Sustainability Matters

- 37 Introduction: Why sustainability matters to us
- 38 Our impact on our stakeholders
- 40 Our people
- 42 Sustainable product
- 43 Sustainable supply chain
- 44 Our environment
- 48 Our communities





Why sustainability matters to us

SUSTAINABILITY IS PART OF OUR CULTURE

When we talk about the Howdens culture, we describe it as being "worthwhile for all concerned"..."helping everyone we work with, in every community, to do well"... and..."creating the conditions that allow everyone to succeed". These are the concepts that our business is built on, and they all lead to sustainable behaviour.

IT IS PART OF OUR BUSINESS MODEL

Our business model leads naturally to sustainable behaviour. It is part of our competitive advantage.

Lowest cost production in our dedicated UK factories leads naturally to trying to minimise waste and the use of energy and raw materials. It is also one of the reasons why we have developed an efficient transport fleet that has won an award for showing clear leadership in carbon reduction.

Our mission statement aim of "no-call-back quality" means that we strive to produce and source product which is durable and safe.

Being trusted partners to both our suppliers and our customers means that our relationships with them need to work for all parties over the long term.

Our 660 local depots, and the relationships that those depots rely on to trade profitably, mean that our success relies on us being a good neighbour in each of those communities.

IT MITIGATES OUR RISKS

We discuss our principal risks on pages 28 to 32. Sustainable behaviour helps us to address some of those risks

For example, we place a great emphasis on looking after our people. We invest in keeping them safe, developing their skills, and offering them rewarding careers and 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 the "Interruption to continuity of supply" principal risk, and energy-efficient, safe, tested and durable product mitigates our "Product design relevance" risk.

WHAT ARE THE MATERIAL AREAS FOR US AND OUR STAKEHOLDERS?

This report is organised in five sections, reflecting the main areas of importance to us and to our stakeholders:

People: safety, offering rewarding careers, being a good company to work for.

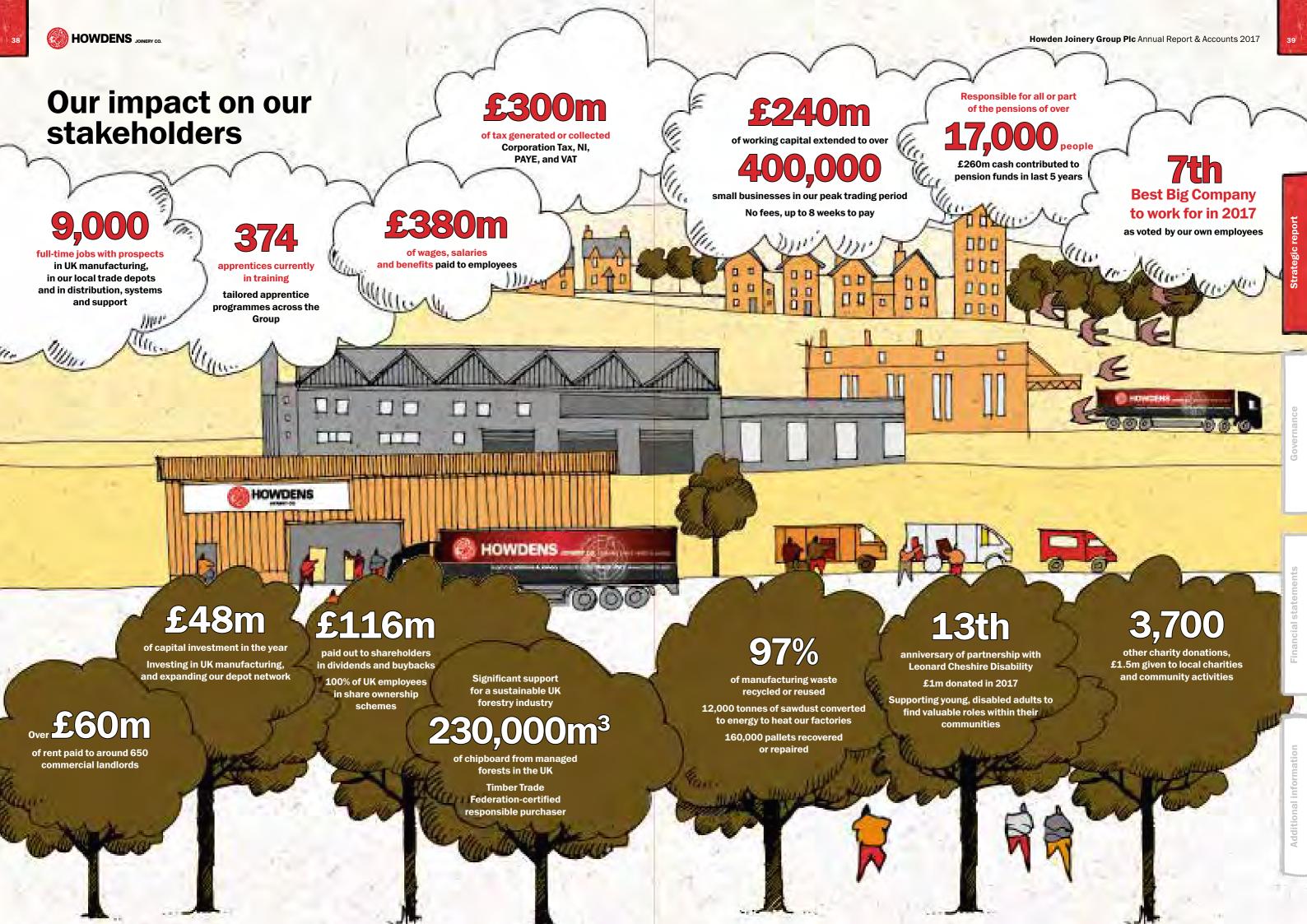
Sustainable product: safe, traceable, reliable and durable

