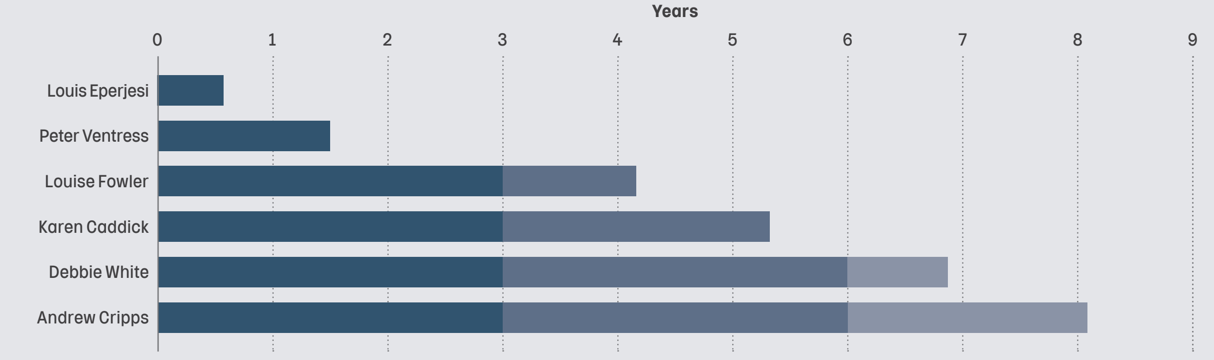
- Create a working environment free of bullying, harassment, victimisation and unlawful discrimination, promoting dignity and respect for all, and where individual differences and the contributions of all workers are recognised and valued regardless of background.
- Seek to ensure that no one is unlawfully discriminated against or harassed inside or outside the workplace (when dealing with customers, suppliers or other business contacts or when wearing Howdens branded clothing) and on work related trips or events, including social events.
- Encourage equality, diversity, and inclusion in the workplace by providing training opportunities, booklets and toolkits and facilitating open conversations.
- Take seriously complaints of bullying, harassment, victimisation and unlawful discrimination by employees and other workers, customers, suppliers, visitors, the public and any others during the organisation's work activities.
- Make opportunities for training, development and progress available to all staff, who will be helped and encouraged to develop to their full potential, so their talents and resources can be fully utilised to maximise the efficiency of the organisation.
- Make decisions concerning employees based on merit, apart from those limited exemptions and exceptions set out under Equality Act 2010.
- Ensure recruitment practices are fair and transparent, and regularly updated to reflect changes in the law.
- Monitor the make-up of the workforce regarding information such as age, sex, ethnic background, sexual orientation, religion, or belief, so that we continue to meet the aims and commitments set out in this policy.

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 30 December 2023



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.

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 retired at the Annual General Meeting (AGM) in May 2023.

In July 2023, it was announced that Debbie White would retire from the Board in December 2023. This followed the announcement that Debbie would be appointed to the board of the Co-operative Group (the 'Co-op') as an Independent Non-Executive Director in August 2023 and in February 2024 would be appointed Chair of the Co-op board.

In November 2023, it was announced that Karen Caddick, who currently chairs the Remuneration Committee, would retire at the AGM in May 2024. Vanda Murray (whose appointment was also announced in November 2023) will become Chair of the Remuneration Committee following the 2024 AGM.

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 100), 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.

During the year, the Nominations Committee recommended the appointment of Louis Eperjesi and Vanda Murray to the Board.

Governance

Nominations Committee report continued

Succession continued

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.

Senior management succession

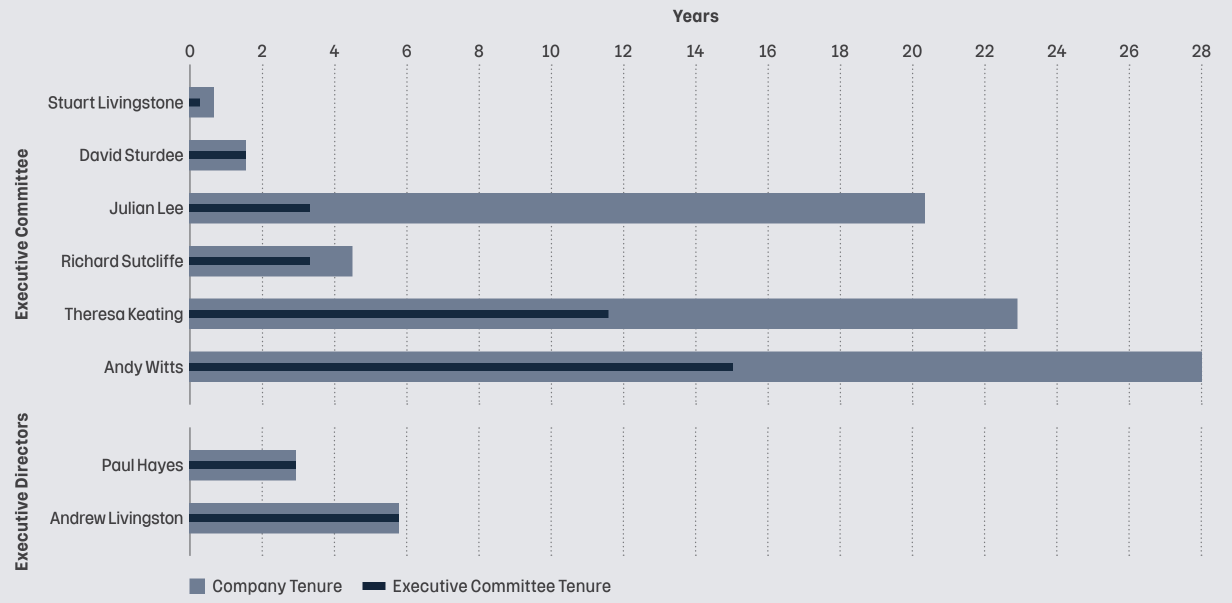
The Committee received regular updates regarding senior management[1] succession planning. These updates included the planning and processes involved with the appointment of a new Trade Director.

Trade Director

Stuart Livingstone joined Howdens as Trade Director in April 2023 and was appointed to the Executive Committee in September 2023. A detailed case study on his induction into the business is set out on the opposite page.

The Nominations Committee will continue to work with the CEO and Group HR Director on senior management succession and development in 2024.

Company and Executive Committee tenure as at 30 December 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

Trade Director appointment

As reported in the 2022 Nominations Committee Report, Stuart Livingstone was appointed Trade Director in early 2023 with a view to taking over key aspects of Andy Witts' role as Chief Operating Officer of Trade later in the year following a thorough induction and handover process. Below, we set out further detail on the selection process for the role and the tailored induction and handover programme put in place for Stuart.

Recruitment

The process of finding a successor for Andy has been long and rigorous given the strategic importance of the role. From the outset of the recruitment process, we were clear that candidates needed to possess broad leadership skills, a strong sense of the importance of Howdens' unique culture and the ability to build long term relationships with stakeholders.

During the recruitment process, a diverse pool of candidates was considered. Short-listed candidates were invited to spend a significant time in the business during the process, both in depot and manufacturing operations. In addition to the CEO's and Andy Witts' involvement, selected members of the Board and Executive team met with candidates to provide better understanding of role and the Company. Prior to final decision making, candidates performed a psychometric assessment.

Stuart has a strong track record of running large scale multi-site operations in a wide range of businesses. Prior to joining Howdens, he was Operations Director at Pets at Home and before this he was Director of Retail at Screwfix for six years. Stuart has also held senior positions at American Golf, Kwik Fit, and Whitbread.

Induction and handover

When Stuart joined Howdens, he immediately began his tailored induction programme. The first and longest part of his induction was divided into three distinct phases, centred around the Trade team:

1. Time in depots
Stuart spent the first five weeks of his induction working in a range of depots shadowing all depot roles. A key objective of this time was to ensure that he understood from firsthand experience the pivotal role that depot manager autonomy and entrepreneurialism, and high-quality, local trade relationships play in our business model. Another key objective was to ensure that Stuart understood the value and part each depot role plays in contributing to the success of that depot.

2. Time in the field
Stuart spent a significant amount of time with the regional directors and area managers visiting around 200 depots and attending Regional Board meetings (more information about Regional Board meetings can be found on page 86). From his time out in the field, Stuart was able to understand fully the role of the field operational leaders and the ways in which they embed the significance of strategically important metrics within their teams.

3. Time with Andy Witts
Over his more than 28-year tenure, Andy has amassed a vast knowledge and experience of matters relating to Howdens' culture, the workings of the Trade team, our builder customers, and our competitors. The final phase of Stuart's induction in Trade was therefore spent working shoulder-to-shoulder with Andy Witts. Stuart also closely shadowed Andy in the lead up to, and throughout, our crucial peak trading period during the autumn.

In addition to his time spent with the Trade team, Stuart spent time with our Supply team. As our Supply team's only customer is our Trade team, it was important that Stuart was able to gain a thorough understanding of how the relationship between the teams works, and that he could gain an appreciation for the scale and capabilities of the in-house manufacturing facilities as well as the goods and materials which are brought in from external partners. Stuart spent several days visiting our manufacturing and logistics sites across UK.

Stuart continues to build and forge relationships with leaders across the business, including within the commercial, property and corporate teams. Since September 2023, Stuart has been an Executive Committee member and has attended the fortnightly meetings of the Committee. At the end of October 2023, following the autumn peak trading period, he fully took over primary responsibility for the Trade Division from Andy Witts. Andy remains a member of the Executive Committee in his new role as Chair of the International Businesses but he remains on hand to provide counsel to Stuart and the business as and when required.

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Nominations Committee report continued

Evaluation

Following the external Board effectiveness review in 2022, and in line with the Board's policy to undertake an external effectiveness review every three years, the 2023 Board effectiveness review was conducted internally. Whilst previous internal reviews had been conducted by the Senior Independent Director with support from the Company Secretary, the Nominations Committee agreed to use a third-party platform (BoardClic) to facilitate the review.

Unlike previous internal reviews which relied heavily on the qualitative data provided through interviews with each of the Board members, Executive Committee members and advisors, the BoardClic platform enabled the Committee to collate more quantitative data on the Board's perceptions of its priorities, strategic objectives, and leadership, as well as governance structures and process. The new platform also greatly streamlined the board evaluation review process and enables the Committee to benchmark its review data against other boards. It is intended to use the platform in future years (both for internal and supporting external reviews) and thereby create a more iterative process, with trends from prior years being available in future years.

Methodology

The process is outlined below:

- Instructions were sent to Board members on how to create an account and access the platform.
- All Directors were invited to provide feedback on the Board and the Committees of the Board of which they were members. Each section contained a mix of rating questions based on scale of 1 to 7 as to how much the participant agreed or disagreed with a particular statement and free text questions where the participant could provide an answer in their own words. Some roles were automatically excluded from participating in certain questions (generally where this pertained to their own role, such as the Chair).
- Directors were also invited to provide their observations of the Board evaluation review and any other points they wanted to raise outside of the platform.
- The observations and conclusions of the evaluation were presented to the Chairman and the detailed report was presented to the Nominations Committee and the Board at their meeting in February 2024.
- The Chairman, CEO, and Company Secretary prepared recommendations for development and actions to be presented to the Nominations Committee at a future meeting.

Conclusions and recommendations

Feedback from the Board was positive overall and reiterated that Howdens is a high-functioning, high-performing Board with strong individual committees. The overall conclusion was that the Howdens Board has the requisite knowledge and experience required to support the Group's strategy and to monitor crucial operations and manages risk well.

The Board's 'BoardClic Value Benchmark' (a score that encompasses a number of key aspects of value-creating work, relating to efficiency, alignment, composition and performance) was higher than the value benchmark and the Board also achieved above benchmark scores in relation to the strategy index and ESG index.

The highest scores (indicating areas of particular strength) were received for questions relating to whether the Board ensures that the Company has the right strategy to fulfil its purpose, the level of confidence in the CEO's execution capacity and the prioritisation of the most important strategic topics during board meetings.

Recommended areas for development and actions going forward

The Chair, CEO and Company Secretary are developing a list of specific actions and activities to address the areas for development highlighted by the review. These will include recommendations relating to:

- **Diversity.** Building on the review of the talent pipeline by the Nominations Committee in 2023, the diversity opportunities at both Board and senior management level should be addressed more directly, based on robust data sets.
- **Employee engagement.** To be reviewed and a refreshed approach to employee engagement at board-level to be implemented during the year.
- **Board composition and culture.** Initiatives to be considered to better leverage the aggregated competencies of the Board effectively.
- **Board succession.** Prioritising the appointment of a high-calibre replacement for the Audit Committee Chair and ensuring a smooth transition at the end of 2024.

Influence on Board composition

Members of the Board discussed the updated recommendations of the Parker and FTSE Women Leaders Reviews.

In 2024, the Nominations Committee will continue its focus on Board and senior management succession planning and will ensure that when it looks to recommend new appointments to the Board, that the process has been inclusive not only of a broad range of mindsets, but also a variety of age, gender, socio-economic background, sexual orientation, disability and formal qualifications. Our Boardroom Diversity Policy is set out on page 102.

Nominations Committee evaluation

Feedback from the Nominations Committee evaluation demonstrated that the Committee continues to deliver on its objectives and role. The Committee receives effective support as and when required from the Company Secretary and other advisors and it liaises well with the Board and other committees.

In line with the Board evaluation feedback, Committee members believe that more time should be spent on the equality, diversity and inclusion agenda. A more structured and pro-active approach to Board-level succession planning was also cited as being helpful to increasing the diversity and skills base of the Board.

By order of the Board

Peter Ventress
Nominations Committee Chair

28 February 2024

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2023 meeting attendance

Karen Caddick (4/5)[1]
Andrew Cripps (5/5)
Geoff Drabble (2/2)
Louis Eperjesi (3/3)
Louise Fowler (5/5)
Debbie White (5/5)

1 Karen was unable to attend the November Committee meeting due to illness. Andrew Cripps chaired the Committee in Karen's absence.

Karen Caddick
Remuneration Committee Chair

Key activities in the year ahead

- **Governance updates from advisors.**
- **Performance updates on in-flight awards.**
- **Agree fees for Chair of the Board.**
- **Review the UK defined contribution pension benefits.**
- **Review the Group's Gender Pay Gap data and action plans.**
- **Planning for 2025 incentives (taking into account risk and other matters).**
- **Review of the Directors' Remuneration Policy and consultation with shareholders ahead of the 2025 AGM.**
- **Review of the Remuneration Committee Terms of Reference.**
- **Approval of the 2025 Remuneration Committee calendar.**

HOWDENS

Annual Remuneration Committee Chair's statement

I am pleased to present the Howden Joinery Group Plc Remuneration Committee report for 2023. 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 2023
Part 3	Implementation of policy in 2024
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.

2023

2023 was a challenging year for Howdens. Relative performance was strong and the Remuneration Committee were particularly pleased with management's performance regardless of the significant headwinds. Despite a significant decline in the kitchens market, management delivered profits that were in line with market expectations, increased market share and continued to invest in strategic initiatives.

It was a quieter year for the Remuneration Committee, with the changes announced in 2022 to annual bonus and long-term incentives now embedded in our annual cycle of work. There continued to be lots of external focus on pay with inflation moving significantly during the year and 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.

As in previous years, the Committee also received updates on the wider employee benefit landscape, including on the Group pension scheme. Given the importance of alignment on pensions between senior management and the wider workforce, we have included a case study on our Group pension scheme. It can be found on page 121.

Howdens' gender pay gap increased year on year from 3.9% to 5.1%. The gender pay gap report can be found on www.howdenjoinerygroupplc.com/governance/gender-pay-gap-reports. The Committee continued to challenge management to address this further. More information on our broader diversity and inclusion priorities can be found on pages 54 and 55.

One area of change during 2023 was signposted in the case study in last year's report on our review of incentives below Executive Committee level. 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 replaced the PSP and was intended to remove some of the complexity in measures being included in the Executive awards and to result in greater retention for this group of key employees. Disappointingly, due to challenging market conditions, the performance conditions for this award were not met and as such did not result in the purchase of any deferred bonus shares. However, the Committee remains confident in the application of the deferred bonus award for this important cohort.

As in previous years and reported on page 92, the Remuneration Committee did not consult with the wider workforce on Executive Director pay arrangements in 2023. 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.

2023 reward outcomes

Annual bonus

Consistent with prior years, the 2023 annual bonus performance was based on the delivery of both profit and cash flow targets.

As previously mentioned, market conditions were challenging in 2023 with the market contracting significantly more than had been forecast when the budget had been determined. Despite this, PBT performance for the bonus has resulted in an above threshold outcome. In considering this outcome, the Committee noted that expenditure during the year on strategic initiatives continued and will generate future growth. The part of this expenditure that was invested in future growth rather than into 2023 PBT, attributable to the market reducing by significantly more than had been factored into the annual budget, was excluded from the PBT figure for bonus purposes as it is considered an exceptional cost.

The Committee reflected on the formulaic outcome alongside the fall in the reported Group PBT figure in FY23, the level of the exceptional expenditure and the strong overall performance Howdens has delivered relative to market. Having considered these factors, the Committee concluded that a fair and appropriate outcome under the PBT element in these circumstances would be to exercise discretion to reduce the outcome to threshold performance, which delivers 10% of the part of the bonus weighted to PBT.

The Committee applied judgment in considering whether this outcome under the PBT element was appropriate, taking into account the reported Group PBT figure for FY23, alongside the total cost of the expenditure and the strong overall performance Howdens has delivered relative to market.

The Committee concluded that a fair and appropriate outcome under the PBT element in these circumstances would be threshold performance which delivers 10% of the part of the bonus weighted to PBT. As a result, the Committee exercised discretion to reduce the payout under the PBT element to threshold.

HOWDENS

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

Cash flow performance was more robust and demonstrated the continued focus of management on this key measure. The cash flow outturn was above the maximum outperformance target for this measure resulting in a bonus of 15% of the maximum annual bonus opportunity being achieved.

This strong relative performance meant that a total annual bonus of 24% of the maximum annual bonus opportunity for our Executive Directors was earned.

Performance Share Plan (PSP)

The 2021 PSP was based on the delivery of both a three-year PBT growth measure and a relative total shareholder returns (TSR) measure. The weightings for the two performance measures were 67% PBT and 33% TSR.

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 2021 PSP performance was measured to FY 2023 and, over the three-year period, PBT increased by 21% per annum, which equated to vesting at 100% of the total opportunity for this measure.

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 100% of the total opportunity for this measure.

In aggregate, the 2021 PSP will vest at 100% of the maximum opportunity.

2024 reward and incentives

Our approach to executive remuneration recognises 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.

In 2024, we have maintained the principles, measures and quantums used in 2023. We believe that consistency through the remuneration cycle is important for both shareholders and Executives and we are pleased that this year we have been able to maintain our core methodologies.

