

Corporate social responsibility report

INTRODUCTION

Howden Joinery Group's business is centred on the manufacture and sale of kitchens and joinery to trade customers. With 529 depots throughout the UK, we are a local business with national scale and therefore have unique responsibilities to all of the communities in which we operate. Our business is built on the relationships our depots have with their customers but we recognise that we have wider responsibilities with regard to our product, our environment and how we operate.

As such, we continue to focus on our five key responsibilities which we have cited in previous years:

- Responsibility to manufacture safe and sustainable product
 - Our kitchens must not only function properly and comply with regulations and legislation but they must be produced in a way which is mindful of the wider environmental impact both of our own operations and the product we sell.
- Responsibility to our staff
 - With over 6,300 employees, we recognise the importance of our business to our staff and their families.
- Responsibility to customers and suppliers
 - Our 270,000 trade account holders rely on our products and services to ensure the growth and prosperity of their own businesses.

- Our international supply base of over 200 suppliers provides opportunities and employment in a wide range of trades.
- Responsibility to local communities
 - Each of our sites is an integral part of the community in which it operates, and helping those communities to flourish is important to everyone who lives and works in them.
- Responsibility to future generations
 - Through apprentice programmes and college support schemes, we aim to help both our own staff and also the next generation of builders and tradespeople.

As our business grows, so does the impact of our actions. To that end, the 2012 CSR report shows how we have been committed to maintaining our relationships with all of our stakeholders, improving our products and reducing our overall environmental impact. Through the setting of rolling and extended KPIs we hope that it also demonstrates our long-term commitments in these areas.

For ease of reading and comparison, the report is in a similar format to previous years, and, unless otherwise stated, the report covers the entirety of our business.

MEASURING ACHIEVEMENTS

The Group continues to measure its performance in respect of environmental issues through the

use of a number of Key Performance Indicators (KPIs). These relate to:

- our use of wood;
- how we manage our waste; and
- our ability to offer energy efficient products to consumers.

These KPIs, which are discussed in detail below, help us to ensure that the action we take to reduce our environmental impact is targeted where it will have most benefit, and that our progress is measurable and motivational for all those involved.

RESPONSIBLE MANUFACTURING

We remain committed to UK manufacturing and continued to invest in our two manufacturing facilities (Howden, East Yorkshire and Runcorn, Cheshire) during 2012. In July 2011 we announced that we would be investing some £20m in new facilities at these locations over a two year period and we firmly believe that investing in local manufacturing ensures that we can maintain the quality of our product, protects the long-term competitiveness of our business and benefits our communities.

During 2012, our UK-based manufacturing teams produced around:

- 3.5 million cabinets;
- 800,000 kitchen worktops and breakfast bars; and
- 2 million kitchen frontals.

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MANAGING OUR IMPACT ON THE ENVIRONMENT

Wood

Manufactured Product

Given that wood based products are central to our business, we continue to set challenging targets for the responsible use of wood based products and paper products. Our rolling KPI to monitor the provenance of our wood based product is:

“To ensure that 100% of our wood based product used in our manufacturing processes comes from certified sources.”

In 2012, we used 198,000 cubic metres of chipboard and 13,000 cubic metres of MDF in our manufacturing process. As has been the case every year since 2006, all of this came from certified sources.

We set similarly challenging targets for our use of cardboard packaging, with our KPI being that all packaging should be sourced from recycled or certified sources. In 2012 we used 3,100 tonnes of cardboard packaging all of which came from recycled sources. It is our intention to achieve a similarly high standard in the future.

All of the kitchen ranges which are manufactured at our factories are certified by the UK Forest Stewardship Council (UK FSC) and over 99% of all products we manufacture in-house are FSC compliant (2011: 99%).

Bought-in product

Ethical and environmental sourcing continues to be an important

factor when we determine which suppliers we use. In order to ensure consistency with our manufactured product, we aim to source from suppliers who have similarly high standards and international accreditation.

- As part of our continuous improvement programmes all our key suppliers are regularly audited. The audit programme operates across some 14 countries and incorporates measures relating to Quality, Environment, Health & Safety, Employment and Business Continuity.
- In 2012, as in 2011, 92% of our European timber based product suppliers were certified as sourcing timber from a sustainable supply.
- Howden Joinery has been certified by the FSC and the European Programme for the Endorsement of Forest Certification (PEFC) since February 2008. At the end of 2012, 22 of our 40 kitchen ranges (55% of our kitchens) were fully compliant with FSC requirements (compared to 50% in 2011 and 43% in 2010). We aim to maintain a similar proportion in 2013.