Sustainable supply chain: sustainable sourcing, timber management and chain of custody, active monitoring of suppliers.

Environment: reducing waste, responsible operations, lowering emissions, sustainable transport fleet.

Communities: local community projects, our work with Leonard Cheshire Disability, our on-call firefighters and emergency first responders.

Our sustainability KPIs relate to safety, use of wood from certified sources, recycling of waste and recycled packaging, and can be found on pages 43 and 44.

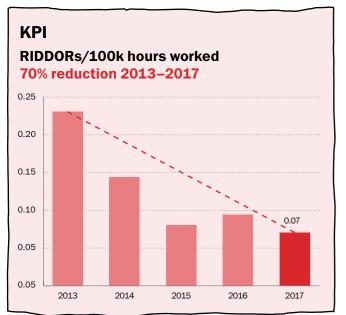


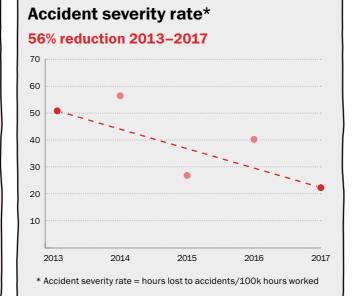
Our people

Keeping them safe, offering them rewarding careers, best companies to work for

Keeping our people safe

Focusing on a safety culture, making safety messages more accessible





We've got 9,000 employees, and we need to keep them all safe at work. Accidents have remained very low this year because we've continued to invest in safe processes and safe plant and machinery.

We have always committed to developing, implementing and improving safe systems of work, and this has continued during 2017. The next step of our journey is to strengthen their effectiveness with increased emphasis on a safety culture where we support and empower employees to share our aims and work with us.

In 2017 we released a number of pictorial safe systems of work, as well as short safety films which are aimed at making important safety messages more engaging and accessible to staff. We are also implementing safety management software across the business which will make it easier to manage risks and processes.

We're also working with other leading companies and consultants to help us benchmark and challenge ourselves. We hope that these actions will improve our safety record even further.

Offering rewarding careers

Great rewards, great opportunities to develop

We pay a good basic salary: all of our pay rates are above living wage and most of them are well above it. We offer a range of benefits, including pension schemes which we contributed £47m to in 2017, for the benefit of our 17,000 current and past employee members. We offer free shares to all our people who stay with the company for at least three years so that they can share in our growth.

Part of our culture and our business model is that we offer staff the chance to get significant bonuses for exceptional performance and

that we invest in our staff to offer them opportunities to develop and progress with us. We want our best people to stay with us and help grow the business, and we also want to recruit the best people. We develop tailored programmes for our 374 apprentices throughout the business, offering a range of worthwhile futures to young people across the country.

Find out more about working with Howdens at https://careers. howdens.com/ and see the case study on the next page for the story of one depot manager's career progression with us.