Salary

Salary increases for the Executive Directors will be no higher than the wider workforce. These will be effective from 1 April 2024, which is exceptionally for FY24 later than the normal effective date of 1 January. This timing is also aligned to increases for the wider workforce.

The Committee continues to review the Executive Director remuneration packages annually against companies that operate in the same or similar sectors to Howdens and companies of a similar size and complexity.

Annual bonus

The Committee has maintained the annual bonus opportunity of 200% of base salary for Executive Directors. The Committee believes that this remains appropriate 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.

For the 2024 annual bonus, we replicated the methodology of PBT and cash flow measures used in the 2023 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 2024.

PSP

In 2023, two new measures were introduced to the PSP in addition to the existing performance measures. The four measures: PBT, relative total shareholder returns (TSR), Return on Capital Employed (ROCE) and a basket of complementary Environmental (ESG) measures were intended to retain a strong focus on profitability (which is consistent with Howdens' culture and depot incentives), whilst adding additional focus on returns and strategically important environmental goals. The Committee also wanted to retain a relative measure that aligned Executives' experience with that of our shareholders. The weightings were PBT 60%, TSR 20%, ROCE 10% and ESG 10% of the maximum opportunity.

The Committee believes that these measures and their respective weightings remained appropriate for the 2024 PSP award and they have been retained accordingly. In addition, the Committee retained the methodology for calculating the PBT targets first adopted in 2023.

We signposted in last year's report that we would be moving away from the automatic use of the prior year PBT figure as the base for targets for future grants. Instead, the Committee has adopted a methodology for the PBT target range which reflects a combination of analyst consensus estimates, internal forecasts and our long-term strategic goals. We believe that this approach provides better alignment between vesting outcomes and performance and reduces the risk of volatility in the payment cycle.

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 page 127.

No changes are proposed to long-term incentive opportunity for 2024, 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.

A case study on pension arrangements at Howdens can be found on page 121.

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.

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 2018, 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 122).

I hope the information presented within this report provides a clear explanation as to how we have operated our Directors' remuneration policy over 2023 and how we intend to implement it for 2024. The Committee is satisfied that the policy has operated as intended in terms of pay for performance, taking into account the exercise of Committee discretion in relation to the 2023 annual bonus outcome. 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 2024.

We are due to review our Directors' remuneration policy during 2024 and our new Committee Chair, Vanda Murray, will be consulting with shareholders in the second half of the year. In the meantime, I look forward to answering any questions on the work of the Remuneration Committee from shareholders at our AGM in May.

Karen Caddick
Remuneration Committee Chair

HOWDENS

Remuneration Committee report continued

Annual Remuneration Committee Chair's statement continued

2023 Remuneration Committee activity

H1

January

Committee meeting

- Shareholder feedback on proposed changes to Executive Directors' Remuneration not necessitating a change to Directors' Remuneration Policy
- Executive Director and senior management salary review
- Approval of additional retention awards for certain Executive Committee members (not Executive Directors)

February

Committee meeting

- Update on UK defined contribution pension benefits
- Annual bonus outcome and performance update on awards vesting in 2022
- Shareholder feedback on proposed changes to Executive Directors' Remuneration not necessitating a change to Directors' Remuneration Policy
- 2023 incentive considerations (including workforce reward, shareholder alignment, CEO pay ratio and gender pay gap)
- Approval of an alternative equity structure for senior managers below Executive Committee level
- Draft 2022 Directors' remuneration report
- 2023 share awards planning
- Chair fee review

Shareholder communication

- Conclusions of the Remuneration Committee in relation to proposed changes to Executive Directors' Remuneration not necessitating a change to Directors' Remuneration Policy

March/April

Share award grants

- Replacement share award made to incoming senior manager
- PSP grant to Executive Directors and selected senior management
- Grant of retention awards for certain Executive Committee members (not Executive Directors)

May

AGM

- 2022 Directors' remuneration report approved by shareholders

H2

July

Committee meeting

- Performance update on in-flight variable incentive awards
- Governance update
- Review of the treatment of post-vesting holding period for Good Leavers

August

Share award grants

- SIP Free Shares grant to all eligible UK employees
- Retention award granted for senior manager (not Executive Director)

September

Committee meeting

- Review of Annual Bonus and LTIP measures
- Review of package for incoming Executive Committee member

November

Committee meeting

- Performance update on in-flight variable incentive awards
- Risk and rewards consideration
- 2024 incentives
- Review of LTIP measures
- 2024 Remuneration Committee calendar
- Review of Committee's terms of reference

Fixed Variable

Summary of the Directors' remuneration policy

Howdens' Directors' remuneration policy, as it is set out in our 2021 Annual Report and Accounts, was approved by shareholders at our 2022 AGM. 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 2023 and will be applied during 2024 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. 2023 and 2024 salary levels are detailed on page 126.	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.

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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 2024, 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 2024, the annual bonus level will be 200% of salary, with the position reviewed each year.	For 2024 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 and the grant level for the CEO will be 270% and for the CFO will be 220%.	For 2024, 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
Shareholding requirement			
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 and selected senior managers participate in the same incentive schemes as the Executive Directors, at a reduced level, to ensure alignment between the leadership team and 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. Since 2023, a deferred bonus share arrangement replaced 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.

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.

Governance

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 Board Chair 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 Board Chair and Chief Executive and approved by the Board. The fee for the Board Chair is determined by the Remuneration Committee while the Board Chair 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 126. The fees reflect the time commitment and responsibilities of the roles. Accordingly, committee chair, Senior Independent Director (SID) and the Non-Executive Director responsible for employee engagement fees are paid in addition to the NEDs' basic fee. Committee chair fees apply only to the Audit and Remuneration Committees. The Board Chair 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 2023, 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 86 and 87.
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 125. 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 2023, the annual bonus paid out at 24% reflecting the highly challenging market conditions and resultant profit performance during the year. However, despite the challenges during the year, the vesting percentage for the long-term incentive share plan was 100%, which was due to the strong profit and relative TSR performance over the three-year performance period. This demonstrates good alignment of Executive Director remuneration with the long-term performance of the Group.
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.

Governance

Remuneration Committee report continued

Directors' remuneration report - Part 1: Company performance and stakeholder experience

In this 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

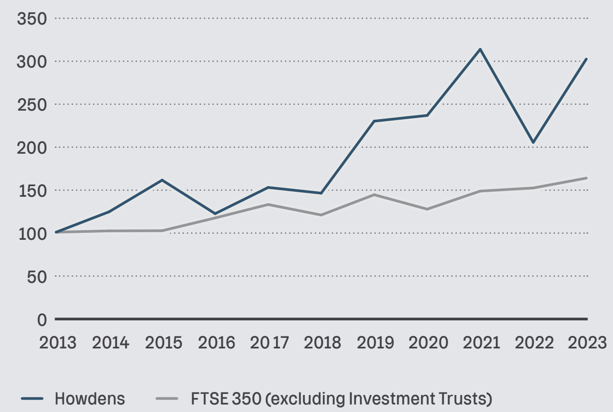
Total shareholder return (TSR)

The graph below illustrates the Company's TSR performance relative to the constituents of the FTSE 350 (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 350 (excluding Investment Trusts).

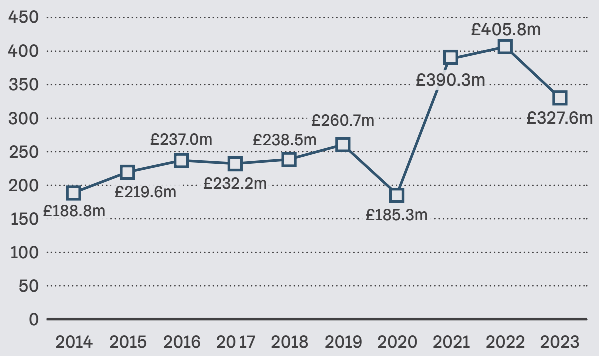
Profit before tax (PBT)

The graph below illustrates the Company's historical PBT performance.

Howdens historical TSR

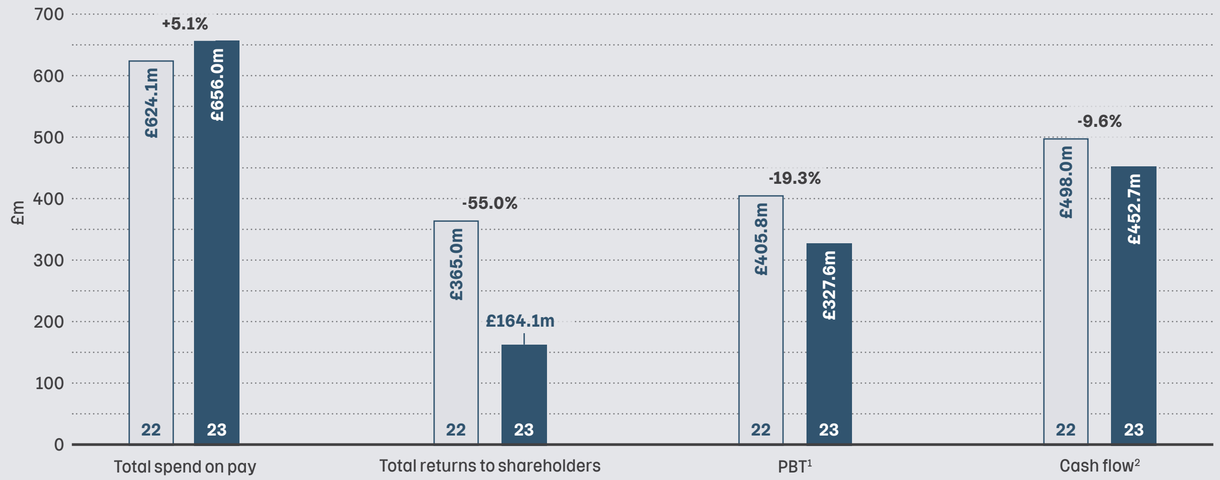


Howdens historical PBT (£m)



Relative importance of spend on pay

The graph below sets out the change in the Group's total remuneration spend from 2022 to 2023 compared to the total returns to shareholders of the Group and the two incentive performance measures PBT and cash flow.



1 See consolidated income statement on page 162.
2 Net cash flow from operating activities is the definition used for the annual bonus scheme (see page 126).

Director pay

Our corporate performance and remuneration

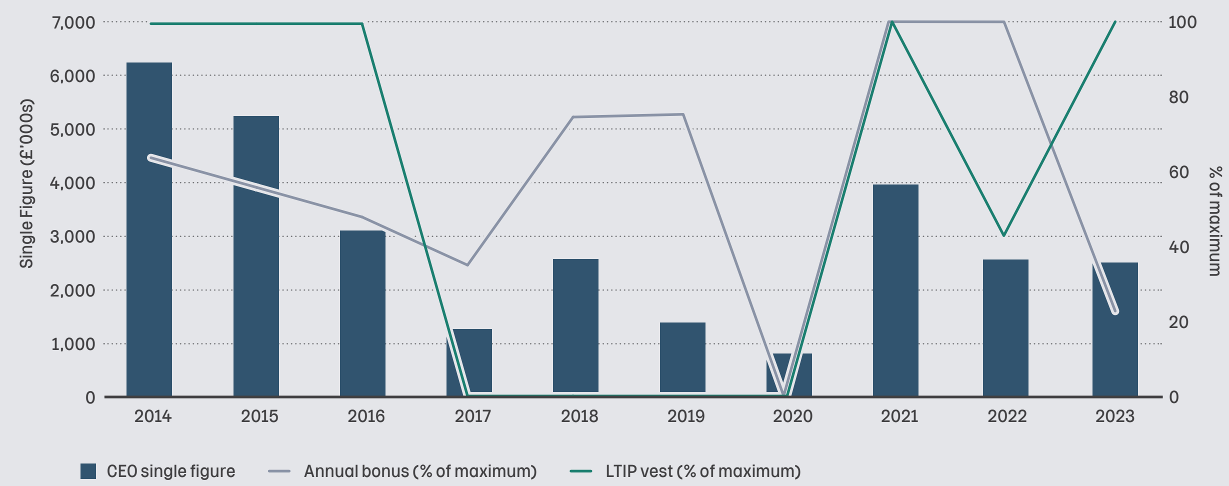
Historical single figure

The table and graph below show the historical CEO single figure and incentive payout levels. They show that the performance of the annual bonus and long-term incentives have reflected the challenging market conditions.

From 2016 to 2022, the maximum bonus opportunity reduced from 200% of basic salary to 150%. In 2023, following consultation with shareholders, the maximum bonus opportunity returned to 200% of basic salary.

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
CEO single figure (£'000)	6,221	5,225	3,098	1,268	2,569	1,391	816	3,951	2,571	2,517
Annual bonus (% of maximum)	64%	56%	48%	35%	75%	76%	0%	100%	100%	24%
LTIP vest (% of maximum)	100%	100%	100%	0%	0%	0%[1]	0%	100%	43%	100%

1 Andrew Livingston was appointed as CEO in April 2018 and therefore he was not granted an award under the LTIP in 2017.



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Directors' remuneration report - Part 1: Company performance and stakeholder experience continued

CEO pay ratio table

Howdens has calculated the CEO pay ratio for 2023 in line with the Directors' Remuneration Reporting Regulations. The data used to calculate the CEO pay ratio was accurate as at 31 December 2023. 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
2023	A	76:1	65:1	54:1
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 reduced as the 2020 long-term incentive share award vested at 43% of maximum and the share price upon which the award was valued was lower than in 2021. As the total incentive payout level for 2023 performance is broadly similar to 2022, and there was no share price appreciation in relation to the 2021 LTIP vesting, the 2023 ratio represents only a slight increase from the prior year's ratio.

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)	£33,278	£38,735	£46,836
Salary (including overtime) (FTE)	£23,916	£28,055	£34,694

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 2023 to 31 December 2023. 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 2023 compensation year; however, for annual bonus payments, we estimated the bonus due to employees for the 2023 compensation year (payment is due in March 2024). P11D values are based on the 2022/23 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

Pensions at Howdens

Alignment of Executive remuneration with our depot staff has always been culturally important at Howdens. This starts with a strong link between pay and profitability but extends across a number of other incentives and benefits. First and foremost, Howdens should be worthwhile for all concerned.

When the Board agreed to close the Defined Benefit pension in 2020 (it had been closed to new members since 2012), it recognised that there was an opportunity to improve the fairness of pension provision at Howdens and remove the two-tier benefit structure in place. The Remuneration Committee also recognised that, following the decision taken in the 2019 remuneration policy to align the pension benefits of new Executive Directors with those of the wider workforce, there was an opportunity to significantly improve contributions under the existing Defined Contribution scheme (now called the Howdens Retirement Savings Plan or HRSP). The resulting HRSP provides highly competitive retirement benefits for Executives but also throughout the whole of Howdens.

In 2023, Howdens contributed £42m towards employee pensions. This was more than any other incentive during the year. Participation in the HRSP is high with opt-out levels at 2% at the end of December 2023. One feature of the HRSP is that it enables employees to reduce their contributions below the default contribution level (to zero if needed) and still receive an employer contribution of 8% of their base salary.

This has been particularly important with household incomes squeezed in recent years and means that employees can continue to increase their retirement savings without compromising their take-home pay. Employees are encouraged to contribute themselves towards their pension to help maximise their benefit and are annually enrolled back on the default employee contribution but they have the option to reduce their contributions again if needed.

This flexibility has been well received by employees and resulted in very low opt-out levels. At the end of December 2023, only 3% of employees had flexed their contribution level below the default contribution level. Employees paying more than the default employee contribution level is high at 45%, with 27% maximising their employer contribution of 12%.

Howdens employees really see the benefit in the HRSP. 62% of employees who were not automatically enrolled opted to join and 32% of those are contributing more than the default contribution level.

The Remuneration Committee will continue to receive regular updates from management on participation and employee engagement with the HRSP in the coming year and continue to ensure alignment with the wider workforce and fairness remain central tenets when determining Executive pay.

Governance

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 there is only a requirement for a listed entity to provide employee pay information for that entity (i.e. not on a group-wide basis), a 'Group' comparator has also been included in the table below as this provides a more representative comparison, noting that Howden Joinery Group Plc did not employ any individuals during 2019 to 2023.

Footnotes have been included beneath the table in relation to the 2022 to 2023 period. Footnotes relating to prior years can be found in the previous applicable annual report.

	% change in Basic Salary				% change in Benefits				% change in Bonus			
	2022-23	2021-22	2020-21	2019-20	2022-23	2021-22	2020-21	2019-20	2022-23	2021-22	2020-21	2019-20
Average Howdens Group employee remuneration	9%	5%	1%	4%	5%	(9)%	(15)%	9%	(18)%	(4)%	38%	12%
Executive Directors												
Andrew Livingston[1]	6%	3%	12%	3%	40%	5%	(85)%	84%	(67)%	3%	100%	(100)%
Paul Hayes	6%	3%	-	-	(6)%	80%	-	-	(67)%	3%	-	-
Non-Executive Directors												
Karen Caddick	4%	6%	3%	18%	0%	100%	0%	(89)%	-	-	-	-
Andrew Cripps[2]	11%	6%	3%	5%	0%	0%	0%	0%	-	-	-	-
Louis Eperjesi[3]	-	-	-	-	-	-	-	-	-	-	-	-
Louise Fowler	0%	3%	4%	515%	25%	300%	0%	100%	-	-	-	-
Peter Ventress[4]	101%	-	-	-	0%	-	-	-	-	-	-	-
Debbie White[1]	0%	3%	4%	3%	600%	(100)%	(50)%	390%	-	-	-	-
Former Directors												
Geoff Drabble[5]	(64)%	4%	3%	22%	100%	0%	0%	0%	-	-	-	-

1 Andrew Livingston's and Debbie White's '2022 to 2023' benefits figures increased by a relatively large amount in percentage terms but remained in line with expectations in absolute terms.

2 Andrew Cripps was appointed Senior Independent Director in July 2023 and therefore received an additional pro-rated fee for this role in 2023. The increase shown in his fees for '2022 to 2023' is due to this change.

3 Louis Eperjesi was appointed to the Board in June 2023 and therefore comparative figures cannot be calculated for any of the periods reported above.

4 Peter Ventress was appointed to the Board in July 2022 and therefore did not receive a full year of fees until 2023. The percentage change between 2022 and 2023 was therefore substantial as the figures are not pro-rated for the purposes of the above calculations.

5 Geoff Drabble retired from the Board in May 2023 and therefore did not receive a full year of fees in respect of 2023. The percentage change between 2022 and 2023 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 interim Group HR Director in respect of average salary of an employee in 2023 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.

