

# American Woodmark

## Climate Risk and Opportunity Statement

American Woodmark (AWC) is committed to being a responsible company and a good steward of the environment. Our Path to Sustainability 2030 is our roadmap for the future. It includes targeted goals for reducing our greenhouse gas emissions, general energy efficiency, landfill avoidance, and responsible wood sourcing.

AWC has identified three factors generally influencing climate risk and opportunities for the company: physical hazards, the regulatory environment, and increased material costs. We monitor the changing landscape of regulations, technology available, and sourcing patterns to manage our business as it pertains to climate.

### Risks

As identified by AWC, there are several physical risk factors that could adversely impact our operations. These include acute weather events such as tornadoes and hurricanes. Our widespread footprint does mitigate this risk to a degree, but the loss of a manufacturing site would be a significant impact to operations. To mitigate this risk, AWC complies with all building codes and uses appropriate construction techniques. Any events that could disrupt domestic and international shipping would also have a disruptive effect on operations and are generally out of AWC's control.

As AWC uses very little water in its manufacturing processes, water scarcity is not considered a risk factor in the short term to our operations. Potable water use in our facilities is the main consumer of water and is provided by the localities in which we are located.

A changing regulatory environment could be a risk for AWC. The company is currently regulated with regard to our air emissions and hazardous waste. More stringent requirements in either of these categories would likely increase costs and could require capital investment or process changes in order to comply. It is possible that technology would need to be developed to meet new regulatory requirements, which would possibly be costly in terms of its development and installation. AWC currently generates heat for some of its sites by burning wood waste (a biofuel) from its manufacturing process. This has the environmental benefit of both reducing fossil fuel use and reducing the use of landfills. Changing emissions regulations could possibly negate the effectiveness of this activity. AWC is not currently subject to any regulation for its greenhouse gas emissions. In the event this should change, this would also increase costs and affect AWC's operations.

Long-term risks from climate change could take the form of increased raw material costs if the long-term health of forests is impacted by changing weather patterns, water shortages, and other climate change consequences. Loss of timber due to large-scale forest fires, disease, or pestilence could also be a negative factor in raw material availability. In addition to this risk, wood finishing products generally contain a petroleum-based component for which the supply could be impacted by further regulation on the production and availability of petroleum-based products.

To stay abreast of important information and to mitigate these risks, AWC participates in industry groups that monitor and lobby regulatory changes, sources material from multiple suppliers and regions, and looks for opportunities to increase our efficiency in our consumption

## American Woodmark

of energy and raw materials. These activities are part of the company's normal course of business, and management practices are in place to pursue these on an ongoing basis.

### Opportunities

Demand for our product is generally the result of new home construction and the remodeling of existing homes. If the frequency or severity of catastrophic events (such as hurricanes, tornadoes, floods, and fires) increased, it could generate increased demand for all building products, including AWC cabinets, as homes are rebuilt in the affected areas. While these events are certainly unfortunate, they would present AWC with an opportunity to satisfy a temporarily inflated demand in the market.

Meeting our energy efficiency goals will not only benefit the environment but will also allow AWC to reduce its costs. AWC is improving its energy footprint through investment and process changes, which reduces the company's energy consumption and thus the cost of running our operations. To date, we have invested in improving our energy efficiency by using more efficient plant design and equipment such as skylights, LED lighting, and air compressor management, and we continue to seek out additional energy efficiency opportunities.

AWC also employs engineered wood products that are comprised of wood by-products from other industries, thus reducing our direct demand on virgin wood. This allows us to reduce our demand and reliance on forest land. Expanding the use of engineered wood products benefits the environment and is also an opportunity for AWC to reduce cost, improve product performance, and become less exposed to risks associated with hardwood forest health.

April 2022