Case Study: rewarding careers "Howdens is a brilliant company to work for"

When Hayley left school at 17 and joined Howdens as an apprentice, she never imagined that 20 years later she would be managing a depot with a turnover of around £4m, 17 staff, and around 1,300 trade accounts.

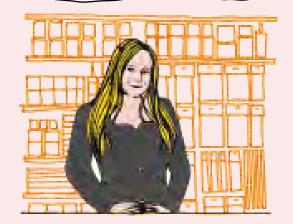
Hayley completed her apprentice program and developed through various roles until she first became manager of an established depot 10 years ago.

After some years of success there, she took the opportunity to move to a new town and set up her current depot from scratch. She was in charge of hiring the staff, developing contacts with local builders, gaining their trust and getting them to open an account with Howdens and start trading.

When asked about her career with Howdens, Hayley said: "Howdens is a brilliant company to work for. There's no other company like it. Results matter, not formal qualifications. If you work hard you can go a long way, and staff can see that."

Through her career, Hayley has had the benefit of many Howdens training courses, as well as on-the-job training and mentoring from her managers. Now she's a manager herself, it's important to her to develop her own staff and help them to fulfil their potential.

"We've got four apprentices at our depot. It's important to me to encourage them because that's how I started with Howdens." Hayley has supported and mentored lots of her staff as they are promoted within the business. Several of them have gone on to become managers at other Howdens depots. "When assistant managers are promoted and move on within the business, everyone on the team can see that the opportunities are there for them."





The hard work and motivation that Hayley has been able to instil in her team has often paid off in high sales and profitability, and this means that the whole team has been able to earn significant bonuses over the years. Part of the Howdens model is that everyone is paid a good basic salary, but that we also recognise and reward exceptional performance with substantial bonuses.

There are individual bonuses for all the team members, and for exceptional performance these can reach the size at which staff have described them as "life-changing". We also have a pot of money which is for the whole depot to spend on a team activity. "We're a team... a family" said Hayley. "When we've done really well, our incentive pot has paid for the team to have a trip to Dublin in a 5 star hotel, or we've organised a private chef to cook us all dinner. We work really hard, but we have great rewards".

Best Companies to work for

7th best big company to work for in 2017

We were very pleased that the responses of our employees meant that we were voted the Sunday Times 7th Best Big Company to work for in 2017. This shows continuing improvement after being voted 12th in 2014 and 25th in 2010.

We know that, for our business to grow, we need to motivate and invest in our people – we want them to be proud to work here. So it's good to know that the survey showed 80% of our staff feel pride in working for Howden Joinery. Some comments from employees were:

- "I have never worked for a company that looks after their employees so well"
- "As an apprentice I have all the support I need and more"
- "This is the only company I have ever worked for where I feel part of something and not just a number"
- "Authentic and real culture, security of job with real opportunities for growth"
- "The bond between the team is an unbreakable one"



Sustainable product

Safe and traceable, efficient and durable

Safety and traceability

Safety by design. Fire safety. Registering products for traceability

We design safety features into the products we make ourselves, and we carefully select bought-in product from reputable sources and then we carry out additional safety testing before we sell it to our customers.

As an example of safe bought-in product, our Lamona tumble dryers have always been designed so that the heating element and the main airflow are separated. This is to prevent excess fluff coming into contact with the heating element and potentially catching fire.

Our Lamona fridge-freezers and fridges have also been designed with the aim of reducing the risk from fire. The electronic circuit boards are isolated in a fire-retardant, self-extinguishing box. The top, back and base of each unit is enclosed in fire-retardant material, and they use the latest capacitor technology which is designed to remain safe in the event of a failure.

We sell 600,000 fire doors per year, and we recognise that only a correctly fitted fire door offers the protection it is designed for.

A door can be rated to withstand fire for 60 minutes, but if it is not fitted with the correct hinges, frame, intumescent strip, or door closer, for example, it will not provide that level of protection.

In 2017 we've been developing an initiative to make it easier for our builder-customers to make sure that they have the right fittings every time they buy a fire door. We have been working with the British Woodworking Federation, whose Certifire fire door certification scheme is the leading authority on fire door safety. We have developed guidance for our depots which identifies the six most common situations in which a builder would be fitting a fire door, and which automatically selects the right fittings for each situation.

It's important to us to do as much as we can to trace the ownership of our appliances, in case we ever have a product recall. We have installed scanners at all of our depots, so that we have a record of which items have been sold to which buildercustomer. We've also briefed our depot staff on the importance of encouraging product registration and put reminders and information in our product catalogues.