Fixed Variable

Directors' Remuneration Report - Part 2: Application of policy in 2023

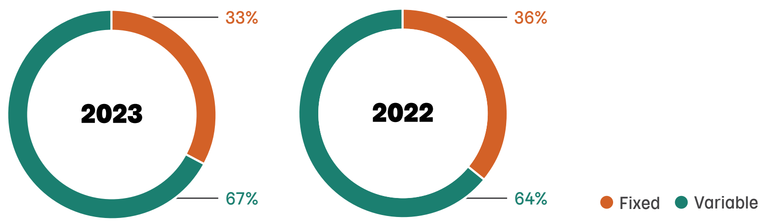
In this section of the Directors' remuneration report we set out how the Committee has executed policy for 2023. Disclosures in this section are retrospective and where applicable are shown against prior year comparator.

Single figure of remuneration (audited)

	Fixed								Variable						Total Remuneration	
	Salary/Fees		Taxable Benefits		Pension		Total Fixed		Bonus		LTIP		Total Variable			
£000s	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022***	**2023**	**2022***	**2023**	**2022***
Executive Directors:																
Andrew Livingston	710	670	28	20	85	84	823	774	334	1,004	1,360	793	1,694	1,797	2,517	2,571
Paul Hayes	464	438	34	36	56	48	554	522	218	657	889	-	1,107	657	1,661	1,179
Total	1,174	1,108	62	56	141	132	1,377	1,296	552	1,661	2,249	793	2,801	2,454	4,178	3,750
Non-Executive Directors:																
Karen Caddick	77	74	2	2	-	-	79	76	-	-	-	-	-	-	79	76
Andrew Cripps	82	74	0	0	-	-	82	74	-	-	-	-	-	-	82	74
Geoff Drabble Retired May 2023	27	76	1	0	-	-	28	76	-	-	-	-	-	-	28	76
Louis Eperjesi Appointed June 2023	36	-	0	-	-	-	36	-	-	-	-	-	-	-	36	-
Louise Fowler	60	60	5	4	-	-	65	64	-	-	-	-	-	-	65	64
Peter Ventress Appointed July 2022	325	162	0	0	-	-	325	162	-	-	-	-	-	-	325	162
Debbie White	60	60	6	0	-	-	66	60	-	-	-	-	-	-	66	60
Total	667	506	14	6	-	-	681	512	-	-	-	-	-	-	681	512

* The vesting value of the 2020 PSP award for Andrew Livingston has been restated to reflect the actual share price on vesting on 7 August 2023 of £7.3676.

Total current Executive Director fixed vs variable pay



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 2024 can be found on page 126. 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

Executive Directors' benefits are based upon market rates and include receipt of a car allowance, health insurance, and death-in-service insurance payable by the Company. Non-Executive Directors are entitled to receive expenses in respect of reasonable travel and accommodation costs.

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 129. A case study on pensions may be found on page 121.

Governance

Remuneration Committee report continued

Directors' remuneration report - Part 2: Application of policy in 2023 continued

Notes to the single figure table continued

Annual bonus (audited)

Targets

Our annual bonus for 2023 was based on PBT and cash flow measures subject to an aggregate maximum of 200% of salary. The PBT and cash flow measures were weighted as follows (percentages are of salary):

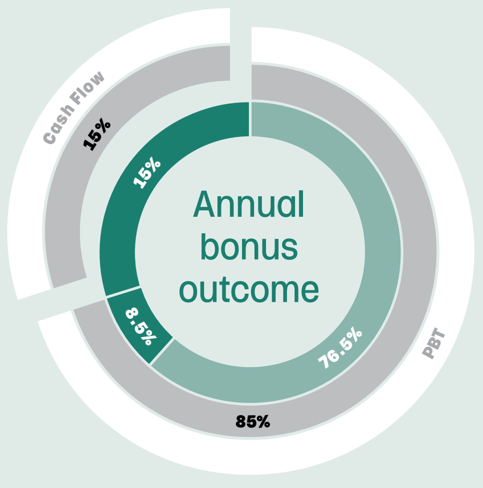
	PBT component	Cash flow component
Threshold	£340m (17%)	£407m (3%)
Target	£350m (85%)	£419m (15%)
Outperformance	£389m (170%)	£431m (30%)

70% of any annual bonus is paid in cash and 30% is deferred as shares, which 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 £340m. As explained in the Chair's annual statement, the Committee applied judgment in reviewing whether the PBT outcome was appropriate taking into account all relevant factors, and it determined that it would be appropriate to exercise discretion to reduce the outcome for the PBT component to threshold performance. The cash flow figure for the year in relation to the bonus was £452.7m. In aggregate, the Executive Directors will receive an annual bonus of 47% of salary for 2023, which is equivalent to 24% of the maximum bonus opportunity. 30% of the bonus will be deferred into Company shares for two years.

	Andrew Livingston	Paul Hayes
PBT (% of salary)	17%	17%
Cash Flow (% of salary)	30%	30%
Total Bonus (% of salary)	47%	47%
Total Bonus (£'000)	**334**	**218**



Opportunity (% of salary) · Target reached · Target not reached

Performance Share Plan (PSP) (audited)

Targets

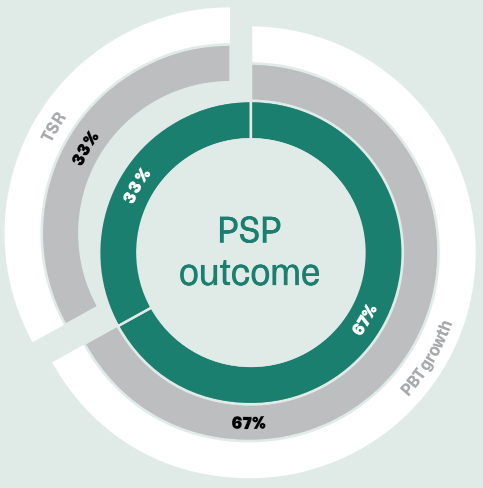
The 2021 PSP award is measured against PBT growth and relative total shareholder returns (TSR) over a three-year period between FY 2020 to FY 2023. Any shares that vest under the PSP award are subject to a two-year post-vest holding period for serving Executive Directors.

Outcomes for the year

67% of the 2021 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 2023, calculated on an unadjusted basis, was £327.6m, and therefore growth on FY 2020 was 21% p.a. This component of the award will vest at 100% of maximum opportunity.

33% of the 2021 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 2023, the Company was ranked 'upper quartile' compared to the comparator group and therefore 100% of the TSR component of the award will vest.

The overall final vesting of the 2021 PSP award is 100% of the maximum opportunity. The share price at the date of grant was 745.4p and the three month average to 30 December 2023, the price on which the value of the award is calculated, was 708.9p. Therefore, none of the value of the LTIP awards shown in the single figure table is attributable to share price appreciation.



Opportunity (% of salary) · Target reached · Target not reached

Fixed · Variable

Directors' remuneration report - Part 3: Implementation of policy in 2024

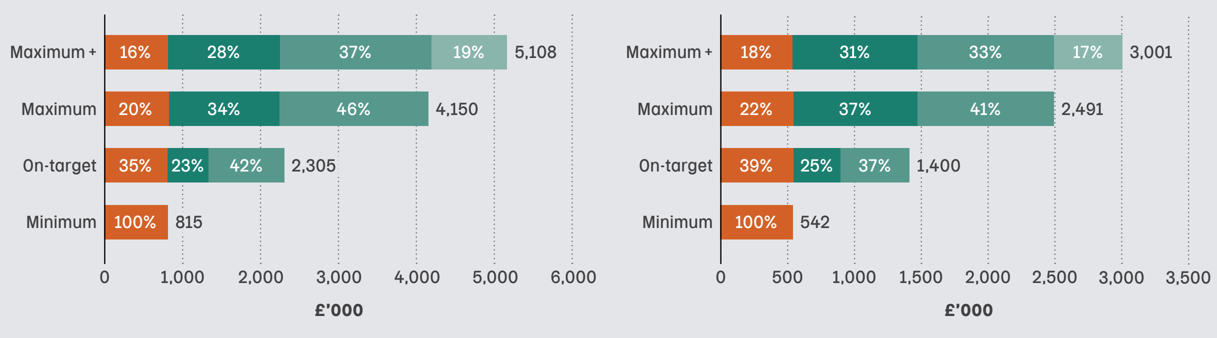
In this section of the Directors' remuneration report we set out how the Committee has implemented policy for 2024. Disclosures in this section are forward looking. The outcome of any variable award for Executive Directors will be reported in the Remuneration Committee report for the financial year 2024.

2024 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.

Value of package



Fixed elements of remuneration consist of the annual salary that the Executive Director will receive for 2024, alongside their 2024 pension entitlement, and actual benefits received in 2023 (as a proxy for 2024).

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 2024 continued

Non-Executive Director fees

Current fee levels for Non-Executive Directors are set out in the table below. They will next be reviewed during 2024 with any increase taking effect from 1 April 2024.

		Basic NED fee[1]	Chair fee	SID fee	NED Responsible for Workforce Engagement fee	Committee Chair fee
2024	Annual Fee	£60,250	£325,000	£10,600	N/A	£17,000
	Effective date	Until 31 March 2024				
2023	Annual Fee	£60,250	£325,000	£10,600	£5,400	£17,000
	Effective date	1 January 2023				

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

Executive Directors' base salary increases from 1 April 2024 are set out in the table below. The rationale for the increases may be found in the Annual Remuneration Committee Chair statement on page 110. For 2024, salary increases for the wider workforce will be, on average across the Group, 3% of salary.

	2024		2023	
Executive Directors	Salary (£'000)	Effective date	Salary (£'000)	Effective date
Andrew Livingston	731	1 April 2024	710	1 January 2023
Paul Hayes	478	1 April 2024	464	1 January 2023

Annual bonus measures

The table below sets out annual bonus measures for 2024. 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 2024 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

Fixed Variable

Performance Share Plan (PSP) measures

Set out below are the performance measures and relative weightings for each of the measures. Further detail about the measures first introduced for the 2023 PSP may be found in the Annual Remuneration Committee Chair statement of the 2022 Annual Report and Accounts. 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 130 for scheme interests awarded in 2023. Under the terms of the Directors' remuneration policy approved by shareholders at the 2022 AGM, the 2024 PSP awards will be subject to a two-year post-vesting holding period.

PBT - 60% weighting

	PBT performance condition	Payout level
PBT component vesting schedule	£420m	100% of maximum
	Straight-line vesting between these points	
	£340m	15% of maximum
	Less than £340m	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). • TSR average for the two months preceding the first day of the performance period and two months TSR average for the final two months 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	28%	100% of maximum
	Straight-line vesting between these points	
	23%	15% of maximum
	Less than 23%	0% of maximum

Environmental measure - 10% weighting

Environmental component measurement details	All carbon emission and waste targets to be achieved by 31 December 2026. Base year for all targets is 2021.

	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	50% 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	50% of maximum
	Straight-line vesting between these points	
	12% reduction	7.5% of maximum
	Below 12% reduction	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.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee met five times during 2023 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.

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 £58,687 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.

Fixed Variable

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 111 and 115 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 30 December 2023 (£'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)	85	56
Total	85	56

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 that were subject to performance conditions or held share options that were vested but unexercised.

	Current Executive Directors	
	Andrew Livingston	Paul Hayes
Shareholding requirement (% of salary)	200%	200%
Shareholding requirement (number of shares)[1]	200,226	130,907
Shares owned outright (including by connected persons)[2,5]	387,863	23,694
Current shareholding (% of salary)[1]	387%	36%
Guideline met	Y	N
Unvested deferred bonus shares	42,968	28,094
Share awards subject only to continued employment[3]	181	153
Share awards subject to performance conditions and continued employment[4]	714,669	403,978

1 Based on a share price of £7.089, being the three-month average price to 30 December 2023, and basic salary as at 30 December 2023. This is calculated by using only those shares owned outright by the Executive Directors and their connected persons at 30 December 2023 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 30 December 2023 (the end of the period) and 28 February 2024, Andrew Livingston has acquired 38 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 28 February 2024.

Non-Executive Director shareholdings (audited)

There is no shareholding requirement for Non-Executive Directors. The shareholding figures below include any shares held by connected persons. With the exception of Debbie White and Geoff Drabble, who were not members of the Board as at 28 February 2024[1], the Company can confirm that 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 28 February 2024.

	Non-Executive Director						
	Karen Caddick	Andrew Cripps	Geoff Drabble[1]	Louis Eperjesi	Louise Fowler	Peter Ventress	Debbie White[1]
Shareholding:	6,000	7,500	3,000	3,100	470	20,316	4,562

1 Geoff Drabble retired from the Board on 4 May 2023 and Debbie White retired from the Board on 30 December 2023. Their respective reported shareholdings are therefore given as at the date they each retired from the Board.

Governance

Remuneration Committee report continued

Directors' remuneration report - Part 4: Additional disclosures continued

Scheme interests awarded during the financial year (audited)

During 2023, 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 beginning on page 199:

Nature of award:	**Conditional Shares under the PSP**			
	CEO		**CFO**	
Number of shares under award:	288,310		153,601	
Face value of award[1]:	£1,916,108		£1,020,832	
	Performance Period	**Grant Date**	**Vest Date**	**Additional Holding Period**
	See individual Performance Conditions below	6 April 2023	6 April 2026	Two years
Performance Conditions:				
Profit Before Tax (PBT) vesting schedule (60% weighting)	**PBT at end of Performance Period**		**Proportion of PBT component of Award that may vest**	
	£484m		100%	
	Straight line vesting between these two points			
Performance Period: FY2022 to FY2025	£400m		15%	
	Less than £400m		0%	
Relative Total Shareholder Returns (TSR) vesting schedule (20% weighting)	**Howdens' rank versus comparator group**		**Proportion of TSR component of Award that may vest**	
	At or above upper quartile		100%	
	Straight line vesting between these two points			
Performance Period: FY2022 to FY2025	At median		15%	
	Below median		0%	
Return on Capital Employed (ROCE) vesting schedule (10% weighting)	**ROCE achieved**		**Proportion of ROCE component of Award that may vest**	
	30%		100%	
Performance Period: FY2022 to FY2025	Straight line vesting between these two points			
	25%		15%	
	Less than 25%		0%	

Environmental measure (EM) vesting schedule (10% weighting)	**Improving our carbon intensity ratio**		**Fleet emissions reduction**		**Carbon neutral status of manufacturing sites**		**Waste avoiding landfill**
Performance Period: All carbon emission and waste targets to be achieved by 31 December 2025. Base year for all targets is 2021.	**Per annum reduction**	**Proportion of EM that may vest**	**Reduction**	**Proportion of EM that may vest**	**Number of sites**	**Proportion of EM that may vest**	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.
	4.2%	33.3%	15%	33.3%	Four	33.3%	
	Straight-line vesting between these points		Straight-line vesting between these points		Straight-line vesting between these points		
	4.0%	7.5%	12%	7.5%			
	Below 4.0%	0%	Below 12%	0%	Two	0%	

1 Based on a share price of £6.646, being the closing price on 5 April 2023.

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	Matching Shares	19 May 2023	19 May 2026	7	£6.880	£48.16
	Matching Shares	19 Jun 2023	19 Jun 2026	7	£6.832	£47.82
	Matching Shares	19 Jul 2023	19 Jul 2026	7	£6.798	£47.59
	Matching Shares	18 Aug 2023	18 Aug 2026	6	£7.392	£44.35
	Free Shares	29 Aug 2023	29 Aug 2026	35	£7.030	£246.05
CFO	Free Shares	29 Aug 2023	29 Aug 2026	35	£7.030	£246.05

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

Advisors to the Committee

The Committee regularly consults with the CEO, CFO and the Interim 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. Korn Ferry was appointed by the Committee as its retained independent advisor in September 2022. 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.

The Committee is satisfied that Korn Ferry 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 Korn Ferry in relation to remuneration services provided to the Committee totalled £77,388 with fee levels based on the quantity and complexity of work undertaken.

Voting at the 2023 AGM

The results of the advisory vote in respect of the Directors' remuneration report ('Report') at the 2023 AGM is shown in the chart below. The 2021 AGM results and the 2022 AGM results (which included a binding vote on the Directors' remuneration policy ('Policy')) are also shown in the chart below.

AGM voting outcomes

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

28 February 2024

Governance

Audit Committee report

2023 meeting attendance

Andrew Cripps (6/6)
Karen Caddick (5/6)[1]
Geoff Drabble (3/3)
Louis Eperjesi (3/3)
Louise Fowler (6/6)
Debbie White (6/6)

1 Karen was unable to attend the November Committee meeting due to illness.

Andrew Cripps
Audit Committee Chair

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).**
- **Review of the 2024 interim results.**
- **Consideration of internal audit's annual plan, findings, independence, and resources.**
- **Review of key controls.**
- **Approval of the 2025 Audit Committee calendar.**

Introduction from the Audit Committee Chair

I am pleased to present this report covering the work of the Audit Committee.

Corporate governance trends have been in a state of flux as of late. There have been differences in opinion as to whether the UK Corporate Governance Code should focus on promoting reporting of deeper controls over financial matters, as in other jurisdictions, or as has happened, on broader operational controls over the whole business. Over the last several years Howdens has been working hard to enhance controls on a number of fronts. This year's progress includes improving precision and evidencing of financial controls, tightening IT governance, and clarifying vital non-financial controls. The Committee has been overseeing these activities closely and providing appropriate support. Next steps will include identifying which of the large number of controls are most critical to business reliability and efficiency so as to ensure that reporting is appropriately prioritised.

The Committee has also been encouraging the Company's identification and sharpening of controls over fraud which already had a strong foundation, as is appropriate in the current economic climate.

We have included a case study in this report on the Audit Committee's role in overseeing the controls that mitigate our cyber and information security risk, one of our principal risks. The case study can be found on page 136. Receiving updates from management and the security team has become a regular feature of the Committee as the Company adapts to this increasing and evolving risk. I hope that the case study provides some insight into the Committee's level of oversight and some of the important work we consider.

The Audit Committee also continued its programme of inviting divisional finance directors to present on their part of the business. In April 2023, we received an update from the Supply Operations Finance Director. The Committee were able to gain valuable insight into not just Supply Operations' financial objectives for the year, but also a ten-year strategic investment plan. The annual update from the Head of Trade Compliance reviewed adherence to both financial and non-financial controls in depots including health and safety, inventory management, and fraud. The HR Director presented to the Committee on the evolution of HR controls including those that assist depots to fulfil their HR obligations. These updates from operational management are vital for the Committee, as they bring operative insights into the Boardroom.

The Committee received updates on compliance in our French business and we have invited the Finance Director in France to present to the Committee in 2024. The Committee also undertook its regular governance reviews, reviewing external audit policies, reviewing conflicts of interest and monitoring the effectiveness of the external audit process.