Energy

Our efforts to reduce energy use across the business are recognised by our accreditation under the Carbon Trust Standard. For over 10 years prior to the introduction of the Carbon Trust accreditation, the Group's manufacturing facilities had enjoyed accreditation under the standard's predecessor, the Energy Efficiency Accreditation Scheme.

As well as assessing the Group's overall reduction in energy usage over a three-year period, the Standard also looks at general energy management systems across the business and the ways in which energy reduction is encouraged across all sites. The Carbon Trust's assessors also noted our commitment to supply energy efficient products to our customers where possible.

Manufacturing

- One of our key metrics for energy usage in the factories is the electricity we consume per cabinet produced. Our baseline measurement in 2008 was 3.62kWh per cabinet, and we are pleased that this figure has significantly decreased over the last four years. In 2012, we made significant improvements in our energy management through the efforts of our employees and the application of new technology. Our achievements in 2012 resulted in the figure dropping to 2.84kWh per cabinet (2011: 3.36kWh). We managed to achieve this 15% reduction in our consumption per cabinet by installing energy efficient variable speed drive compressors in our Howden site thereby reducing the energy used in loading. We also introduced a programme of lighting system upgrades in all factories and the Northampton Distribution Centre warehouse, making a significant improvement in energy consumption whilst also improving the working environment. Given the progress made in 2012, our target for 2013 is to maintain the consumption per cabinet level achieved in 2012.

- All our Supply division sites – manufacturing, distribution or warehouse related – have maintained compliance with their ISO 14001 standard for Environmental Management as well as helping the Group retain its certification under the Carbon Trust Standard.

Truck Fleet

The Company operates a fleet of 104 trucks. We continue to work with our haulier partners through traffic sharing arrangements and maximise the use of backhaul capacity. All of our trucks remain Euro 5 compliant.

We implemented a new tracking system across the truck fleet during the year. By monitoring and directing improvements in driving style, this system has resulted in a 2.4% reduction in CO₂ emissions across the fleet since its introduction.

Car Fleet

We have now completed our plan to replace our manager and sales representatives' vehicles with more eco-friendly models. Where practical, we also continue to introduce the latest fuel efficient models as they become available from our vehicle supplier.

Products

Our KPI in this area, which we set for a three year period (2010-2012), was aimed at improving the efficiency of our best selling own-brand products both in terms of energy consumption and water usage. The targets were:

“To improve the efficiencies of our best selling own brand electric ovens by reducing the kilowatt consumption per hour by 5% or more over the 3 year period.”

“To reduce the water consumed per cycle by 5% or more for own brand laundry and dishwashers over the 3 year period.”

Excellent progress has been made over the last three years in respect of our ovens, with energy consumption in our own brand “Lamona” appliances reduced by 12% overall and by 5% for our best selling ranges.

In the last year we have also reduced water consumption by 10% with our new dishwashers and laundry appliances.

Our aim is to extend this type of KPI over the next two year period to see if we can also reduce the electricity consumption of our dishwashers by 5% (measured on a kilowatt consumption per hour basis).

In addition to measuring our performance against our chosen KPIs, we are committed to gaining Energy Savings Trust (EST) certification for some of our appliances. We now have fifteen appliances certified and recommended by EST (2011: 6) and we continue to seek certification for a number of other appliances. Where appropriate, we will design new appliances in line with EST recommendations.

Waste

Our employees are encouraged to consider how we can improve our environmental performance in all areas by reducing consumption, reusing materials and recycling wherever possible.

In 2012, our Supply division reduced overall waste by 13% and continued to recycle waste in line with their rolling KPI which is:

“To recycle more than 95% of all manufacturing waste produced.”

- Of the 33,000 tonnes of waste produced (2011: 37,900), 98% was recycled (2011: 98%).
- One element of waste from the manufacturing process is sawdust. In 2012 we converted 14,700 tonnes of sawdust into energy at our Howden and Runcorn sites (2011: 16,600 tonnes), with sawdust fuelling five wood combustion boilers that burn this waste to heat our factories. This equates to approx. 75k MWh of energy generated from sawdust in 2012.
- We also supplied 4,700 tonnes of milled sawdust to a local manufacturer of animal bedding where the sawdust is recycled for use in bedding for horses, cattle and other livestock (2011: 5,000 tonnes).
- We continue with the initiative started in 2007 to recover and repair pallets which would otherwise have been scrapped. Last year we recovered or repaired more than 125,000 pallets (2011: 138,000).