We're also working hard to encourage the domestic end user to register their products so that we can support them if the need ever arises. Our product website and the document pack that comes with each appliance include links to the "Register my appliance" website. We've also put a sticker on each instruction manual with the unique serial number of each appliance, so that it's easier for end users to register them.

Sustainable product

Energy efficiency, durability and quality

Our appliances are made by third party suppliers to our specifications. We have always worked in partnership with our suppliers to improve the energy performance of our appliances, and each year this brings improvements in different product categories. Highlights in 2017 are:

- our Lamona washer-dryers now use 21% less water per wash.
 They also now incorporate more efficient motors, which means that they offer the same energy consumption as the previous model whilst increasing the washing load by 14%
- all of our kitchen lighting is now LED, which is 10% longerlasting than our previous best-selling lighting, and which uses only 50% of the electricity

People want the highest levels of quality, safety and design, and the lowest energy consumption, at the best price. We have a rolling development programme with our main appliance suppliers where we look forward three to five years to develop our products for the future. Together, we are planning tomorrow's energy savings today.

Offering our customers no-call-back quality kitchen and joinery is part of our mission statement. We manufacture all of our cabinets ourselves, which means that we have direct control of their quality and can be confident in offering a 25 year guarantee on them.

The exceptional build quality of our cabinets is central to our offering. In 2017 we improved this even further when we launched our redesigned cabinet leg. It's 20% faster for the builder to fit and adjust, as well as being 30% stronger.

We test the durability of our manufactured products by subjecting them to a range of tests intended to represent the challenges of a real kitchen. For example, we test the durability of their surfaces by covering them with everyday household products, from bleach to curry powder, nail varnish and red wine. We "slam test" doors and drawers up to 10,000 times, and we put half-tonne weights on the shelves of our tall cabinets. We subject products to heat, humidity, ultraviolet light, and steam.

Sustainable supply chain

Sustainable sourcing, actively monitoring our suppliers

Sustainable sourcing

Timber management and chain of custody, shared values throughout the supply chain

Over 75% of our products are wood or wood-based, and we're responsible for making sure that it is legally harvested and comes from sustainable sources.

In 2017 we used 233,000 cubic metres of chipboard and 38,000 cubic metres of MDF in our factories. All of this came from FSC® (the Forest Stewardship Council®) certified sources and all of the products that we manufacture ourselves hold the FSC chain of custody certification (license code FSC-C019676). This means that the wood comes from responsibly managed forests and that we have independent documented evidence of an unbroken chain of ownership all the way from the forest to us, via the mill, the importer, and our suppliers. We have also been approved

KPI

100% of woodbased material used in our manufacturing processes from FSC® certified sources

by the Timber Trade Federation as having an environmental due diligence system in place which complies with their Responsible Purchasing Policy.

Howden Joinery Group Plc Annual Report & Accounts 2017

100% of our internally-manufactured timber products are made from FSC certified materials, and we aim to source our bought-in products to the same standards. A typical kitchen range is a combination of items which we have manufactured ourselves and other items which we have bought in. A range is only entirely FSC-compliant if every individual woden component is FSC certified. Each of the 26 new kitchen ranges that we introduced in 2017 met this standard.

We only want to work with suppliers who share our ethical values. We are clear about our expectations and our standards and our aim is that they run through our whole supply chain. Every year we gather our main suppliers together at a conference to talk about the issues that affect us and them. As well as talking to them about product development, we use this as an opportunity to repeat and reinforce our expectations for sustainability and ethical behaviour. We tell them what we need from them and we work together to come up with solutions.

Active monitoring

Supplier assessments, training our people, risk-based testing

We take care to select suppliers with high ethical standards and we make it clear that we expect them to uphold those standards. We require them to confirm that they are operating ethically, and we gather evidence to support what they say.

Our due diligence systems rely on suppliers accurately declaring what types of wood are being used and where that wood comes from. To give us extra assurance, we carry out additional checks. We select samples of wood and send them for independent microscopy testing at a leading independent research institute. This analysis can prove what type of wood it is.

We have a self-assessment process for our suppliers which includes assessing their sustainability practices. As part of this we ask them how they manage areas such as health and safety, the environment, ethical sourcing and product compliance. They have to provide evidence to substantiate their answers and we validate the answers and the evidence.

