American Woodmark

Environmental Risk and Opportunity Statement

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

AWC has identified three factors generally influencing environmental 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 pertains to the environment.

RISKS

As identified by AWC, there are several physical factors resulting from environmental risk that could adversely impact our operations. These include acute weather events such as tornadoes and hurricanes. Our widespread footprint does mitigate this risk, but the loss of a manufacturing site would be a significant impact to operations. To further 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.

AWC uses very little water in its manufacturing processes, and our water is provided by the local municipalities in which we are located. Our main use of water is controlling humidification levels during the winter heating months. This is required to ensure lumber quality during processing. Water scarcity is not considered a risk factor in the short term to our operations. Under the World Resource Institute Water Risk Atlas, 65% of our locations are considered to be located in low to medium risk for water scarcity with remaining 35% being considered in high to extremely high risk areas. Even though water scarcity is not a risk to operations, AWC acts responsibly with regards to water. Many of our facilities, including those in areas at high risk for water scarcity, employ consumption-reducing fixtures, maintain and repair boiler and humidification systems, and monitor usage monthly to determine abnormalities so corrections can be put in place promptly.

A changing regulatory environment could also 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 meeting new environmental regulatory requirements may require the development and installation of new technology, which could be costly. 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 the use of landfills and reducing our purchased energy needs. 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 environmental changes 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 effects. Large scale forest fires, disease, or pest infestations could negatively affect 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 environmental 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 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 also reduce AWC's 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 and equipment design such as skylights, LED lighting, devices to improve electrical power quality, and air compressor management. We continue to seek out additional energy efficiency opportunities.

AWC also uses engineered wood products that are made from 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 risk associated with hardwood forest health.

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