Our external reporting continued to receive external accolades and we were particularly pleased that the Corporate and Financial Awards commended Howdens on its authentic communication that was aligned with our culture. As I stated in last year's report, receiving external recognition is gratifying, and in some respects reassuring, but the Audit Committee recognises the primary importance of maintaining rigorous reporting standards and the confidence that this gives our stakeholders. The Committee is committed to building on these high standards in both financial and non-financial reporting.

Robert Brent, our audit partner, is retiring at the end of this audit cycle. I would like to take this opportunity to thank Robert for his efforts and for overseeing the transition from Deloitte to KPMG. We look forward to working with our new audit partner, Kamran Walji, who shadowed Robert through this year's audit.

I also look forward to answering any questions on the work of the Audit Committee from shareholders at our AGM.

Andrew Cripps
Audit Committee Chair

2023 Audit Committee activity

H1

January

Committee meeting
- Year End 2022: key judgements
- External Audit update
- Key controls: year end assurance

February

Committee meeting
- 2022 draft Annual Report and Accounts and Full Year Announcement
- External audit report
- External audit policies
- Internal audit report
- Key controls
- Audit Committee effectiveness
- Discussion with external auditor (without management present)

April

Committee meeting
- Cyber security update
- Internal audit report
- Effectiveness of the external auditor and audit processes
- 2023 external audit plan
- Supply Operations Finance Director update
- Discussion with Head of Internal Audit (without management present)

May

AGM
- The re-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
- 2023 Half Year results, including going concern considerations
- External auditor Half Year review
- Key controls and Half Year control reviews update
- Internal audit report
- Conflicts of interest review
- Discussion with external auditor (without management present)

September

Committee meeting
- Cyber security update
- Internal audit report
- HR controls update
- Depot compliance update
- 2023 Annual Report timetable
- Lead audit partner succession
- Key controls and fraud controls
- Annual review of risk and control framework
- Discussion with Head of Internal Audit (without management present)

November

Committee meeting
- External audit plan update
- Internal audit charter
- Internal audit report
- 2024 Internal audit plan and budget
- Key controls and fraud controls
- Terms of reference review
- 2024 Audit Committee calendar

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HOWDENS

HOWDENS

Audit Committee report continued

Financial reporting

Results review

The Audit Committee reviewed the Group's 2023 Annual Report and Accounts published in March 2023 and the half-yearly financial report published in July 2023.

As part of these reviews, the Committee scrutinised 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 the results of management's key control assessments prepared by Group and Divisional management half yearly as well as a report from the Head of Internal Audit and Risk on the scope of those controls and adequacy of evidence retained. 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 debated regular updates in respect of the wider key controls programme during the year. More information on the key controls programme can be found on page 138.

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 has challenged the underlying assumptions and 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 2023 Annual Report and Accounts are appropriate.

Areas of significant financial judgement:

Inventory obsolescence provisioning

Defined benefit pension scheme

Inventory obsolescence provisioning

The Group's in-stock model (further information about which can be found in the Strategic report beginning on page 2) 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 2023, management continued to take a strategic position on stock holding. The Committee reviewed management's conclusions on stock valuation and provisioning.

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 considered 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

As part of the triennial actuarial valuation of the pension plan, changes were made to demographic assumptions, including those for mortality assumptions. The methodology for all other assumptions remained the same.

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 appropriate; and
- they concurred with the views of the external auditors.

Other key judgements

Valuation of pension fund assets

The Audit Committee also considered processes to value pension fund assets. At 30 December 2023, 57% of total pension fund assets (2022: 76%) were assets for which there is no observable market value (see note 22 on page 195).

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.

Governance

Governance updates

Updates on the latest governance practices for audit committees and changes in reporting requirements were reviewed with the external auditor. This included the FRC's minimum standard guidance for audit committees' oversight responsibilities for the external audit. In addition to other resources, members of the Audit Committee are members of the KPMG Board Leadership Centre and other bodies, which provide updates on financial and reporting matters.

During the year, the Committee received regular updates on the proposed corporate governance reforms. This included the withdrawal of proposed secondary legislation to affect the reforms set out in the Government's White paper 'Restoring trust in audit and corporate governance' in October and the publication of the updated UK Corporate Governance Code 2024 by the FRC in January 2024. External audit and internal controls remain live topics and the Committee will continue to monitor any proposed audit or wider corporate governance reforms.

Committee effectiveness

An effectiveness review was carried out on the Committee and its members as part of the wider internal 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 page 138) and employment of ex-audit firm personnel. It also reviewed the Directors' related parties and conflicts of interest register. Further information about the Committee's review of related parties and conflicts of interest may be found on page 139.

Competition and Markets Authority Order (the 'Order') compliance

The Audit Committee confirms that the Company has complied with the provisions of the Order throughout its financial period ended 30 December 2023 and up to the date of this report.

Audit Committees and the External Audit: Minimum Standard (the 'Minimum Standard')

Since the introduction of the FRC's Minimum Standard in May 2023, and in undertaking its role and responsibilities during the year, the Audit Committee has complied with the Minimum Standard throughout the year.

Committee membership

Independence is critical for fair assessment of the management team and the external and internal audit functions. The Committee is composed entirely of independent Non-Executive Directors.

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.

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.

HOWDENS

Governance

Audit Committee report continued

Case study

Cyber Security and Information Security Risk Governance

As is the case for the majority of companies, cyber security is treated as one of Howdens' principal risks (see page 40). Howdens' systems are fundamental to the day-to-day secure running of the business and the Board has set a very low risk appetite for cyber security risk. As such, one of the key roles of the Audit Committee during the annual cycle is to evaluate updates from management on the threat landscape and the actions take to mitigate this risk as far as possible.

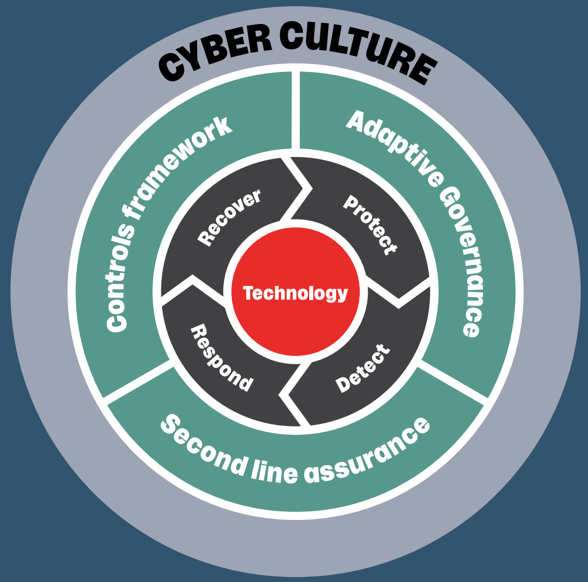
The Audit Committee received two updates on cyber and information security during 2023 (at the April and September meetings) from the Chief Customer Officer, Director of Infrastructure and Service Delivery, and Head of Information Security.

The security team updated the Committee at its meeting in April on progress to date against strategic deliverables. These included an update on cyber security strategy and control governance, progress towards securing the ISO27001 Information Security Management standard and aligning to the IEC62443 Cyber Security in Operational Technology standard. The Committee were also briefed on the successful implementation of multi-factor authentication which had been introduced for all remote users and the outcome of simulated phishing exercises that had been undertaken involving over 11,000 employees. Details of a full cyber crisis management simulation (conducted during the year) with the Group Crisis Management teams were also considered.

The September meeting was provided with further updates on the strategic roadmap activities (control governance, phishing exercises and user awareness) and also a review of the transition of the French server infrastructure to the UK datacentre.

At both meetings, the Audit Committee considered a publicly available security scorecard, which is an independent benchmark of the Company's external website. This data provides useful insight into the external security of howdens.com which was visited c.20 million times in 2023.

The Committee will continue to receive updates on cyber and information security in 2024, including on progress towards control governance standards and initiatives to reinforce cyber security culture at Howdens.



External auditor[1]

External auditor	KPMG LLP ('KPMG')
External auditor appointed	12 May 2022
Lead audit partner	Robert Brent[2]
Lead audit partner tenure	Year two (of a five-year cycle)
Total fees paid to the auditor in the year	£1.4m (audit related assurance services accounted for £0.1m of the total fee)

1 The information above is correct as at 30 December 2023.

2 Robert Brent will be retiring following the completion of the 2023 audit. He will be succeeded as lead audit partner by Kamran Walji.

External audit tender

Following a comprehensive external audit tender process, 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. The Board recommended KPMG's re-appointment to shareholders at the 2023 AGM and shareholders approved the re-appointment with 98.9% of votes in favour. The Board will once again recommend KPMG's re-appointment to shareholders at the 2024 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 2023, 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.

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 2023 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 consideration of the external auditor's report.
- Independence of thought and potential for conflict.

The Lead Audit Partner also met with all members of the Board to discuss their expectations and areas of focus for the audit process.

The Committee concluded that the external auditor remained effective and audit quality remained high.

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

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 page 136 and in note 4 to the consolidated financial statements (page 170).

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.

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, apart from interim review 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 can 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 key financial & non-financial risk areas aligned with principal risks. These include IT and cyber controls, supplier management, ESG, health & safety and data protection as well as other operational areas. 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 previously reported, 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 work is improving our capability over our operational, IT and financial controls, which mitigate our key and principal risks and evidence their effective implementation.

Good progress continued throughout 2023 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 across the business.

Internal audit

The Internal Audit team has continued to develop its capabilities during the year. Building on the development of data analytics and systemisation of controls, members of he team also undertook ISO-accredited lead auditor training and achieved Chartered IIA status, or equivalent.

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 and challenged:

- 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 Internal Audit team continues to comply with the IPPF. These standards set out the expectations of the Global Institute of Internal Auditors (IIA) for best practice. In Q4 2023 the IIA announced revised Global IIA Standards which become mandatory in 2025. The Internal Audit team has revised working practices and is now aligned with these new standards in advance of mandatory implementation.

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, provided by the IIA. An EQA evaluates conformance with the International Professional Practices Framework (IPPF) outlined above. 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. The next effectiveness review will be considered in 2025, and will be conducted against the revised IIA standards outlined above.

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. The enhancement project, first reported in last year's Audit Committee report, is now complete. There will be further testing and assessments undertaken during 2024 to ensure that the Group is in line with best practice.

Cyber and information security risk

The risk of a cyber security incident is considered to be one of the Group's principal risks. A case study on cyber and information security can be found on page 136.

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 Supply Operations Finance Director and the Head of Compliance for the Trade division gave presentations on the key risks and control environments in their area. In September, the HR 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 78 and 79).

Conflicts of interest and related parties

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

28 February 2024

HOWDENS

Governance

Sustainability Committee report

2023 meeting attendance

Peter Ventress (3/3)
Karen Caddick (3/3)
Andrew Cripps (3/3)
Geoff Drabble (2/2)
Louis Eperjesi (1/1)
Louise Fowler (3/3)
Debbie White (3/3)

Peter Ventress
Sustainability Committee Chair

Key activities in the year ahead

- **Receive updates on execution of the Group's sustainability strategy, including the roadmap for SBTi net zero targets.**
- **Receive updates on the Group's equality, diversity and inclusion priorities, workforce skills and development.**
- **Review the Sustainability Committee's Report and Terms of Reference.**
- **Approval of the 2024 Sustainability Committee calendar.**

Introduction from the Sustainability Committee Chair

Having a sustainable business is a strategic priority for the Howdens Board and the reference to our work in this area can be found in almost all other parts of this Annual Report, from the CEO statement to the Governance reports. It is central to everything we do and the Sustainability Committee, now in its fourth year, helps to ensure that it is given as much of the Board's time and attention as our other business priorities.

The Committee received confirmation that Howdens' greenhouse gas emission targets had been validated by SBTi (the Science Based Targets initiative) with SBTi classifying Howdens' scope 1 and 2 target ambition as in line with a 1.5°C trajectory. Validated targets include to reduce absolute scope 1 and 2 GHG emissions 42% by 2030 and our scope 3 supply chain emissions by 25% by 2030 from a 2021 base year, and to increase sourcing of renewable electricity from 30% in 2021 to 100% by 2027. The Committee will regularly monitor progress against these targets in the coming years.

Sustainability in our workforce was also a key focus for the Committee during the year and we have detailed some of our key activities later in the report. I was pleased that the Remuneration Committee introduced environmental remuneration measures for the Executive long-term incentive plan for the first time in 2023 and we will continue to work with them to build on these further in the future.

Many of the items considered and approved at the Sustainability Committee are considered in detail in the sustainability matters report (which begins on page 42), 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.

The key duties the Committee carries out in relation to any environment and climate action and Howdens' contribution to society are set out in the Committee's Terms of Reference, which are reviewed annually and can be accessed on our corporate website (https://www.howdenjoinerygroupplc.com/governance/corporate-governance-report/terms-of-reference-of-the-sustainability-committee). 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 2023

Environmental sustainability

The Committee received updates at all its meetings from the Director of Sustainability and remain committed to management's goal of becoming the UK's leading responsible kitchen and joinery business.

A significant amount of the Committee's time was spent considering the initiatives and engagement necessary to help reduce the Group's indirect, scope 3 carbon emissions (mainly the emissions of our suppliers). This significant undertaking involves aligning our global supply base with our emissions objectives across all product categories. In 2023, a new supplier code of conduct was introduced which included obligations for emissions reductions and sustainability targets. The Committee also received updates on supplier visits and the ESG supplier conference held in July. This workshop-style conference was held jointly with one of our key kitchen frontal suppliers, Friul, with the objective to send a strong message to our tier 2 supplier and focus them on our objectives.

Achieving significant reductions in our scope 3 emissions, in addition to reducing direct carbon emissions from our business, is key to supporting our validated SBTi carbon reduction targets.

The Committee also received regular updates on waste and more widely on the product and packaging programme. There were regular demonstrations of packaging innovation and new technologies and the Head of Design updated the Committee on innovations from the teams at Howdens, demonstrating that sustainability by design had become embedded in our product development processes.

More information on our environmental sustainability can be found in the sustainability matters report (which begins on page 42).

2023 Sustainability Committee activity

February

Committee meeting
- Sustainability strategy update
- EDI and workforce skills
- 2022 Sustainability Report

April

Committee meeting
- Sustainability strategy update
- Progress against SBT Net Zero Plans

September

Committee meeting
- Sustainability strategy update
- EDI update
- 2024 Sustainability Committee calendar
- Committee Terms of Reference

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 60 to 66. The Committee has encouraged a simple and pragmatic approach to business resilience. Building on the disclosures in 2022, the Committee considered three model scenarios, a materiality impact assessment and associated action plan. These are integrated with the Science Based Targets Net Zero Plans, which include comprehensive supply chain mapping, a compelling customer sustainability offer and regular review of Howdens sustainability strategy.

Governance

Sustainability Committee report continued

Supported by external consultancy, ESG360, the Group utilised the following methodology for TCFD implementation:

- **Governance and oversight**: Board and management oversight to ensure that climate issues are embedded in the strategic planning/ enterprise risk management.
- **Assess materiality of climate-related risks**: Understand potential climate related risks and opportunities for Howdens' business involving all relevant internal stakeholders.
- **Develop and define scenarios**: Construct appropriate scenarios to develop relevant narratives according to Howdens' context and business model.
- **Evaluate business impacts**: For each scenario (three scenarios), identify key strategic and financial impacts - qualitative to quantitative.
- **Identify potential responses**: Use the results to identify realistic strategic responses to manage risks and opportunities.
- **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 senior HR team on the progress made during the year in respect of the EDI strategy, noting that management had reframed its inclusion strategy around three key areas:

- Being 'worthwhile for all' - providing clarity on its approach to inclusion.
- Support for all - helping managers to get the best out of all their people.
- Accessible for all - broadening our reach and being accessible to all.

The Committee considered communication strategies and events undertaken during the year and how better-quality quantitative data was being collected and used to promote better inclusion across the business.

Skills

A key area of focus for the Sustainability Committee during the year was employee skills and development. Updates on developing core skill frameworks and training for critical roles were provided in addition to updates on apprenticeships and core skills training.

A new Kitchen Sales Designer 'Better Buy Design' training programme has been piloted and launched with 21 designers in the initial trial. We have also trained 284 managers in our leadership programme 'Leading the Way'. Both programmes will be rolled out across our Depots in 2024.

Sustainability in 2024

The Committee will continue to focus on the core environmental and social matters that matter the most to our stakeholders. This will include further monitoring 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 Chair

28 February 2024

Directors' report

The Directors have pleasure in submitting their report and the audited financial statements for the 53 week period ended 30 December 2023. Comparative figures relate to the 52 weeks ended 24 December 2022.

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:

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 67. 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), can be found on pages 67 and 68.

Located in the governance section:

Directors of Howden Joinery Group Plc: The names of anyone who served as a Director during the period can be found on page 74 under 'Board meeting attendance'.

2018 UK Corporate Governance Code (the 'Code'): How the Company applied the Principles and complied with the Provisions of the Code can be found on pages 92 to 97. A copy of the Code can be accessed via www.frc.org.uk.

Internal control and risk management arrangements: Internal control arrangements information can be found in the Audit Committee report on page 138. Risk management arrangements information can be found on pages 36 to 37 and in the Principal risks and uncertainties section beginning on page 38.

Board and Group Diversity policies: page 102.

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), can be found on pages 84 to 91.

Employees: The total number of employees and gender diversity statistics are located on page 102. The methods of engaging with the workforce can be found on pages 86 and 87. All eligible UK employees have been invited to participate in a Free Shares award under the Company's Share Incentive Plan (SIP) each year since 2015, and since 2021 were invited to participate in a SIP Partnership and Matching Shares plan.

Directors' statement of disclosure of information to the auditor: page 144.

Located in the strategic report:

Principal Group activities, business review and results: pages 2 to 35.

Dividend: pages 18 and 32.

Located in the additional information section:

Annual General Meeting (AGM): Information about the AGM can be found on page 214. The recommendation to reappoint KPMG LLP as the Group's auditor, can be found on page 136.

Share capital, substantial shareholdings and acquisition of the Company's own shares (including nominal value of shares purchased): pages 214 and 215.

Directors' Indemnity and Insurance: page 215.

Significant agreements, which take effect, alter or terminate upon a change of control: page 215.

Disclosure required under Listing Rule 9.8.4R:

- Dividend waivers: page 214.
- Published profit forecasts made during the reporting period to 30 December 2023: page 215.

Located in the financial statements:

Employees: The average number of employees and their remuneration are shown in note 21. Details of the SIP can be found in note 23.

Financial risk management (relating to SI 2008/410 Schedule 7 Part 1.6): note 20.

Disclosure required under Listing Rule 9.8.4R:

- Details of long-term incentive schemes: note 23.
- Details of any tax relief, including amount and treatment: note 7.