We need our people to understand and demonstrate best practice and integrity, so we've given them training to support them in their dealings with suppliers. All of our buyers and our compliance team have taken and passed the Chartered Institute of Procurement and Supply's Ethical Procurement & Supply training, and we have a rolling programme of refresher training on Modern Slavery and Anti-Bribery.

There is more information about the work we do to safeguard against human rights violations in both our own business and our supply chain in our modern slavery statement at www. howdenjoinerygroupplc.com/responsibilities/modern-slavery-statement.asp.

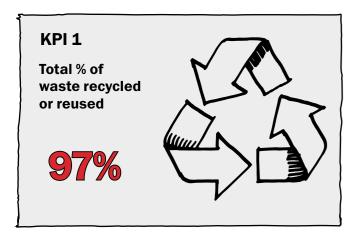


Our environment

Reducing waste, responsible operations, lowering emissions, sustainable transport

Reducing waste

Turning production waste into energy, reducing amounts to landfill, reuse/recycle



Highly-efficient production is one of our strategic aims as it gives us a competitive cost advantage. Over the years we've invested in efficient production machinery and in software that takes the constantlychanging production mix, and maximises the number of panels that we can get from each sheet of chipboard. We've also worked with our chipboard supplier to develop a new size of board that allows us to minimise cutting waste even further.

Nevertheless, the sheer scale of our manufacturing operations means that we still generate a lot of sawdust waste. At both of our factories, we have invested in biomass boilers which burn this waste to produce heat. They allow us to reuse waste, they reduce our emissions and they save us the cost of the equivalent bought-in fuel.



In 2017, we converted over 12,000 tonnes of sawdust into energy at our Howden and Runcorn sites. This is enough sawdust to fill 15 Olympic swimming pools. Burning it onsite means that it doesn't have to be transported elsewhere to be reused. It also saves us money. We generated approximately 51,000 MWh of energy from our biomass boilers in 2017, equivalent to the average annual electricity consumption of over 13.000 households.

Over ten years ago, an employee-led energy efficiency initiative came up with the idea of repairing broken pallets rather than scrapping them. We put these pallets back into use, which cuts down our waste and saves us money. In 2017 we repaired over 160,000 pallets, making a total of 1.5 million since this program started.

Responsible operations

Energy-efficient facilities, efficient transport

All our factories, warehouses and transport sites meet the ISO 14001 standard for Environmental Management. This assures us that we have good processes in place. It also encourages us to look for further improvements in areas such as sustainable energy, waste and material management.

We have invested in a number of energy-saving projects at our factories in 2017. The most significant of these involved replacing old lighting and compressor technology with modern energyefficient versions. These initiatives should give us a total energy saving of around 800 kWh per year.

We have continued to reduce our carbon footprint on the majority of our inbound freight from Europe. Instead of each of our European suppliers delivering their goods to us individually by road, we have changed the freight terms so that we take control of the goods at the producer's factory gate. This has allowed us to consolidate the operation and to move it from road to rail. 91% of our European freight was transported by rail in 2017. This gave a saving of approximately 1.100 tonnes of CO, for the year, as well as a significant cost saving, and greater operational flexibility.

For a case study on our award-winning sustainable transport fleet, see pages 46 and 47.