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During the year, our trade division engaged with a waste contractor to implement a recycling programme to reduce the waste sent to landfill from our trade depots. To date this programme has been rolled-out to 248 depots, with initial results showing that there has been an overall reduction in excess of 50% in waste being sent to landfill. We will continue to roll the programme out further in 2013.

SUPPORTING OUR WORKFORCE TO ACQUIRE AND PRACTICE CORE SKILLS

Employee responsibility

We take our responsibilities as an employer seriously. We aim to provide a positive work environment for all our staff, whether they work in factories, warehouses, depots or offices. Our culture emphasises the importance of individual accountability, which means the personal responsibility of each of us towards those we work with every day. We are proud of this culture, which encourages openness and transparency within the business and has been vital to its growth and development since 1995. This culture is reinforced by our commitment to certain core principles:

- Recognising by reward the hard work of all employees;
- investing in training and development across the business; and
- ensuring that recruitment, career success and progression are solely determined by an employee's abilities and achievements.

Supporting learning and development in the community

Howden Joinery's heritage and culture means we place a high value on the whole range of skills – technical, commercial and interpersonal – that are practised by local tradespeople. We are keen to promote the use of these skills in the workplace and interest in them in the wider community.

Developing apprenticeships in-house

During 2012, we continued our partnership with The Real Apprenticeship Company to further promote the use of apprenticeships within the workplace. The Group currently employs 10 modern apprentices in our Supply division and 170 within the depot network, with a further 50 apprentices currently being recruited. During 2012, the business saw 115 apprentices gain their apprenticeship qualification.

Pioneering bursary scheme for apprentice joiners

As well as helping promote the value of apprenticeships in-house, we also continue to help the next generation of builders and joiners by supporting apprentices in the wider community. In partnership with CITB-ConstructionSkills (the Sector Skills Council and Industry Training Board for the construction industry), we continue to offer the Howden Joinery Bursary for new apprentice joiners. The scheme was the first of its kind in the country, its aim being to fund first year wages for apprentice joiners in companies which would otherwise feel

unable to afford to fund an apprentice. Other than stipulating that the money be used specifically to fund apprentice joiners, Howdens has no involvement in choosing either the apprentices or the companies involved.

Having funded 20 places over the first two years of the scheme, in September 2012 we agreed to extend the funding to accommodate a further 20 places, creating opportunities for 20 more young people across the country. We are pleased with the feedback from the scheme to date not only from the newly qualified joiners themselves but also from the companies who now see the value of apprentices and are committed to employing more of them in the future, this time without the help of a bursary.

Partnerships with Further Education colleges

In addition to running the bursary scheme, we also support trainee builders and joiners in their local community as they go through their courses and develop their skills. To do this, we continue to encourage our depots to build on their relationships with construction departments in local colleges of Further Education. As well as donating discontinued products on which students can practise, depots also sponsor end of year awards and prizes. Just over three years ago we started a separate programme of support for colleges that offer NVQ/Diploma courses that include a module on kitchen installation. We provide each college with a supply of equipment tailored to their individual requirements for both

practice and examinations. When requirements are finalised for our latest recruit to this project, we will have fulfilled our initial objective of recruiting one college in each of our eight regions across the country.

Training at Howdens

Ongoing BTEC programmes

Our commitment to training does not, however, stop with apprenticeships. Our training team in our Trade division continue to deliver the BTEC Level 2 Award in Trade Business Services and recently launched the BTEC Level 3 Certificate in Trade Business Management through internal job related training. This course is unique to Howden Joinery. By the end of 2012, 481 employees had successfully been awarded the Level 2 award, and 23 members of management had enrolled to complete the Level 3 certificate programme.

Management development

In 2012, our Supply division also focused specifically on management and leadership development to support the future growth of the business. During the year, our Supply division training team achieved “accredited centre” status with the Institute of Leadership Management which enables us to deliver a Level 3 accredited management development programme (Institute of Leadership Management) for Shift Managers and Group Leaders.

Other internal courses

As well as supporting staff to gain accreditations, our staff have also

benefited from our investment in internal courses, with over 56,000 training hours completed during the year. Courses are offered in subjects ranging from HR skills to manual handling, from diversity & inclusion to health & safety, from environmental awareness to LGV and fork-lift truck driving. We plan to continue to invest in training and development in 2013 as well as maintain a strong in-house delivery capability as we continue to encourage staff to achieve training qualifications themselves.