The remaining disclosures required by LR 9.8.4R (with the exception of those described above under subheading 'Located in the additional information section') are not applicable to the Company.

Dividend: note 17.

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 2023 financial period.

By order of the Board

Forbes McNaughton
Company Secretary

28 February 2024

Governance

Directors' statements

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.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Accounts 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 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 affairs 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, in respect of the parent Company financial statements only, prudent;
- for the Group financial statements, state whether they have been prepared in accordance 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.

In accordance with Disclosure Guidance and Transparency Rule ('DTR') 4.1.16R, the financial statements will form part of the annual financial report prepared under DTR 4.1.17R and 4.1.18R. The auditor's report on these financial statements provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

Directors' responsibility statement

We confirm to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, 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 position and 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

28 February 2024

Non-financial and sustainability information

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. The Howdens culture is to be 'worthwhile for all concerned' and so we aim to treat all our stakeholders fairly and with integrity.

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.

To consolidate our reporting requirements under sections 414CA and 414CB of the Companies Act 2006 in respect of non-financial reporting and sustainability information, 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 67 and 68). • Discussion about the Company's SBT Net Zero commitment and targets (pages 46 and 47). • Climate-related financial disclosure as defined in section 414CA(2a) Companies Act 2006 (Governance - (a) on pages 60 and 61; Strategy - (d), (e) and (f) on pages 61 and 62 and 64 to 66; Risk management - (b) and (c) on page 62; Metrics and Targets - (g) and (h) on page 63). • Discussion of the Company's progress on implementing the recommendations of the Task Force on Climate-Related Financial Disclosures (pages 60 to 66). • Discussion of the UN Sustainable Development Goals (UN SDGs) (page 45). • Discussion of our progress on 'zero waste to landfill' (page 57), Route to Net Zero standard (page 56), and our use of renewable energy sources (page 57). • KPIs on production waste reuse, recovery, and recycling (page 57) and our target of 100% of wood-based material used in manufacturing processes being made from FSC® or PEFC certified sources (page 50). • Discussions of our efforts to decarbonise our distribution fleet (page 51) and our sustainable product offer and product innovation (pages 52 to 53).
Social matters	Sustainability and Corporate Social Responsibility Statement of Intent (see Group website).	• Our impact on our stakeholders (pages 58 and 58) and engagement with stakeholders (starting on page 84). • Our progress on equality, diversity and inclusion and wellbeing matters (pages 54 and 55) and our work with local and national charities (page 17). • Our Boardroom and Group Diversity Policies (page 102).
Respect for human rights	Human Rights Policy and Modern Slavery Statement (see Group website).	• Discussion of the UN SDG Goal 8 (Decent Work and Economic Growth) (pages 54 and 55). • 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 page 87.
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 56). • Discussion of employee rewards and benefits, development opportunities and apprentice schemes (pages 51 and 55). • Diversity policies and statistics (pages 101 and 102). • Workforce engagement (pages 86 and 87). • Directors' remuneration policy (see Group website for the full policy or pages 113 to 116 for a summary of the policy).

We outline our resilient 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 on page 36.

Financial Statements

Our financial performance

Revenue
£2,311m (2022: £2,319m)

2019	£1,584m
2020	£1,548m
2021	£2,094m
2022	£2,319m
2023	**£2,311m**

Profit before tax
£328m (2022: £406m)

2019	£261m
2020	£185m
2021	£390m
2022	£406m
2023	**£328m**

Net cash
£283m (2022: £308m)

2019	£267m
2020	£431m
2021	£515m
2022	£308m
2023	**£283m**

Operating profit
£340m (2022: £415m)

2019	£260m
2020	£196m
2021	£402m
2022	£415m
2023	**£340m**

EPS
46.5p (2022: 65.8p)

2019	35p
2020	25p
2021	53.2p
2022	65.8p
2023	**46.5p**

Dividends paid
£114m paid in 2023

2019	£70.6m
2020	£0.0m
2021 (inc. £54.1m special dividend)	£133.6m
2022	£115.0m
2023	**£114.1m**

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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 30 December 2023, and of the Group's profit for the 53 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 53 week period ended 30 December 2023 (FY23) 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
- Consolidates statement of changes in equity
- Consolidated cash flow statement
- Notes 1 to 25 to the Group financial statements, which include the accounting policies

Parent Company (Howden Joinery Group Plc)

- Company balance sheet
- Company statement of changes in equity
- Notes 1 to 6 to the Parent Company financial statements, which include the accounting policies

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.

Our risk assessment also considers the Group's operations, the macro-economic and other relevant external factors which impact the judgements and estimates made by the Group. Having considered these external factors, we have identified the same key audit matters and level of risk in relation to these, as in the prior year.

We have determined that accounting for inventory is of significance to our audit given the scale of the Group's product range which means there is significant judgement in determining the adequacy and completeness of the inventory obsolescence provision. Inventory provisioning includes estimation based on both historic usage and forward-looking demand assumptions, and as a result, the deterioration in the macro-economic environment during FY23 is not considered to have a significant impact on the already high estimation uncertainty associated with this key audit matter. Inventory quantity and cost is also included within this audit matter due to the effect it has on our audit effort.

We have identified the defined benefit plan obligation as a key audit matter given the significant level of estimation required to determine the valuation of the gross defined benefit liability. The sensitivity of this estimation is heightened when there is volatility in macro-economic conditions, as currently experienced in the UK in FY22 and FY23. The risk has therefore not moved significantly from the prior year.

The recoverability of the Parent Company's investment in subsidiaries and debt due from group entities is not at a high risk of significant misstatement, however is identified due to their materiality in the context of the Parent Company financial statements.

Key Audit Matters	Vs FY22	Item
Accounting for inventory (Group)	<>	4.1
Defined benefit pension obligation (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 6 times. KPMG are invited to attend all Audit Committee meetings and are provided with an opportunity 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 judgements.

The matters included in the Audit Committee report on page 132 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 FY23 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. The period of total uninterrupted engagement is for the two financial periods ended 30 December 2023.

The Group engagement partner is required to rotate every 5 years. As these are the second set of the Group's financial statements signed by Robert Brent, he will be required to rotate off after the FY26 audit.

Audit related fees (including interim review)	£1.3m
Other services	£0.1m
Non-audit fee as a % of total audit and audit related fee %	£nil
Date first appointed	n/a
Uninterrupted audit tenure	12 May 2022
Next financial period which requires a tender	2 years
Tenure of Group engagement partner	2032
Tenure of Group engagement partner	2 years

Independent auditor's report continued

To the members of Howden Joinery Group Plc

Materiality (item 6 below)

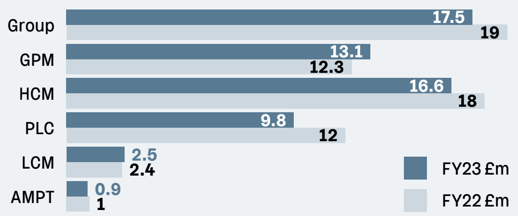
The scope of our work is influenced by our view of materiality and our assessed risk of material misstatement.

We have determined overall materiality for the Group financial statements as a whole at £17.5m (FY22: £19.0m) and for the Parent Company financial statements as a whole at £9.8m (FY22: £12.0m).

Consistent with FY22, we determined that profit before tax remains the benchmark for the Group. As such, we based our Group materiality on profit before tax, of which it represents 5.4% (FY22: 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% (FY22: 1%).

Materiality levels used in our audit



Group Group Materiality
GPM Group Performance Materiality
HCM Highest Component Materiality
PLC Parent Company Materiality
LCM Lowest Component Materiality
AMPT Audit Misstatement Posting Threshold

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.

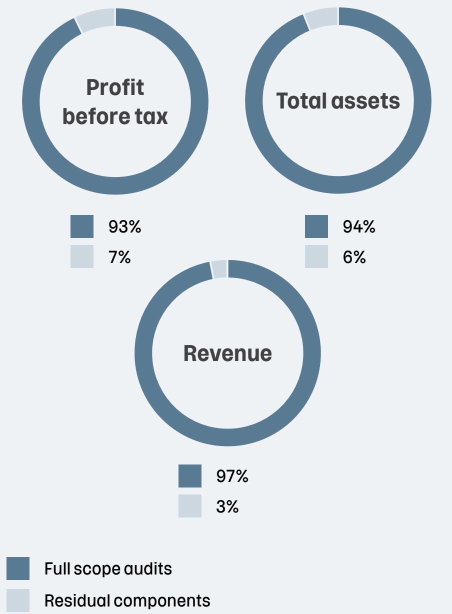
The Group has 14 reporting components. We determined individually financially significant components as those contributing at least 10% of total revenue or total assets. We selected these because these are the most representative of the relative size of the components. We identified 5 components as individually 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 an 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 46.

Climate change impacts the Group in a variety of ways, and pages 64 to 66 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 42 to 68, 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 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 assumptions 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 accounting without any material uncertainty for the Group and Parent Company to be acceptable. 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 70 is materially consistent with the financial statements and our audit knowledge.

Financial Statements

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 Long-term prospects and 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 Long-term prospects and 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 Long-term prospects and viability statement set out on page 70 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 judgement, 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	FY23	FY22	Our assessment of risk vs FY22	Our results
Inventories gross value	£432.4m	£426.8m	Our assessment is that the risk is similar to FY22.	**FY23: Acceptable**
Inventory provision	£49.6m	£53.5m		FY22: Acceptable

Description of the Key Audit Matter

The Group holds a significant amount of inventory across its large depot network and a number of warehouses. The accounting for inventory is the key audit matter which has the greatest effect on our overall audit strategy. As at 30 December 2023, net inventory, after recognising relevant provisions is £382.8 million (FY22: £373.3 million).

Subjective estimate

The scale of the Group's product range means there is significant judgement in determining the adequacy and completeness of the inventory obsolescence provision, in particular the provision applied to discontinued and slow-moving product lines. Given the judgement required in determining this provisioning, we have identified this as an area at higher risk of fraud or error.

The deterioration in the macro-economic environment during FY23 is not considered to have a significant impact on the already high estimation uncertainty associated with this key audit matter.

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.

Accounting for inventory (quantities and cost)

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 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.

Our response to the risk

Our procedures to address the risk included:

- **Count attendance:** for the Group's depots we tested the operating effectiveness of the inventory cycle counts control. We counted a sample of inventory lines and assessed the accuracy of the Group's inventory quantities through comparing the results to the Group's inventory records.
- **Tests of detail:** we counted a sample of inventory lines across the Group's 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.
- **Tests of detail:** we assessed the accuracy of the cost of inventory through testing a sample of inventory lines to relevant source data.
- **Our sector experience:** we assessed the Director's methodology and key assumptions supporting the inventory provision, including the expected level of inventory that may not be in demand and respective sales prices, against our knowledge of the business and industry.
- **Historical comparisons:** we assessed the Directors' 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 the Directors to discontinued items.
- **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 over inventory provisioning 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 approach to the audit of inventory 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 (FY22: Acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee report on page 138 for details on how the Committee considered inventory obsolescence provisioning as an area of significant attention, page 209 for the accounting policy on inventory obsolescence provisioning, and note 3 for the financial disclosures.

Financial Statements

Independent auditor's report continued

To the members of Howden Joinery Group Plc

4.2 Defined benefit pension scheme (Group)

Financial Statement Elements	FY23	FY22	Our assessment of risk vs FY22	Our results
Gross defined benefit liability	£913.6m	£930.5m	<> Our assessment is that the risk related to the gross defined benefit liability is similar to FY22.	**FY23: Acceptable** FY22: Acceptable

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.

The sensitivity of this estimation is heightened when there is volatility in macro-economic conditions, as currently experienced in the UK in FY22 and FY23. The risk has therefore not moved significantly from the prior year.

The effect of these matters is that, as part of our risk assessment, we determined that valuation of the gross defined benefit obligation 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, and possibly many times that amount. The financial statements (note 22) disclose the sensitivities estimated by the Group.

Previously we included within this key audit matter a risk over the valuation of certain pension assets. The assessed risk for these assets is lower this year and no longer considered a key audit matter. Refer to further below in section 4 for our assessment of the risk.

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 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:

- We discussed our audit response to the Key Audit Matter which included the use of specialists to challenge the key aspects of the actuarial valuation;
- Our conclusions on the appropriateness of the key actuarial assumptions applied to the valuation of the gross defined benefit liability; and
- The adequacy of the disclosures, particularly as it relates to the sensitivities disclosed by the Group.

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).

Our results

We found the valuation of the gross defined benefit pension liability to be acceptable (FY22: Acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee report on page 134 for details on how the Committee considered validity of pension assumptions 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	FY23	FY22	Our assessment of risk vs FY22	Our results
Investments in subsidiaries	£699.0m	£699.0m	<> Our assessment is that the risk is similar to FY22.	**FY23: Acceptable** FY22: Acceptable
Amounts owed by subsidiary companies	£69.4m	£103.3m		

Description of the Key Audit Matter

Low risk, high value

The carrying amount of the Parent Company's investment in subsidiaries and intra-group debtor balance represents 78% (2022: 66%) of the Parent 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:

- **Tests of detail:** Assessing 100% of the investment in subsidiaries and amounts owed by subsidiary companies against the net assets of the relevant subsidiary included with the Group consolidation to identify whether the entity net asset value, being an approximation of its minimum recoverable amount, was in excess of the carrying amount. Our procedures also included assessing whether those individual subsidiary entities have historically been profit-making.
- **Comparing valuations:** For the investment where the carrying amount exceeded the net asset value, we compared the carrying amount of the Company's investment with the expected value of the business based on forecasted dividends to ultimately be received from the trading entity within the Group.

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; and
- Our conclusions on the recoverability of the Parent Company's investment in subsidiaries and intra-group debtor balances.

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 carrying value of investments in subsidiaries and the intra-group debtor balance to be acceptable (FY22: Acceptable).

Further information in the Annual Report and Accounts: See the Audit Committee report on page 138 for details on how the 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.

We continue to perform procedures over the valuation of pension assets for which there is no observable market price (level 3 "pension assets"). However, following a retrospective review of the 2022 lagged valuations which confirmed that the assets were not highly sensitive to changes in market conditions, due to the long term maturity dates of the underlying investments, we have not assessed this as one of the most significant risks in our current year audit or a matter that had the greatest effect on; the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. Accordingly, our procedures in this area are not separately identified in our report this year.

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 and the opportunities for bias in the subjective estimate.

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 fraud 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.

£17.5m (FY22: £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 £17.5m (FY22: £19.0m). This was determined with reference to a benchmark of Group profit before tax. Consistent with FY22, we determined that Group profit before tax remains the 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 £17.5m was determined by applying a percentage to the Group profit before tax. When using a benchmark of Group profit before tax to determine overall materiality, KPMG's approach for public interest entities considers a guideline range of 3% - 5% of the measure. In setting overall Group materiality, we applied a percentage of 5% (FY22: 4.7%) to the forecast benchmark. This represents 5.3% (2022: 4.7%) of the final profit before tax. We considered the materiality amount for the financial statements as a whole and concluded that it remained appropriate. Materiality for the Parent Company financial statements as a whole was set at £9.8m (FY22: £12.0m), determined with reference to a benchmark of Parent Company total assets, of which it represents 1.0% (FY22: 1.0%).

£13.1m (FY22: £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 75% (FY22: 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 £7.4m (FY22: £7.8m), which equates to 75% (FY22: 65%) of materiality for the Parent Company financial statements as a whole. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk in 2023 following our reassessment of aggregation risk.

£0.9m (FY22: £1.0m)
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% (FY22: 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 £17.5m (FY22: £19.0m) compares as follows to the main financial statement caption amounts:

	Total Group Revenue		Group profit before tax		Total Group Assets	
	FY23	FY22	FY23	FY22	FY23	FY22
Financial statement Caption	£2,310.9m	£2,319.0m	£327.6m	£405.8m	£2,064.5m	£2,032.7m
Group Materiality as % of caption	0.8%	0.8%	5.3%	4.7%	0.8%	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 (FY22: 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 or total assets. We selected these because these are the most representative of the relative size of the components. We identified 5 (FY22: 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 (5)	£2.5m - £16.6m (£2.4m - £18.0m)	97% (97%)	93% (96%)	94% (95%)
Residual components	9 (9)		3% (3%)	7% (4%)	6% (5%)
Total	14 (14)		100%	100%	100%

The remaining 3% of total Group revenue, 7% of total profits and losses that made up Group profit before tax and 6% of total Group assets is represented by 9 reporting components, none of which individually represented more than 4% 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.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group's internal control over financial reporting.

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 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 144, 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 under Disclosure Guidance and Transparency Rule ("DTR") 4.1.7.17R and 4.1.18R . This auditor's report provides no assurance over whether the annual financial report has been prepared in accordance with those requirements.

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

28 February 2024

Financial Statements

Consolidated income statement

	Notes	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Continuing operation:			
Revenue	2	2,310.9	2,319.0
Cost of sales		(907.0)	(907.8)
Gross profit		1,403.9	1,411.2
Operating expenses		(1,063.7)	(996.0)
Operating profit	4	340.2	415.2
Finance income	5	5.5	3.8
Finance costs	6	(18.1)	(13.2)
Profit before tax		327.6	405.8
Tax on profit	7	(73.0)	(31.6)
Profit for the period attributable to the equity holders of the parent		254.6	374.2
Earnings per share:			
Basic earnings per 10p share	8	46.5p	65.8p
Diluted earnings per 10p share	8	46.3p	65.6p

Consolidated statement of comprehensive income

	Notes	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Profit for the period		254.6	374.2
Items of other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) on defined benefit pension scheme	22	13.3	(183.0)
Deferred tax on actuarial gains and losses on defined benefit pension scheme	7	(2.9)	34.8
Change of tax rate on deferred tax	7	(0.4)	11.0
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(0.5)	2.1
Other comprehensive income for the period		9.5	(135.1)
Total comprehensive income for the period attributable to equity holders of the parent		264.1	239.1

Consolidated balance sheet

	Notes	30 December 2023 £m	24 December 2022 £m
Non-current assets			
Intangible assets	9	43.5	35.9
Property, plant and equipment	10	456.9	398.7
Lease right-of-use assets	11	647.9	614.3
Deferred tax asset	7	15.6	35.9
Prepaid credit facility fees		0.8	1.0
		1,164.7	1,085.8
Current assets			
Inventories	12	382.8	373.3
Corporation tax	7	39.7	32.3
Trade and other receivables	13	194.5	233.3
Cash and cash equivalents	18	282.8	308.0
		899.8	946.9
Total assets		2,064.5	2,032.7
Current liabilities			
Lease liabilities	11	(85.3)	(95.3)
Trade and other payables	14	(373.2)	(433.9)
Provisions	15	(9.5)	(12.0)
		(468.0)	(541.2)
Non-current liabilities			
Pension liability	22	(12.6)	(41.5)
Lease liabilities	11	(599.2)	(570.0)
Deferred tax liability	7	(3.3)	(3.8)
Provisions	15	(3.0)	(4.5)
		(618.1)	(619.8)
Total liabilities		(1,086.1)	(1,161.0)
Net assets		978.4	871.7
Equity			
Share capital	16	55.4	56.1
Capital redemption reserve	16	9.8	9.1
Share premium	16	87.5	87.5
ESOP and share-based payments	16	16.6	11.7
Treasury shares	16	(24.0)	(25.5)
Retained earnings	16	833.1	732.8
Total equity		978.4	871.7

The financial statements were approved by the Board and authorised for issue on 28 February 2024 and were signed on its behalf by

Paul Hayes
Chief Financial Officer

Financial Statements

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 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
Accumulated profit for the period	-	-	-	-	-	254.6	254.6
Other comprehensive income for the period	-	-	-	-	-	9.5	9.5
Total comprehensive income for the period	-	-	-	-	-	264.1	264.1
Current tax on share schemes	-	-	-	-	-	0.3	0.3
Deferred tax on share schemes	-	-	-	-	-	-	-
Movement in ESOP	-	-	-	6.4	-	-	6.4
Buyback and cancellation of shares	(0.7)	0.7	-	-	-	(50.0)	(50.0)
Transfer of shares from treasury into share trust	-	-	-	(1.5)	1.5	-	-
Dividends	-	-	-	-	-	(114.1)	(114.1)
At 30 December 2023	55.4	9.8	87.5	16.6	(24.0)	833.1	978.4

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 4,918,375 ordinary shares held in treasury, each with a nominal value of 10p (2022: 5,237,907 shares of 10p each).