Lowering emissions

Efficient operations lead to reduced emissions

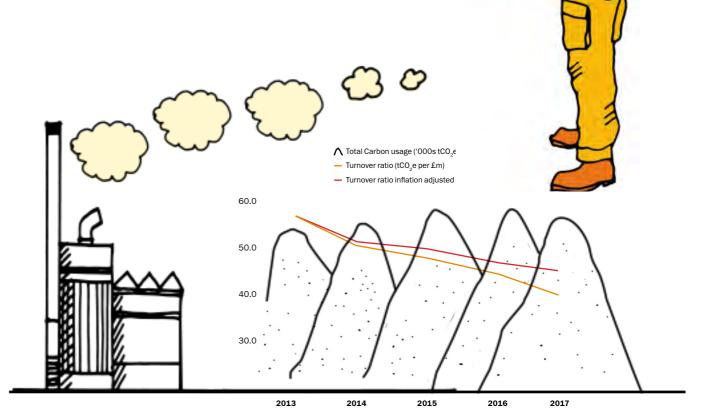
GREENHOUSE GAS AND EMISSIONS REPORTING

	Total CO ₂ Emissions (Tonnes)	Total CO ₂ Emissions (Tonnes)
	2017	2016
Scope 1 – Direct: Gas	3,314	3,338
Scope 1 – Direct: Diesel	26,548	26,065
Scope 1 – Direct: Other fuels	999	1,196
SCOPE 1 - DIRECT: TOTAL	30,861	30,599
Scope 2 – Indirect: Electricity	25,989	28,148
SCOPE 2 – INDIRECT: TOTAL	25,989	28,148
TOTAL (Scope 1 and 2)	56,850	58,747
Turnover (£m)	1,403.8	1,307.3
Turnover ratio (tCO ₂ e per £m)	40.5	44.9
Inflation adjusted turnover ratio (tCO ₂ e per £m)	45.7	47.1

We are pleased to report that our total emissions have reduced in 2017 despite an increase in turnover.

Turnover increased by 7% in 2017, whilst the turnover ratio decreased by 11% and the inflation adjusted turnover ratio decreased by 3%. We will continue to look for further improvements. Our record over the past five years is shown on the chart below.

Emission source data is converted to carbon tonnes using the conversion factors published by Defra. Source data includes meter readings for electricity and gas and purchasing records for other fuels.





Our environment continued

Sustainable transport fleet

Our "always in-stock" model means that efficient and safe transport is strategically important to us.

Award-winning sustainable transport fleet

A key part of our business model is that each of our depots are always in-stock. To achieve this, our truck fleet covers approximately 15 million miles per year. That's the equivalent of 600 times around the Earth, and it accounts for around a third of our total carbon emissions, so we keep a close eye on it.

We voluntarily upgraded our core fleet to the latest Euro 6 emissions standards back in 2015, and we keep looking for additional ways to make our fleet less polluting, safer, and more efficient.

In 2017, our efforts were recognised by the Freight Transport Association when we won the Leadership in Carbon Reduction Award. We received praise for our "innovative and experimental approach", and for demonstrating "clear leadership in carbon reduction".

"clear leadership in carbon reduction"







TYRE PRESSURE MONITORING

Incorrect tyre pressures can compromise safety, reduce fuel efficiency, and lead to increased repair costs and breakdowns. We have tyre pressure sensors fitted on all of our trucks, which are automatically monitored by sensors at the gates of each of our factories and warehouses. If the tyres are not correctly inflated, this triggers a warning email to our control centre so that we can quickly put it right.



IN-CAB MONITORING

We have installed advanced in-cab telemetry to benchmark our drivers. We use the information to debrief our drivers daily, using key targets such as harsh braking, excessive engine idling in traffic and sudden acceleration – measures which improve both efficiency and safety. We reward those who perform to the highest standards, and we work with any drivers who need help to improve.



Our communities

Local community projects, Leonard Cheshire Disability, on-call firefighters and emergency first responders

Local community projects

Local involvement on a nationwide basis, thousands of donations, £1.5m contributed

Each of our 661 depots, and every one of our manufacturing. distribution and support sites, has an important role in the life of its local community. Each site depends on its local community for its success and growth; for customers and staff.

Our culture is based on personal relationships and individual accountability, and we encourage our people to support and engage with local activities and charities.

We make our products, time and cash available for staff to get involved in all sorts of ways. This year we have donated 62 kitchens and paid for them to be fitted. These kitchens go into places like village halls and community centres, and help them to continue to serve their neighbourhoods.

We also support thousands of small local projects with cash donations. Typical donations may be just a few hundred pounds, but they will make a big difference. They might cover things like:

- · buying new kit for a local children's sports team
- giving our staff's time and materials to help renovate facilities at a local community centre
- donating cash to a local hospital's appeal for vital equipment

In 2017, we've made 3,700 separate donations which have involved us giving cash or products worth £1.5m.

Our culture of giving back to the local community also shows in the actions our people take as individuals. Every year, we support our people as they take the Howdens culture and make it personal. They give up their time and put themselves to the test to raise money for all sorts of local and national causes. In September 2017, for instance, Howdens people all over the country committed their time to a range of sponsored events, from sleepouts to sitting in baths of baked beans, to raise money for local homeless projects.

Leonard Cheshire Disability

£1m donated to nationwide and international projects, 100th inclusive kitchen installed

We've had a successful partnership with Leonard Cheshire Disability (LCD) since 2004 and we're pleased to say that it continues to grow. In 2017 we have donated cash and goods worth £1m.