Health & safety (depots, manufacturing & distribution)

In the depots

There were 23 reportable health & safety incidents in our 529 depots during 2012 (2011: 31) and we are pleased to report that the overall accident trend over the last five years continues downward.

To ensure we maintain a health & safety culture in the Trade division, we continue to run a number of courses including:

- Our defensive driving course which runs for those staff across the depot network who are required to drive as part of their day-to-day role: this year a total of 321 drivers completed this course.
- Management of safety in a depot, where managers continue to be trained every three years. During 2012, 239 managers and 166 assistant managers completed this course.

In our manufacturing, warehouse and distribution sites

All three sites achieved the prestigious “International Safety Award” given by the British Safety Council. For our Howden site it is the fourth consecutive year of entry and the second time it has achieved a “Distinction”. In their first year of entry, our Runcorn and Northampton sites have both been awarded “Distinctions”.

Additionally, all three sites retained their OHSAS BS 18001 certification and maintained “5-Star” status in the British Safety Council 5-Star audit, achieving over 95% compliance.

During 2012, there were seven reportable health & safety incidents (2011: 16). This continues a downward trend in reportable accidents which have declined by 89% over the past five years. Average time lost per incident has fallen by 79% over the same five year period.

Across the Group there were no prosecutions, prohibitions or improvement notices by either the Health & Safety Executive (HSE) or the Environment Agency (EA).

PLAYING AN ACTIVE ROLE IN OUR COMMUNITIES

Each depot, manufacturing site, distribution and support centre fulfils an important role in the life of the area it serves. So as a locally driven business, it is our policy to encourage staff at each of our sites to support and engage with local community activities.

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During 2012, our staff were responsible for 2,126 donations to local good causes (2011: 2,229) amounting to some £817k across the Group (2011: £814k). Cash and stock donations together with employee fund raising initiatives, typically supported a broad cross section of local causes including: schools, colleges, village halls, care homes, hospices, sports clubs, scouts, guides and youth groups.

More than eight years ago we formed a partnership with Leonard Cheshire Disability. Like Howdens, this charity works closely with local communities, supporting thousands of disabled people across the country. Since its foundation in 1948, volunteers have always been important to Leonard Cheshire Disability. For the past six years Howdens has funded many areas of their volunteer recruitment and training programme, including the “Can Do” project.

This initiative offers social support and personal mentoring to young disabled people. For many of them, the support network they had always relied on invariably comes to an end when they finish full time education. The objective is to prevent social exclusion by including them in local activities and giving them the support to find long-term volunteering positions that may in a few cases lead to employment. Last year “Can Do” supported over 1,600 volunteering opportunities which led to nearly 5,000 hours of volunteering by 521 people.

Earlier this year Leonard Cheshire Disability officially opened their first training kitchen for young disabled people, operating from their care home Bell’s Piece in Farnham, Surrey. This was a joint Howdens/Leonard Cheshire Disability project involving the partial conversion of a large existing outbuilding. In the first four months of opening, 50 students, supported by “Can Do”, each completed five healthy eating workshops at the centre. These accredited courses are led by professional staff and offer the possibility that some students could go on to gain qualifications and employment.

Inspired by working with their residents, our inclusive kitchen research with the charity continues to enable us to offer affordable kitchen solutions to people of all abilities. In addition to the kitchen in Bell’s Piece, we installed three further activity centres in three other homes as well as revisiting two kitchens to carry out modifications following feedback from staff and residents. As well as offering many therapeutic and recreational benefits, these installations also enable individual homes to offer life-skills retraining both to residents and day centre visitors.

Every year our staff take up various fundraising challenges to raise funds for Leonard Cheshire Disability. Howdens’ team entry for the Great North Run has now become a regular event, with some 30 individuals competing every year.

They raise about £10k each year with funds going towards an adapted minibus for one of the charity’s homes. We also had three entries in the new multi-ability triathlon “Tri Together” in south London, five in the London Marathon and four in the Great South Run.

Last August, 65 members of our product and marketing team, spent two of their annual team building “away days” working as volunteers on a community allotment project called Green Patch in Kettering. This site is run by the environmental regeneration charity Groundwork UK. The team took on eleven separate projects ranging from barbecue, shed and path building (improving disability access) to pond clearance and fence building.

Our “Truly Local” book, which we have published for a number of years and distributed through our depot network, is available online at <http://www.howdens.com/about-us/a-truly-local-business/>. This provides a snap-shot of just some of the activities in which we are involved but are not necessarily documented in this report.

Matthew Ingle
Chief Executive

27 February 2013