We present a description of the nature and purpose of each reserve at note 16.

Consolidated cash flow statement

	Notes	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m[1]
Profit before tax		327.6	405.8
Adjustments for:			
Finance income		(5.5)	(3.8)
Finance costs		18.1	13.2
Depreciation and amortisation of owned assets	9, 10	50.8	44.0
Depreciation, impairment and loss on termination of leased assets	11	90.1	80.8
Share-based payments charge		6.0	7.3
Decrease/(increase) in prepaid credit facility fees		0.3	(0.7)
Difference between pension operating charge and cash paid		(16.9)	2.0
Loss/(profit) on disposal of property, plant and equipment and intangible assets		0.3	(0.1)
Operating cash flows before movements in working capital		470.8	548.5
Movements in working capital			
Increase in inventories		(9.5)	(69.8)
Decrease/(increase) in trade and other receivables		38.8	(23.7)
(Decrease)/increase in trade and other payables and provisions		(64.3)	41.8
		(35.0)	(51.7)
Cash generated from operations		435.8	496.8
Tax paid		(63.5)	(101.5)
Net cash flow from operating activities		372.3	395.3
Cash flows used in investing activities			
Payments to acquire property, plant and equipment and intangible assets		(118.9)	(140.8)
Receipts from sale of property, plant and equipment and intangible assets		-	0.7
Acquisition of subsidiary - net of cash acquired		-	(14.6)
Interest received		4.7	1.1
Net cash used in investing activities		(114.2)	(153.6)
Cash flows used in financing activities			
Payments to acquire own shares		(50.0)	(250.5)
Receipts from release of shares from share trust		0.5	0.1
Dividends paid to Group shareholders		(114.1)	(115.0)
Interest paid - including on lease liabilities		(16.8)	(13.1)
Repayment of capital on lease liabilities		(105.0)	(66.1)
Net cash used in financing activities		(285.4)	(444.6)
Net decrease in cash and cash equivalents		(27.3)	(202.9)
Cash and cash equivalents at beginning of period		308.0	515.3
Effect of movements in exchange rates on cash held		2.1	(4.4)
Cash and cash equivalents at end of period	18	282.8	308.0

We present an analysis of cash and non-cash changes in liabilities due to financing activities in note 18.

1 In 2023 the Directors have determined that it is appropriate for the consolidated cash flow statement to start from profit before tax and to present 'Difference between pension operating charge and cash paid' as an adjustment to profit before tax. 2022 comparatives have been re-presented as a result.

Financial Statements

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 105 Wigmore Street, London W1U 1QY. 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 on trading 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 53 weeks to 30 December 2023. The comparative period covered the 52 weeks to 24 December 2022.

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 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 69.

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 2023, and the Group balance sheet at 30 December 2023, noting that the Group is debt-free, has cash and cash equivalents of £283m, 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, which was not used during the period 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 2023 Group forecast, prepared in November 2023 and including the actual results of the 2023 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. 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
- A 'reverse stress-test' scenario.

Financial Statements

Notes to the consolidated financial statements continued

General Information

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:

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 8: Definition of Accounting Estimates

Amendments to IAS 1 - Classification of Liabilities as Current or Non-Current

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements

Amendments to IAS 12: International Tax Reform–Pillar Two Model Rules

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. 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 a small percentage of total revenue, and 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 smaller presence in France, Belgium and the Republic of Ireland. The Group has depots in each of these locations. 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	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
UK	2,241.1	2,256.1
France, Belgium and Republic of Ireland	69.8	62.9
	2,310.9	2,319.0

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	30 December 2023 £m	24 December 2022 £m
UK	1,935.6	1,903.1
France, Belgium and Republic of Ireland	128.9	129.6
	2,064.5	2,032.7

Non-current assets (excluding deferred tax)	30 December 2023 £m	24 December 2022 £m
UK	1,068.3	975.4
France, Belgium and Republic of Ireland	80.8	74.5
	1,149.1	1,049.9

Additions to property plant and equipment and intangible assets	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
UK	108.3	122.7
France, Belgium and Republic of Ireland	9.1	24.5
	117.4	147.2

Financial Statements

Notes to the consolidated financial statements continued

Earnings continued

4 Operating profit

Operating profit has been arrived at after (charging)/crediting:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Net foreign exchange (loss)/gain	(8.2)	(0.7)
Cost of inventories recognised as an expense	(892.8)	(893.1)
Write down of inventories	(6.1)	(14.0)
(Loss)/profit on disposal of fixed assets	(0.3)	0.1
Auditor's remuneration for audit services	(1.4)	(1.1)

All of the items above relate to continuing operations.

A more detailed analysis of auditor's total remuneration is given below:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Audit services:		
Fees paid to the Company's auditor for the audit of the Company's annual financial statements	(0.3)	(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	(1.0)	(0.9)
Total audit fees	(1.3)	(1.1)
Other services:		
Audit related assurance services (review of the half-year results)	(0.1)	(0.1)
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

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Bank interest receivable	5.5	1.1
Other finance income - pensions	-	2.7
	5.5	3.8

6 Finance costs

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Interest expense on lease liabilities	(16.8)	(13.1)
Other finance expense - pensions	(1.3)	-
Other interest	-	(0.1)
Total finance costs	(18.1)	(13.2)

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 substantively 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.

Financial Statements

Notes to the consolidated financial statements continued

Earnings continued

Current tax:

(a) Tax in the income statement

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Current tax:		
Current year	64.7	77.2
Adjustments in respect of previous periods	(8.2)	(33.6)
Total current tax	56.5	43.6
Deferred tax:		
Current year	14.9	2.1
Adjustments in respect of previous periods	0.9	(14.7)
Effect of changes in tax rate	0.7	0.6
Total deferred tax	16.5	(12.0)
Total tax charged in the income statement	73.0	31.6

UK Corporation tax is calculated at 23.5% (2022: 19%) of the estimated assessable profit for the period. Tax for other countries is calculated at the rates prevailing in the respective jurisdictions.

(b) Tax relating to items of other comprehensive income or changes in equity

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Deferred tax charge/(credit) to other comprehensive income on actuarial difference on pension scheme	2.9	(34.8)
Change of rate effect on deferred tax	0.4	(11.0)
Deferred tax (credit)/charge to equity on share schemes	-	1.3
Current tax (credit) to equity on share schemes	(0.3)	(0.4)
Total charge/(credit) to other comprehensive income or changes in equity	2.9	(44.9)

(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:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Profit before tax	327.6	405.8
Tax at the UK corporation tax rate of 23.5% (2022: 19%)	77.0	77.1
IFRS2 share scheme charge	0.5	0.3
Expenses not deductible for tax purposes	2.9	1.0
Overseas losses not utilised	6.2	2.7
Non-qualifying depreciation	1.0	1.6
Super deduction - capital allowances	-	(2.4)
Rate change	0.7	0.6
Patent box claim	(8.0)	(9.0)
Other tax adjustments in respect of previous periods	(7.3)	(40.3)
Total tax charged in the income statement	73.0	31.6

The Group's effective rate of tax is 22.3% (2022: 7.8%). The difference in the effective tax rate from prior year is driven by the effect of the Patent Box deduction claims for 2017-2021, which were realised during 2022 as "Other tax adjustments in respect of previous periods", along with the increase in the headline corporation tax rate as of 1 April 2023.

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 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
(Charge)/credit to income statement	(4.1)	(11.6)	-	(0.6)	0.5	(15.8)
(Charge) to the income statement - change of rate	-	(0.7)	-	-	-	(0.7)
(Charge) outside the income statement - change of rate	(0.4)	-	-	-	-	(0.4)
(Charge)/credit outside the income statement	(2.9)	-	-	-	-	(2.9)
At 30 December 2023	3.2	0.4	2.2	2.9	3.6	12.3

Deferred tax arising from accelerated capital allowances can be further analysed as a £3.5m asset and a £3.1m liability (2022: £16.5m asset and £3.8m liability).

Financial Statements

Notes to the consolidated financial statements continued

Earnings continued

The presentation in the balance sheet is as follows:

	30 December 2023 £m	24 December 2022 £m
Deferred tax assets	15.6	35.9
Deferred tax liabilities	(3.3)	(3.8)
	12.3	32.1

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 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.

	30 December 2023 £m	24 December 2022 £m
Trading losses	100	77
Non-trading losses	20	20
Capital losses	86	86
Total losses	206	183

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 (£4m) and France (£64m). All of the non-trading losses and capital losses are attributable to UK activities.

8 Earnings per share

	53 weeks to 30 December 2023			52 weeks to 24 December 2022		
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	254.6	548.1	46.5	374.2	568.6	65.8
Effect of dilutive share options	-	2.1	(0.2)	-	2.1	(0.2)
Diluted earnings per share	254.6	550.2	46.3	374.2	570.7	65.6

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

	30 December 2023 £m	24 December 2022 £m
Goodwill - cost and carrying value	12.4	12.4
Software	31.1	23.5
	43.5	35.9

(b) Goodwill

Accounting policy

Goodwill arising on a business combination represents the excess of the cost of acquisition over the share of the aggregate fair value of identifiable net assets (including intangible assets) of the acquired business at the date of acquisition. Goodwill is initially recognised as an asset and allocated to cash-generating units that are expected to benefit from the synergies of the business combination. Goodwill is not amortised, but is reviewed at least annually for impairment. Any impairment is recognised immediately in the income statement. Goodwill is stated in the balance sheet at cost less any provisions for impairment, if required.

The goodwill shown above all arose on the acquisition of 100% of Sheridan Fabrications Ltd ('SFL') in 2022. The trading activities of SFL have been integrated into the Howden Joinery UK operations, which is the cash-generating unit to which we have allocated all of the related goodwill.

The recoverability of the goodwill is assessed by looking at the value in use of the Howden Joinery UK cash-generating unit.

The Howden Joinery UK operations, as shown in the geographical analysis at note 3(b) to these financial statements, represent over 95% of the consolidated Group sales. This is reflected in their contribution to total Group profit and cashflow. Given the size and contribution of this cash-generating unit in comparison with the £12.4m cost and carrying value of the allocated goodwill, it has not been considered necessary to look further ahead than the next 12 month forecast to verify that projected cashflows from the cash-generating unit are significantly in excess of the carrying value of the associated goodwill.

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Notes to the consolidated financial statements continued

Operating assets and liabilities continued

(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 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	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
Additions	3.0	10.6	13.6
Disposals	(1.4)	-	(1.4)
Reclassifications	4.9	(4.9)	-
At 30 December 2023	52.3	13.5	65.8
Accumulated depreciation			
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)
Charge for the period	(6.0)	-	(6.0)
Disposals	1.4	-	1.4
At 30 December 2023	(34.7)	-	(34.7)
Net book value at 30 December 2023	17.6	13.5	31.1
Net book value at 24 December 2022	15.7	7.8	23.5

10 Property, plant and equipment

Accounting policy

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 amounts and are recognised in the income statement.

Cost	Freehold property £m	Leasehold property improvements £m	Plant, machinery & vehicles £m	Fixtures & fittings £m	Assets under construction £m	TOTAL £m
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	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
Exchange adjustments	-	-	(0.1)	(0.4)	(0.1)	(0.6)
Additions	2.1	12.0	17.6	39.1	33.0	103.8
Disposals	-	(1.7)	(12.2)	(2.3)	-	(16.2)
Reclassifications	1.8	3.4	19.4	6.6	(31.2)	-
At 30 December 2023	77.0	121.8	231.1	307.2	61.4	798.5
Accumulated depreciation						
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)
Exchange adjustments	-	-	-	0.1	-	0.1
Charge for the period	(1.9)	(6.2)	(13.9)	(22.8)	-	(44.8)
Disposals	-	1.6	12.1	2.2	-	15.9
At 30 December 2023	(12.7)	(39.0)	(134.8)	(155.1)	-	(341.6)
Net book value at 30 December 2023	64.3	82.8	96.3	152.1	61.4	456.9
Net book value at 24 December 2022	62.3	73.7	73.4	129.6	59.7	398.7

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

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.

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

Right-of-use assets	30 December 2023 £m	24 December 2022 £m
Property	591.7	565.6
Vehicles, plant & machinery	56.2	48.7
	647.9	614.3
Additions to right-of-use assets in the period	122.9	141.6

Lease liabilities	30 December 2023 £m	24 December 2022 £m
Current	(85.3)	(95.3)
Non-current	(599.2)	(570.0)
	(684.5)	(665.3)

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Notes to the consolidated financial statements continued

Operating assets and liabilities continued

Amounts recognised in the income statement

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Included in net operating expenses		
Depreciation of right-of-use assets:		
- property	72.7	65.4
- vehicles, plant & machinery	17.8	16.3
Impairment and net gain on lease termination	(0.4)	(0.9)
Total - recognised in net operating costs	90.1	80.8
Expense relating to short-term leases	4.8	5.4
Variable lease payments, not included in the measurement of lease liabilities	2.6	2.9
Included in finance costs		
Interest expense on lease liabilities	16.8	13.1

Cash flows and maturity analysis of lease liabilities

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Total cash outflow for leases	121.8	79.2

Property leases are paid on the rent 'quarter days', which are 25 December, 25 March, 24 June and 29 September. Our 2022 financial year started on 26 December 2021, which means that there were only three rent payments in that year, whereas the 2023 financial year contained 5 quarter days and 5 rent payments.

	30 December 2023 £m	24 December 2022 £m
Maturity analysis of lease liabilities		
Contractual undiscounted cashflows due		
- within 1 year	102.9	109.9
- 1 to 5 years	316.5	285.4
- more than 5 years	382.6	371.6
	802.0	766.9

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.

	30 December 2023 £m	24 December 2022 £m
Raw materials	28.0	24.3
Work in progress	9.5	6.2
Finished goods and goods for resale	394.9	396.3
Allowance against carrying value of inventories	(49.6)	(53.5)
	382.8	373.3

The aggregate carrying amount of specific inventories against which allowances have been made is given below:

	2023		2022	
	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	338.3	-	323.3	-
Stock with an allowance	94.1	(49.6)	103.5	(53.5)
	432.4	(49.6)	426.8	(53.5)

Financial Statements

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

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

	30 December 2023 £m	24 December 2022 £m
Trade receivables (net of allowance)	159.5	173.5
Prepayments	29.2	55.2
Other receivables	5.8	4.6
	194.5	233.3

An analysis of the Group's allowance for expected credit losses on debtors is as follows:

	30 December 2023 £m	24 December 2022 £m
Balance at start of period	17.6	15.8
Acquired with subsidiary	-	0.2
Increase in allowance recognised in the income statement	0.4	1.6
Balance at end of period	18.0	17.6

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 £10.2m of debts in the period (2022: £7.9m). Included within our aggregate trade receivables balance are specific debtor balances with customers totalling £46.1m before allowance for expected credit losses (2022: £44.7m 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.

An ageing analysis of these past due trade receivables is as follows:

	30 December 2023 £m	24 December 2022 £m
1-30 days past due	21.4	22.6
31-60 days past due	6.8	6.1
61-90 days past due	3.9	3.8
90+ days past due	14.0	12.2
Total overdue amounts, excluding allowance for doubtful receivables	46.1	44.7

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. 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.

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	30 December 2023 £m	24 December 2022 £m
Trade payables	174.5	189.5
Other tax and social security	70.4	91.9
Other payables	29.8	37.2
Accruals and deferred income	98.5	115.3
	373.2	433.9

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 53 days (2022: 55 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.

Notes to the consolidated financial statements continued

Operating assets and liabilities continued

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	Other £m	French post-employment benefits £m	Total £m
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	-	0.3	16.5
Additional provision in the period	1.5	4.0	0.2	-	5.7
Provision released in the period	(1.6)	-	-	-	(1.6)
Utilisation of provision in the period	(1.1)	(7.0)	-	-	(8.1)
At 30 December 2023	3.8	8.2	0.2	0.3	12.5
Presented as current liabilities	3.1	6.4	-	-	9.5
Presented as non-current liabilities	0.7	1.8	0.2	0.3	3.0
At 30 December 2023	3.8	8.2	0.2	0.3	12.5

The basis of the allocation is outlined for each type of provision, below.

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.

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.

Other

Other miscellaneous small amounts.

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 assumed that the whole of this provision is non-current.

Capital structure and risk

16 Share capital and reserves

Ordinary shares of 10p each:	30 December 2023 No.	52 weeks to 24 December 2022 No.	30 December 2023 £m	52 weeks to 24 December 2022 £m
Allotted, called up and fully paid				
Balance at the beginning of the period	560,916,049	597,573,827	56.1	59.8
Bought back and cancelled during the period	(7,324,329)	(36,657,778)	(0.7)	(3.7)
Balance at the end of the period	553,591,720	560,916,049	55.4	56.1

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 capital redemption reserve represents the nominal value of share capital bought back and cancelled. The share premium reserve represents the premium above nominal value for any shares sold. The ESOP reserve relates to share-based payments and is explained at the foot of the statement of changes in equity. 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.