LCD works for a society where everyone is equally valued, and supports people with all types of disabilities, all over the world. Like Howdens, LCD values local relationships, and their work supports disabled people to be active members of their local communities. They support disabled people to live in their own homes and in residential care, as well as providing skills and employment programmes to help disabled people into work.

Our work with LCD is currently focused in three main areas:

- · designing and fitting inclusive kitchens in their care homes and day centres so that disabled people can live more independently (see case study on facing page)
- · helping young disabled people play an active role in their communities through sponsorship of the "Can Do" volunteering programme
- · offering support and skills training through employability workshops and mentoring

In 2010 we began to support LCD's Can Do programme. Can Do gives young disabled adults the chance to develop important life and work skills, and boost their self-confidence. It does

this by supporting them to devise and take part in a range of volunteering projects in their local community. It gives them individual mentoring, group support and a social network, as well as an opportunity to gain further qualifications. Howdens support has helped Can Do expand from four locations when we began our involvement to 17 locations in 2017, supporting 2,000 young disabled people per year through meaningful volunteering opportunities in their local community.

Can Do aims to build young people's confidence, so that they can get out and about on their own, cook their own meals, build their support and friendship networks, and where possible get them ready for the world of work.

In 2017 we have started working with LCD on a programme of employability workshops, designed to equip people with the skills they need to succeed in the jobs market. The workshops will cover a range of practical skills and we will also offer follow-up mentoring support. Funding has been committed, planning is at an advanced stage and the first workshops are scheduled for April 2018.

There are more details of our involvement with LCD online at www.howdens.com/about-us/leonard-cheshire-disability/ and more information about LCD at www.leonardcheshire.org/.

Case Study:

100th inclusive kitchen with Leonard Cheshire Disability

Howdens are experts in designing inclusive kitchens for disabled Residents of the home said: people or those with limited mobility. All of our ranges are available with a variety of inclusive features such as easy access to cabinets, variable-height worktops for sinks and preparation areas, and raised plinths to allow wheelchairs to pass below.

We have pledged to supply and fit inclusive kitchens from our range wherever they are needed in any of LCD's homes across the country. Some of these are specific training kitchens, used to pass on cooking skills which help people increase their ability to live independently.

This year we planned, donated and fitted 35 kitchens, and in July 2017 we reached the landmark of fitting our 100th inclusive kitchen since the programme started.

The manager of the home where the 100th kitchen was fitted said:

"Having a fully accessible kitchen for our service users is extremely important for their independence. They can now join in on all aspects of the kitchen: from preparing a meal, to cooking it, eating in it and of course doing the washing up!

I couldn't begin to describe the hours of freedom and joy, and the levels of independence this kitchen will bring to our residents."

"Now I'll be able to prepare my own meals and eat when I want to."

"The new kitchen will enable me to cook like I did when I was at home before my stroke."



On-call firefighters and emergency first responders

Saving lives in local communities

Our people are making a real difference in their local community, and are helping to save lives. Our factory in Howden, Yorkshire, is on the edge of a small rural town. The local fire station is unmanned and relies on on-call firefighters. These are people who typically have other jobs or responsibilities, but when the call comes they drop whatever they are doing and respond.

Seven years ago we started working with the local Fire and Rescue Service and we currently have 14 employees who are trained members of the on-call firefighter team at the Howden fire station. That station sent teams to over 200 incidents in 2017, including house fires, industrial fires, road traffic collisions and incidents in which people and animals were trapped in burning buildings. In the words of the Chief Officer, that relationship has been instrumental in keeping crewing levels high and keeping two vehicles on the run during the day as well as on evenings and at weekends.

In 2017, we were invited to go to the Home Office, as well as to the Chief Fire Officers' Association, to present this successful model of the fire and rescue services working with businesses.

We also have some employees who are trained as emergency first responders and who support the local ambulance service. These people are called out to give essential advanced first aid in the case of, say, a heart attack or stroke. They give vital initial care until an ambulance can get to the scene. This sort of care can be critical in determining the outcome of an emergency, especially in more rural areas where ambulances have to come from further away. According to the local Fire and Rescue Service, the team which our employees are part of has saved at least five lives in the last year, as well as having a positive impact on many incidents where people had suffered major injuries.

Around three years ago, we started to do the same thing at our Runcorn factory and we now have an on-call firefighter team there. In 2017 we also started to recruit for a team at our main warehouse in Northamptonshire.