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Notes to the consolidated financial statements continued

Capital structure and risk continued

17 Dividends

Amounts recognised as distributions to equity holders in the period:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Final dividend for the 52 weeks to 25 December 2021 - 15.2p/share	-	88.9
Interim dividend for the 52 weeks to 24 December 2022 - 4.7p/share	-	26.1
Final dividend for the 52 weeks to 24 December 2022 - 15.9p/share	87.8	-
Interim dividend for the 53 weeks to 30 December 2023 - 4.8p/share	26.3	-
	114.1	115.0

Dividends proposed at the end of the period (but not recognised in the period):

	53 weeks to 30 December 2023 £m
Proposed final dividend for the 53 weeks to 30 December 2023 - (16.2p/share)	88.4

The Directors propose a final dividend in respect of the 53 weeks to 30 December 2023 of 16.2p per share, payable to ordinary shareholders who are on the register of shareholders at 12 April 2024, and payable on 24 May 2024.

The proposed final dividend for the current period is subject to the approval of the shareholders at the 2024 Annual General Meeting, and has 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 24 December 2022	308.0	-	308.0
Cash flow	(25.2)	-	(25.2)
At 30 December 2023	282.8	-	282.8

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:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Opening balance	(665.3)	(591.2)
Cash movement: repayment of principal on lease liabilities	105.0	66.1
Cash movement: lease interest paid	16.8	13.1
Non cash movement: net additions to lease liabilities	(141.0)	(153.3)
Closing balance	(684.5)	(665.3)

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 30 December 2023, the full £150m of the facility was available in addition to the Group's cash 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, from time to time, 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

	30 December 2023 £m	24 December 2022 £m
Financial assets (current and non-current)		
Trade receivables	159.5	173.5
Cash and cash equivalents	282.8	308.0
Financial liabilities (current and non-current)		
Trade payables	174.5	189.5

Financial Statements

Notes to the consolidated financial statements continued

Capital structure and risk continued

(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:

	30 December 2023 £m	24 December 2022 £m
Trade receivables (net of allowance)	159.5	173.5
Cash	282.8	308.0
Total credit risk exposure	442.3	481.5

(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:

	30 December 2023 £m	24 December 2022 £m
Euro		
Trade receivables	8.4	9.4
Other receivables	3.1	3.9
Cash and cash equivalents	57.7	56.7
Trade payables	(35.4)	(43.4)
Other payables	(4.6)	(7.3)
	29.2	19.3
US Dollar		
Other receivables	-	1.1
Cash and cash equivalents	19.7	25.3
Trade payables	(0.8)	(1.1)
	18.9	25.3
TOTAL	48.1	44.6

Interest rate risk

The Group does not have any significant exposure to interest rate risk.

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Notes to the consolidated financial statements continued

Capital structure and risk continued

(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 (2022: increase by £0.6m).

For a decrease of 50 basis points, the current year figures would decrease by £0.9m (2022: decrease by £0.6m).

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.

	30 December 2023 £m	24 December 2022 £m
10% weakening of Sterling to Euro	3.2	2.1
10% strengthening of Sterling to Euro	(2.7)	(1.7)
10% weakening of Sterling to US dollar	2.1	2.8
10% strengthening of Sterling to US dollar	(1.7)	(2.3)

Employees

21 Staff costs and number of employees

The aggregate payroll costs of employees, including executive directors, were:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Wages and salaries	(561.4)	(536.3)
Social security costs	(49.8)	(47.8)
Pension operating costs (note 22)	(44.8)	(40.0)
	(656.0)	(624.1)

Wages and salaries includes a charge in respect of share-based payments of £6.0m (2022: £7.3m).

The average monthly number of persons (including executive directors) employed by the Group during the period was as follows:

	53 weeks to 30 December 2023 No.	52 weeks to 24 December 2022 No.
UK depots, support and administration	9,417	9,581
Manufacturing and logistics	2,288	2,262
International	707	565
	12,412	12,408

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.

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Notes to the consolidated financial statements continued

Employees continued

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 surplus as the trustee does not have the unilateral power to either enhance member benefits or to wind up the scheme and distribute any surplus to members and therefore any surplus remaining once the final scheme benefits are paid to members would be returned to the Group under scheme rules.

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.

The Group determines the net interest on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset). Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

(a) Overview of all retirement benefit arrangements

Defined contribution plans

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.

There is also a defined contribution plan relating to the defined benefit plan described below. This plan closed at the same time as the defined benefit plan and the company had no further cost obligations after it closed.

The total cost charged to income in respect of defined contribution pensions in the current period of £42.5m (2022: £37.6m) This represents the Group's contributions due and payable in respect of the period, as was also the case in the previous 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.

Examples of interest rate risk are that a decrease in corporate bond yields increases the present value of the defined benefit obligations, and 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 (i.e. that 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.

A description of how the plan's asset allocation strategy seeks to address some of these risks is given below in the 'Asset allocation' section.

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 is determined by a qualified actuary using the projected unit method. The most recent completed actuarial valuation was carried out at 5 April 2023 by the plan actuary. The actuary advising the Group has subsequently rolled forward the results of the 5 April 2023 valuation to 30 December 2023. 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 30 December 2023. We are using CMI 2022 mortality tables, being the most recent tables available.

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 £1m per month until 31 May 2026, if the plan is underfunded on the Technical Provisions ('TP') basis. Under the agreement, the scheme's funding position is monitored on a monthly basis and deficit contributions are suspended if the scheme's funding position is 100% or greater as at the last working day of two consecutive months on a 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 Group's estimated total cash contributions to the defined benefit plan in the 52 weeks ending 28 December 2024 are £12.2m. This figure allows for additional deficit contributions for the whole of 2024 at the maximum rate of £1m per month. As noted in the paragraph above, additional deficit contributions may cease and recommence during the year, depending on the scheme's funding position.

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 £12.6m. 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 £9.1m, this estimate being based on an approximate roll-forward of the 2023 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.

(b) Total amounts charged in respect of pensions in the period

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Charged to the income statement:		
Defined benefit plan - administration cost	2.3	2.4
Defined benefit plan - total service cost	2.3	2.4
Defined benefit plan - net finance charge/(credit)	1.3	(2.7)
Defined contribution plans - total operating charge	42.5	37.6
Total net amount charged to profit before tax	46.1	37.3
Charged to equity:		
Defined benefit plan - actuarial (gains)/losses	(13.3)	183.0
Total charge/(credit)	32.8	220.3

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Notes to the consolidated financial statements continued

Employees continued

(c) Other information - defined benefit pension plan

Key assumptions used in the valuation of the plan

	53 weeks to 30 December 2023	52 weeks to 24 December 2022
Discount rate	4.55%	4.70%
Inflation assumption - RPI	3.05%	3.15%
Inflation assumption - CPI	2.60%	2.70%
Rate of increase of pensions in deferment capped at lower of CPI and 5%	2.60%	2.70%
Rate of CARE revaluation capped at lower of RPI and 3%	2.40%	2.45%
Rate of increase of pensions in payment:		
- pensions with increases capped at lower of CPI and 5%	2.60%	2.65%
- pensions with increases capped at lower of CPI and 5%, with a 3% minimum	3.40%	3.45%
- pensions with increases capped at the lower of LPI and 2.5%	2.15%	2.15%
- pensions with increases capped at the lower of CPI and 3%	2.20%	2.25%
Life expectancy (years): pensioner aged 65		
- male	85.7	86.6
- female	88.0	88.4
Life expectancy (years): non-pensioner aged 45		
- male	86.7	87.6
- female	89.6	90.2

Sensitivities

	Present value of scheme liabilities at 30 December 2023 £m	Projected 2024 pension cost		
		Total service cost £m	Net interest (credit)/cost £m	Net pension (credit)/expense £m
Assumption				
Current valuation, using the assumptions above	914	2.1	0.3	2.4
0.5% decrease in discount rate	979	2.1	2.9	5.0
0.5% increase in inflation	945	2.1	1.7	3.8
1 year increase in longevity	946	2.1	1.7	3.8

The sensitivities above are applied to the defined benefit obligation at the end of the reporting period, and the projected total service cost for 2024. 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 by 0.25% or up by 1% in a linear manner would give materially correct results.

Analysis of plan assets

	30 December 2023		24 December 2022	
	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
LDI*				
- fixed income	282.9	-	270.0	-
- derivatives	20.5	-	(268.7)	-
- cash	12.7	-	172.8	-
Equities				
- passive equities	-	49.8	-	-
Private equity	-	-	-	0.6
Alternative growth assets				
- fund of hedge funds	-	-	-	152.4
- absolute return fund	-	-	1.0	-
Insurance-linked securities	-	70.8	-	105.2
Corporate bonds	0.1	-	1.8	-
Commercial property funds	-	233.4	7.7	239.9
Other secure income	60.0	161.9	1.2	179.3
Asset-backed securities	0.5	-	0.5	-
Cash and cash equivalents	8.3	-	25.3	-
Total	385.1	515.9	211.6	677.4

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.

* LDI - Liability Driven Investments - is a portfolio of investments chosen with the aim that its value is expected to move in line with movements in the value of the underlying liabilities. The LDI portfolio can include a variety of investments, the simplest being conventional and index-linked gilts with appropriate maturities. LDI portfolios often use a degree of leverage to achieve the same aim but to allow more return-seeking assets to be invested in at the same time. Derivatives and repurchase agreements are the main tools used to employ leverage.

Valuation of plan assets

All of the quoted assets have a daily price, and therefore are valued using market prices within one day of our Saturday year end date.

Unquoted investments are stated at values provided by the fund manager in accordance with relevant guidance. Some of the unquoted funds 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, 13% of the unquoted assets are valued based on a valuation from the fund manager within one day of our year end date, and a further 22% are valued at 30 November 2023, adjusted for cash movements and rolled forwards using a suitably-correlated index if one is available. The fund managers' 31 December 2023 valuations for the remaining 65% of unquoted assets, which have a carrying value of £303.1m at the current period end, are not available until after these consolidated financial statements are prepared and so the only available valuations for these funds at the current year end is the 30 September 2023 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.

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Asset allocation

The plan's asset allocation strategy, as set out in the plan's August 2023 Statement of Investment Principles, is set out below:

The Plan's asset allocation strategy was determined with regard to the characteristics of the Plan, in particular the funding level, the liability profile, the security offered by Howden Joinery Group plc to the Plan and the ability of Howden Joinery Group plc to meet the required contributions. The objective is to reduce risk as the funding level improves, using an approach based upon the expected returns (and risk) relative to the Plan's liabilities. This involves considering the Plan's assets as either 'return seeking' or 'risk-reducing'.

'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 government or corporate bonds and other financial instruments such as interest rate and inflation swaps, credit default swaps and cash.

The Plan will initially have asset allocations as set out below but over time will move towards the target weight (particularly as the Secure Income assets return capital over the coming years).The plan's accounts explains these classes of assets as follows:

Asset class

	Initial weighting %	Target weighting %	Range %
RETURN-SEEKING ASSETS	65	60	50-70
- Global equities	5	5	0-10
- Absolute return	7	7	2-12
- Multi-asset credit	3	8	0-13
- Secure income assets	50	40	30-50
RISK-REDUCING ASSETS	35	40	30-50

The Risk-Reducing Assets will be initially structured to target interest rate and inflation hedge ratios of 65% (as a proportion of funded liabilities), measured on the Plan's long term liability basis. This section of the portfolio also provides exposure to credit markets via credit default swaps.

The level of liability hedging will increase over time as the Secure Income assets return capital and the overall liquidity of the portfolio is able to support higher hedging levels.

The Trustee will monitor the actual asset allocation versus the target weightings and the ranges at regular intervals. The Trustee recognises that from time to time the actual asset allocation may move outside the ranges due to market movements and will consider whether to rebalance back to the target weightings, taking into account current market conditions and medium-term market views.

Analysis of plan members, scheme liability split and duration

	2023[1] No. of members	2023[1] % of total liability	2023[1] Duration (years)
Deferred members	5,905	52%	17
Pensioners	4,428	48%	11
Total No./average duration	10,333	100%	14

1 The membership figures are as given in the plan accounts and are as at 31 March 2023, 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 year end.

	2022[2] No. of members	2022[2] % of total liability	2022[2] Duration (years)
Deferred 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 audited pension plan accounts. The duration and % of liability figures are as calculated by the Group's actuary as at the Group's year end.

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:

	30 December 2023 £m	24 December 2022 £m
Present value of defined benefit obligations	(913.6)	(930.5)
Fair value of scheme assets	901.0	889.0
Deficit in the scheme, recognised in the balance sheet	(12.6)	(41.5)

Movements in the present value of defined benefit obligations were as follows:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Present value at start of period	930.5	1,512.5
Administration cost	2.3	2.4
Interest on obligation	42.8	28.3
Actuarial losses/(gains):		
- changes in financial assumptions	14.2	(622.8)
- changes in demographic assumptions	(26.5)	(3.5)
- experience	(9.2)	55.8
Benefits paid, including expenses	(40.5)	(42.2)
Present value at end of period	913.6	930.5

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Notes to the consolidated financial statements continued

Employees continued

Movements in the fair value of the plan's assets is as follows:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Fair value at start of period	889.0	1,653.3
Interest income on plan assets	41.5	31.0
Employer contributions	19.2	0.4
(Loss)/return on assets excluding amounts included in net interest	(8.2)	(753.5)
Benefits paid, including expenses	(40.5)	(42.2)
Fair value at end of period	901.0	889.0

Movements in the deficit during the period are as follows:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Deficit at start of period	(41.5)	140.8
Administration cost	(2.3)	(2.4)
Employer contributions	19.2	0.4
Other finance (charge)/income	(1.3)	2.7
Total remeasurements recognised in other comprehensive income	13.3	(183.0)
Deficit at end of period	(12.6)	(41.5)

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:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Current service cost	-	-
Administration cost	2.3	2.4
Total pensions cost	2.3	2.4

The total pensions cost is included in Staff Costs (note 21).

Amount credited to other finance income or expense:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Interest income on plan assets	(41.5)	(31.0)
Interest cost on defined benefit obligation	42.8	28.3
Net finance expense/(income)	1.3	(2.7)

The actual return on plan assets was a gain of £33.5m (52 weeks to 24 December 2022: loss of £722.5m).

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:

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Actuarial loss on plan assets	(8.2)	(753.5)
(Increase)/decrease in plan liabilities due to financial assumptions	(14.2)	622.8
Decrease/(increase) in plan liabilities due to experience	9.2	(55.8)
Decrease in plan liabilities due to demographic assumptions	26.5	3.5
Net actuarial gain/(loss) before associated deferred tax	13.3	(183.0)

23 Share-based payments

Accounting policy

The Group issues equity-settled share-based payments as employee incentives. 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 £6.0m (2022: charge of £7.3m) 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 usually 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	2013
Vesting based on growth in profits - from year ended December	2012
- to year ended December	2015
Award vests at 25% if profits over the vesting period grow by	6%
Award vests at 100% if profits over the vesting period grow by	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 grew by a figure between the upper and lower thresholds for each year, the award vested on a sliding scale.

(iii) **Performance Share Plan**, the vesting period for which is normally 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 in the	Upper quartile	Upper quartile	Upper quartile
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%

Date of award	2023
Performance Conditions:	
Total shareholder returns (the 'TSR tranche') represents the following proportion of the Award:	20%
- TSR tranche vests at 15% if the Company is ranked compared to comparators at	Equal to median
- TSR tranche vests at 100% if the Company is ranked compared to comparators in the	Upper quartile
The TSR tranche Performance Period is from year ended December 2022 to year ended December 2025.	
Growth in pre-exceptional profit before tax (PBT) (the 'PBT tranche') represents the following proportion of the Award:	60%
- PBT tranche vests at 15% if PBT for year ended 2025 is	£400m
- PBT tranche vests at 100% if PBT for year ended 2025 is	£484m
The PBT tranche Performance Period is from year ended December 2022 to year ended December 2025.	
Return on capital employed (ROCE) (the 'ROCE tranche') represents the following proportion of the Award:	10%
- ROCE tranche vests at 15% if ROCE over the Performance Period is	25%
- ROCE tranche vests at 100% if ROCE over the Performance Period is	30%
The ROCE tranche Performance Period is from year ended December 2022 to year ended December 2025.	
Environmental measures (together, the 'Env. tranche') represent the following proportion of the Award:	10%
- Reducing Scope 1 and Scope 2 carbon emissions relative to PBT performance:	
7.5% of the Env. tranche will vest if carbon emissions between 31 December 2021 and 31 December 2025 are reduced by	4.0%
33.3% of the Env. tranche will vest if carbon emissions between 31 December 2021 and 31 December 2025 are reduced by	4.2%
- Reducing UK Primary fleet emissions:	
7.5% of the Env. tranche will vest if Primary fleet emissions are reduced between 25 December 2021 and 27 December 2025 by	12%
33.3% of the Env. tranche will vest if Primary fleet emissions are reduced between 25 December 2021 and 27 December 2025 by	15%
- Achieving carbon neutral status across manufacturing sites:	
This portion of the Env. tranche will not vest where only the following number of sites achieve carbon neutral status by 31 December 2025	Two sites
33.3% of the Env. tranche will vest where the following number of sites achieve carbon neutral status by 31 December 2025	Four sites
- A target 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 the Env. tranche.	

Vesting under the various measures above is determined on a straight-line basis between threshold and maximum payout.

(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.

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Employees continued

2) Movements in the period

53 weeks to 30 December 2023	SIP (i) Number	LTIP (i) Number	LTIP (iii) Number	LTIP (iv) Number
In issue at start of period	2,073,661	382,200	3,066,207	-
Granted in period	393,295	105,000	953,327	12,854
Lapsed in period	(74,665)	(25,423)	(777,627)	-
Exercised in period	(467,695)	-	(448,629)	-
In issue at end of period	1,924,596	461,777	2,793,278	12,854
Exercisable at end of period	1,009,826	-	67	-
Number of options in the closing balance granted before 7 November 2002	12,692	-	-	-
Weighted average share price for options exercised during the period (£)	6.96	N/A	7.37	N/A
Weighted average life remaining for options outstanding at the period end (years)	1.0	1.8	1.3	0.6
Weighted average fair value of options granted during the period (£)	7.03	6.70	5.70	7.05
Exercise price for all options (£)	0.00	0.00	0.00	0.00

	LTIP (ii) Number	WAEP[1] (£)	SIP (iii) Number
In issue at beginning of period	240,346	3.48	79,271
Granted in period	-	N/A	58,928
Lapsed in period	-	N/A	(29,814)
Exercised in period	(139,447)	3.26	(1,644)
In issue at end of period	100,899	3.79	106,741
Exercisable at end of period	100,899	3.79	-
Number of options in the closing balance granted before 7 November 2002	-	-	-
Weighted average share price for options exercised during the period (£)	7.11	-	6.87
Weighted average life remaining for options outstanding at the period end (years)	-	-	1.9
Weighted average fair value of options granted during the period (£)	N/A	-	7.04
Exercise price for all options (£)	3.79	-	-

1 Weighted Average Exercise Price.

52 weeks to 24 December 2022	SIP (i) Number	LTIP (i) Number	LTIP (iii) Number	LTIP (iv) Number
In issue at start 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)	1.27	2.73	1.41	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)	0.00	-	2.42
Weighted average fair value of options granted during the period (£)	N/A	-	6.50
Exercise price for all options (£)	2.38 to 3.79	-	0.00

3) Fair value of options granted

The fair value of most of the share awards is considered to be the market value of the potential shares awarded, at market close on the day before the grant of the award.

The fair value of the Performance Share Plan ('LTIP (iii) above) awards granted is estimated on the date of grant using a Monte Carlo option valuation model.

The key assumptions used in this model were:

	53 weeks to 30 December 2023	52 weeks to 24 December 2022
Dividend yield (%)	3.4	1.8 to 3.4
Expected life of options (years)	3	3
Expected share price volatility (%)	30.5	32.2 to 32.3

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Other supporting notes

24 Financial commitments

Capital commitments

	30 December 2023 £m	24 December 2022 £m
Contracted for, but not provided for in the financial statements:		
- Tangible assets	15.2	16.1
- Intangible assets - software	-	0.7
	15.2	16.8

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.

	30 December 2023 £m	24 December 2022 £m
Short-term employment benefits	10.2	10.5
Termination benefits	0.5	0.8
Share-based payments	2.3	4.2
	13.0	15.5

Other transactions with key management personnel

There were no other transactions with key management personnel.

Company balance sheet

	Notes	30 December 2023 £m	24 December 2022 £m
Non-current assets			
Investments in subsidiaries	3	699.0	699.0
Property, plant and equipment	6	37.4	-
Lease right-of-use assets	5	179.1	175.5
Amounts owed by wholly-owned subsidiary companies		69.4	103.3
Deferred tax assets		0.9	1.0
Prepaid credit facility fees		0.7	1.0
		986.5	979.8
Current assets			
Other debtors		0.3	9.9
Cash and cash equivalents		-	218.2
		0.3	228.1
Total assets		986.8	1,207.9
Current liabilities			
Lease liabilities	5	(6.8)	(10.2)
Trade and other payables		(0.4)	-
Amounts owed to wholly-owned subsidiary companies		-	(326.8)
		(7.2)	(337.0)
Non-current liabilities			
Lease liabilities	5	(197.1)	(192.1)
Total liabilities		(204.3)	(529.1)
Net assets		782.5	678.8
Equity			
Called up share capital	6	55.4	56.1
Capital redemption reserve		9.8	9.1
Share premium		87.5	87.5
Treasury shares		(24.0)	(25.5)
Retained earnings		653.8	551.6
Total equity		782.5	678.8

The Company profit after tax for the 53 weeks to 30 December 2023 was £266.2m (52 weeks to 24 December 2022: profit after tax of £293.8m).

The financial statements were approved by the Board and authorised for issue on 28 February 2024 and were signed on its behalf by

Paul Hayes
Chief Financial Officer

For and on behalf of Howden Joinery Group Plc, registered number 02128710

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 25 December 2021	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
Retained profit for the period	-	-	-	-	266.2	266.2
Buyback and cancellation of shares	(0.7)	0.7	-	-	(50.0)	(50.0)
Transfer of shares from treasury into share trust	-	-	-	1.5	-	1.5
Dividends declared and paid	-	-	-	-	(114.1)	(114.1)
At 30 December 2023	55.4	9.8	87.5	(24.0)	653.8	782.5

	30 December 2023 £m
The Company's distributable reserves at period end are:	
Retained earnings	653.8
Treasury shares	(24.0)
Distributable reserves	629.8

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 53 weeks to 30 December 2023. The comparative period covered the 52 weeks to 24 December 2022.

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;
- 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.

Other accounting policies

The Company's accounting policies are the same as those for the Group, which are disclosed as part of the relevant notes to the Group consolidated financial statements.

2 Profit and loss account information

The Company has no employees (2022: none). Directors' emoluments and 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 and prior periods.

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Notes to the Company financial statements continued

3 Investments in subsidiaries

	Total £m
Cost and carrying value:	
At 24 December 2022 and 30 December 2023	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 of 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.

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. Net expenses payable by the Company to companies outside the 100%-owned Group are in excess of this interest income. It is therefore considered that the market capitalisation of the Group, which was significantly excess of the carrying value of the investment in subsidiaries at both the current and prior period end, is a useful proxy for the net present value in use of expected future cashflows from the investment, and that therefore there is no indicator of any impairment in the Company's investment in subsidiaries.

Details of all Group subsidiaries are given on page 212.

4 Property, plant and equipment

	Leasehold property improvements £m	Assets under construction £m	Total £m
Cost			
At 25 December 2021 and 24 December 2022	-	-	-
Additions	44.6	1.7	46.3
At 30 December 2023	44.6	1.7	46.3
Accumulated depreciation			
At 25 December 2021 and 24 December 2022	-	-	-
Charge for the period	(8.9)	-	(8.9)
At 30 December 2023	(8.9)	-	(8.9)
Net book value at 30 December 2023	35.7	1.7	37.4
Net book value at 24 December 2022	-	-	-

5 Lease right-of-use assets and lease liabilities

Nature of the Company's leasing activities

The Company is the signatory for leases relating to factory, warehouse and office properties which are used by other Group companies.

Amounts recognised in the balance sheet

Right-of-use assets	30 December 2023 £m	24 December 2022 £m
Property	179.1	175.5
Additions to right-of-use assets in the period	12.9	3.1

	30 December 2023 £m	24 December 2022 £m
Lease liabilities		
Current	(6.8)	(10.2)
Non-current	(197.1)	(192.1)
	(203.9)	(202.3)

Amounts recognised in the income statement

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Included in net operating expenses		
Depreciation of property right-of-use assets	8.6	7.9
Included in finance costs		
Interest expense on lease liabilities	4.6	4.5

Cash flows and maturity analysis of lease liabilities

	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Total cash outflow for leases	14.7	8.7

Maturity analysis of lease liabilities	30 December 2023 £m	24 December 2022 £m
Contractual undiscounted cashflows due		
- within 1 year	11.1	14.6
- 2 to 5 years	46.7	42.7
- more than 5 years	204.5	204.6
	262.3	261.9

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Notes to the Company financial statements continued

6 Share capital

Ordinary shares of 10p each:	53 weeks to 30 December 2023 No.	52 weeks to 24 December 2022 No.	53 weeks to 30 December 2023 £m	52 weeks to 24 December 2022 £m
Allotted, called up and fully paid				
Balance at the beginning of the period	560,916,049	597,573,827	56.1	59.8
Bought back and cancelled during the period	(7,324,329)	(36,657,778)	(0.7)	(3.7)
Balance at the end of the period	553,591,720	560,916,049	55.4	56.1

Additional Information

Additional Information

Parent company and all subsidiary undertakings

At 30 December 2023

	Country of registration or incorporation	Registered office
Parent company		
Howden Joinery Group Plc	England and Wales	105 Wigmore Street, London, England, W1U 1QY
All subsidiary undertakings		
Intermediate Holding Companies:		
Howden Joinery Holdings Limited	England and Wales	105 Wigmore Street, London, W1U 1QY
Howden Joinery International Holdings Limited	England and Wales	105 Wigmore Street, London, W1U 1QY
Trading:		
Howden Joinery Limited	England and Wales	105 Wigmore Street, London, W1U 1QY
Howdens Cuisines SAS	France	1 Rue Calmette, ZA Du Bois Rigault Nord, 62880 Vendin-Le-Vieil
Howdens Cuisines SRL	Belgium	Rue du Cerisier 05-12, 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	105 Wigmore Street, London, W1U 1QY
Property Management:		
Howden Joinery Properties Limited	England and Wales	105 Wigmore Street, London, W1U 1QY
Howden Kitchens Properties Limited	England and Wales	105 Wigmore Street, London, W1U 1QY
Administration and Employee Services:		
Howden Joinery Corporate Services Limited	England and Wales	105 Wigmore Street, London, W1U 1QY
Howden Joinery People Services Limited	England and Wales	105 Wigmore Street, London, W1U 1QY
Dormant:		
Howden Kitchens Limited	England and Wales	105 Wigmore Street, London, W1U 1QY
Foreign Company Registrations:		
Howden Joinery Limited	Isle of Man	33-37 Athol Street, Douglas, Isle of Man, IM1 1LB
Howden Joinery Limited	Jersey	105 Wigmore Street, London, W1U 1QY
Howden Joinery Properties Limited	Isle of Man	33-37 Athol Street, Douglas, Isle of Man, IM1 1LB

Five year record

	December 2023 52 weeks £m	December 2022 52 weeks £m	December 2021 52 weeks £m	December 2020 52 weeks £m	December 2019 52 weeks £m
Summarised Income Statement					
Revenue	2,310.9	2,319.0	2,093.7	1,547.5	1,583.6
Operating Profit	340.2	415.2	401.7	195.7	260.0
Profit before tax	327.6	405.8	390.3	185.3	260.7
Full year dividend per share (pence)[1]	21.0	20.6	19.5	18.2	3.9
Basic EPS (pence)	46.5	65.8	53.2	24.9	35.0
Summarised Balance Sheet					
Non-current assets excluding leases and pension	516.8	471.5	332.1	290.7	251.7
Non-current lease right-of-use assets	647.9	614.3	555.8	544.2	-
Inventories	382.8	373.3	301.6	255.0	231.8
Receivables (including tax)	234.2	265.6	205.8	166.6	193.1
Payables and provisions	(389.0)	(454.2)	(468.7)	(338.2)	(272.2)
Pension (liability)/asset	(12.6)	(41.5)	140.8	(47.7)	(56.6)
Total lease liabilities	(684.5)	(665.3)	(591.2)	(580.5)	-
	(469.1)	(522.1)	(411.7)	(544.8)	96.1
Net cash & short-term investments	282.8	308.0	515.3	430.7	267.4
Total net assets	978.4	871.7	991.5	720.8	615.2
Number of depots at end of year					
UK	840	808	778	748	732
France & Belgium	65	60	40	30	27
Republic of Ireland	10	5	-	-	-
TOTAL	915	873	818	778	759
Capital expenditure	119	141	86	70	61

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.

Additional Information

Shareholder and share capital information

Annual General Meeting

The 2024 Annual General Meeting ('AGM') will be held at Freshfields Bruckhaus Deringer LLP, 100 Bishopsgate, London, EC2P 2SR on 2 May 2024 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 2023 final dividend payment being approved by shareholders at the AGM on 2 May 2024, the following timetable will apply:

2023 Final Dividend	
Ex-Dividend date	11 April 2024
Record Date	12 April 2024
Payment Date	24 May 2024

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 30 December 2023, the Company had only fully paid up ordinary 10 pence shares in issue ('Shares'). Below sets out the share capital position at 30 December 2023 and at 24 December 2022:

		Number of Shares	
	% change	30 Dec 2023	24 Dec 2022
Total Shares in issue	(1.31)%	553,591,720	560,916,049
Treasury Shares	(6.10)%	4,918,375	5,237,907
Shares with voting rights	(1.26)%	548,673,345	555,678,142

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 30 December 2023, 0.89% of the Company's issued share capital was held in Treasury, 0.26% was held by Directors, persons discharging managerial responsibility (PDMRs), or connected persons of those Directors or PDMRs, 0.25% was held in employee share trusts (excluding any allocated shares which are not forfeitable), and none was held by major shareholders (those who have declared holdings above 5%).

Free float shares therefore accounted for 98.6% of the Company's issued share capital at the 30 December 2023.

Acquisition of the Company's own shares

During 2023, the Company repurchased and cancelled just over 7.32 million shares worth a total of £50m under its 2023 share repurchase programme. The repurchased shares represented a nominal value of over £732,000 and equated to 1.3% 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 page 32 for more information) the Company returns surplus capital to shareholders. In 2023, the Board considered that a share buy back programme, in addition to paying a dividend, was 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 4 May 2023, the Directors were granted authority by shareholders to purchase up to 55,455,816 of the Company's ordinary shares through the market[1]. The authority expires at the conclusion of the 2024 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 28 February 2024, the Company had been notified, in accordance with Rule 5 of the Disclosure and Transparency Rules, of the following voting rights held by a shareholder of the Company:

Substantial Shareholder	% of total voting rights	Date of last notification
BlackRock, Inc	Below 5%[3]	13 October 2023

The percentage interest is as stated by the shareholder at the time of notification and current interests may vary.

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 70 and in note 19 on page 187). 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 2 November 2023 for the financial year ended 30 December 2023:

"Given the Group's continued resilient trading, the Board maintains its full year expectations for 2023, but recognising a more uncertain macro-economic outlook this is expected to be towards the lower end of the range of analysts' consensus forecasts."

A footnote to the statement above read:

"2023 Full Year Profit Before Tax (PBT) consensus published on the Company's website is an average of £346m with a range of £330m to £365m."

The actual Group profit before tax figure for the period ended 30 December 2023 is set out in the consolidated income statement on page 162.

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.

3 BlackRock, Inc previously held 5.02% and notified the Company on falling below the 5% threshold.

Additional Information

Shareholder ranges as at 30 December 2023

	Number of holders	Number of shares	Percentage of holders	Percentage of shares
Corporate holders				
0 to 1,000	59	23,160	0.87	0.00
1,001 to 5,000	81	206,300	1.20	0.04
5,001 to 10,000	40	307,235	0.59	0.06
10,001 to 50,000	131	3,374,415	1.94	0.61
50,001 to 100,000	65	4,794,872	0.96	0.87
100,001 to 250,000	115	18,360,299	1.70	3.32
Over 250,000	211	519,741,201	3.12	93.87
	702	546,807,482	10.38	98.77
Individual holders				
0 to 1,000	4,933	1,728,901	72.90	0.31
1,001 to 5,000	965	2,190,971	14.26	0.40
5,001 to 10,000	102	723,528	1.51	0.13
10,001 to 50,000	59	1,112,255	0.87	0.20
50,001 to 100,000	3	211,989	0.04	0.04
100,001 to 250,000	1	124,594	0.01	0.02
Over 250,000	2	693,000	0.03	0.13
	6,065	6,785,238	89.62	1.23
Total	**6,767**	**553,592,720**	**100.00**	**100.00**

Corporate timetable

2024	
Trading update	30 April
Annual General Meeting	2 May
Half-Yearly Report	25 July
Trading update	7 November
End of financial year	28 December

Advisors and registered office

Principal Banker

Lloyds

25 Gresham Street
London
EC2V 7HN

Joint Financial Advisers and Stockbrokers

Deutsche Numis Securities

45 Gresham Street
London
EC2V 7BF

Barclays

1 Churchill Place
Canary Wharf
London
E14 5HP

Solicitors

Freshfields Bruckhaus Deringer

100 Bishopsgate
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Auditor

KPMG

15 Canada Square
London
E14 5GL

Registrar

Equiniti

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Lancing
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Registered Office

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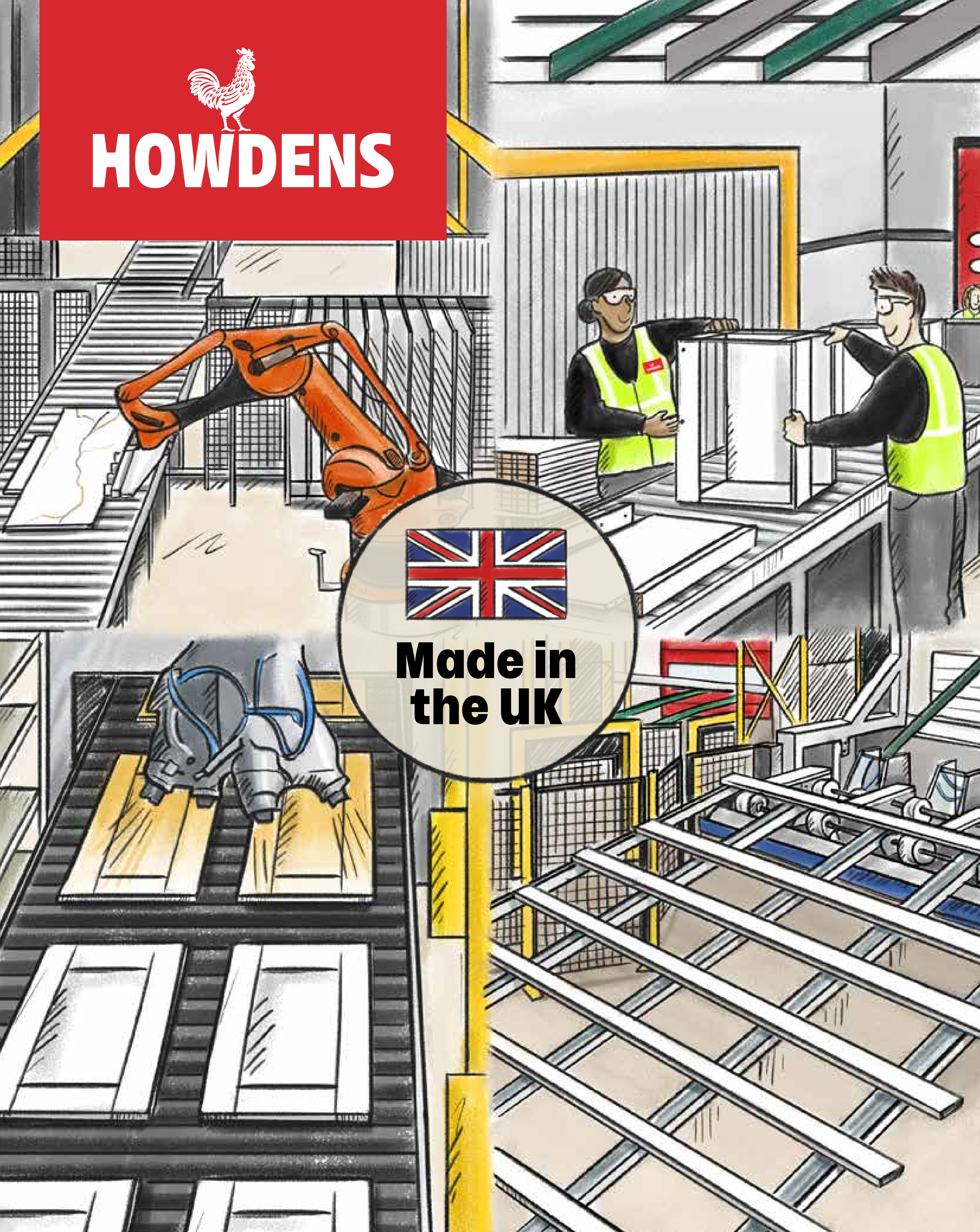

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