



Corporate Social Responsibility Report 2011

Industry with integrity



Shepherd Group
Industrial Division

Welcome from the Chief Executive

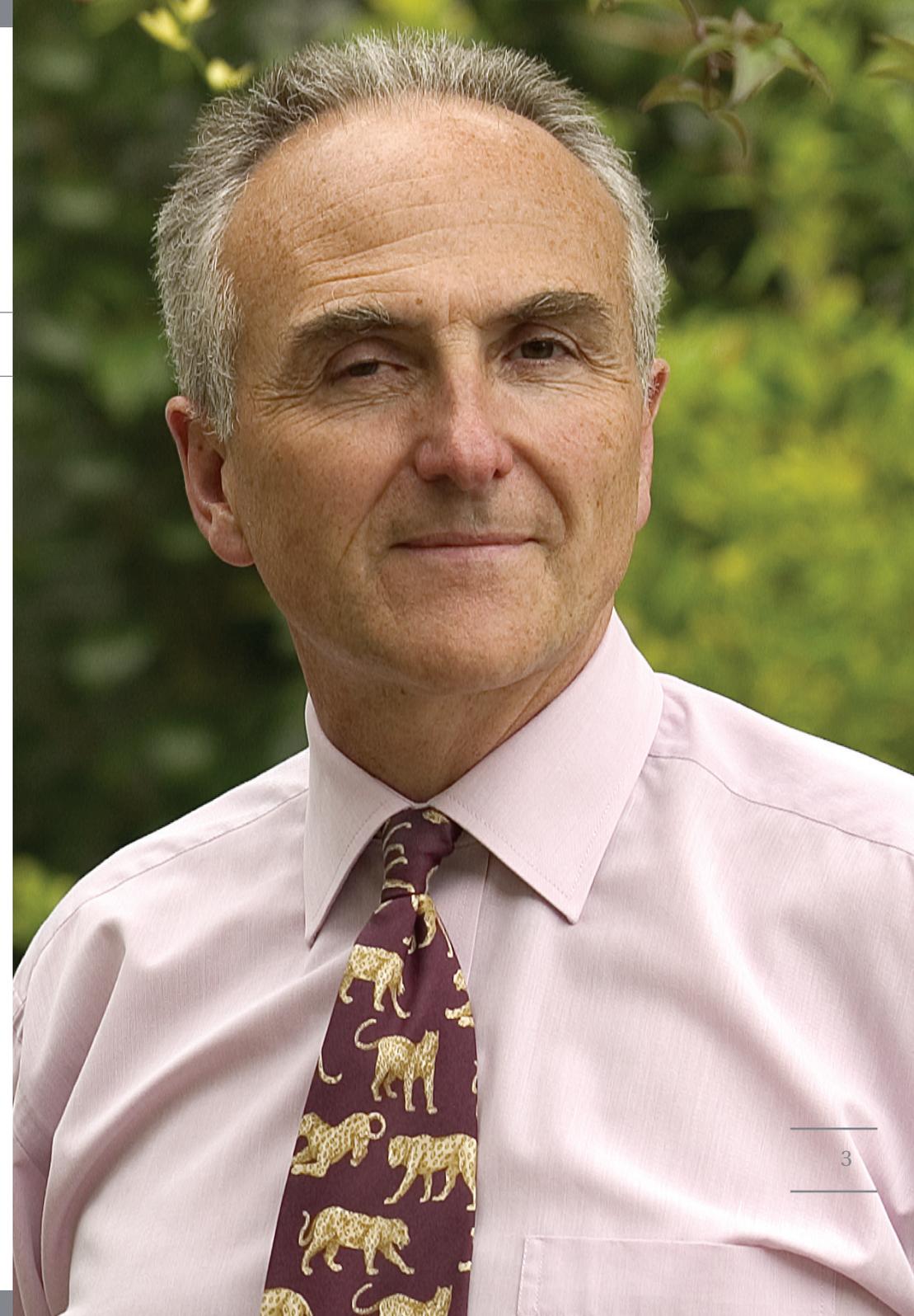
At Shepherd Group Industrial Division, we have been caring for our people, our customers, our suppliers, the wider environment and our local communities for as long as we have been in business.

Ethical and honest behaviour is fundamental to the way we work. Our reputation is one of our most valuable assets, which is why we pursue our business objectives in a manner that always considers the economic, social and environmental impacts of our activities. This report gives you an overview of our commitments and achievements in all areas of corporate social responsibility.

We are proud of our achievements to date, but we recognise that we can always do more. By joining Business in the Community recently, we have set ourselves new challenges that will extend our commitment to corporate social responsibility and provide new objectives for us to work towards in the year ahead.



Stephen Price
Divisional Chief Executive





Shepherd Group

Industrial Division

Contents

Industry with integrity	6
Caring for our people	8
Caring for our customers	10
Caring for our supply chains	12
Caring for the environment	14
Caring for our communities	18
Focus on the future	22

Industry with integrity

The Shepherd Group is one of the leading family-owned private businesses in the UK. Founded in York in 1890, its head office and principal manufacturing operations remain in the city. The Group's operations in national and international markets include construction, engineering, manufacturing and property development. Shepherd Group Industrial Division comprises *Portakabin*, *Portaloo*, *Yorkon*, *Konstrukta Hire*, *Foremans*, *Portastor* and *Portasilo Bulk Handling*.

A principled approach to business

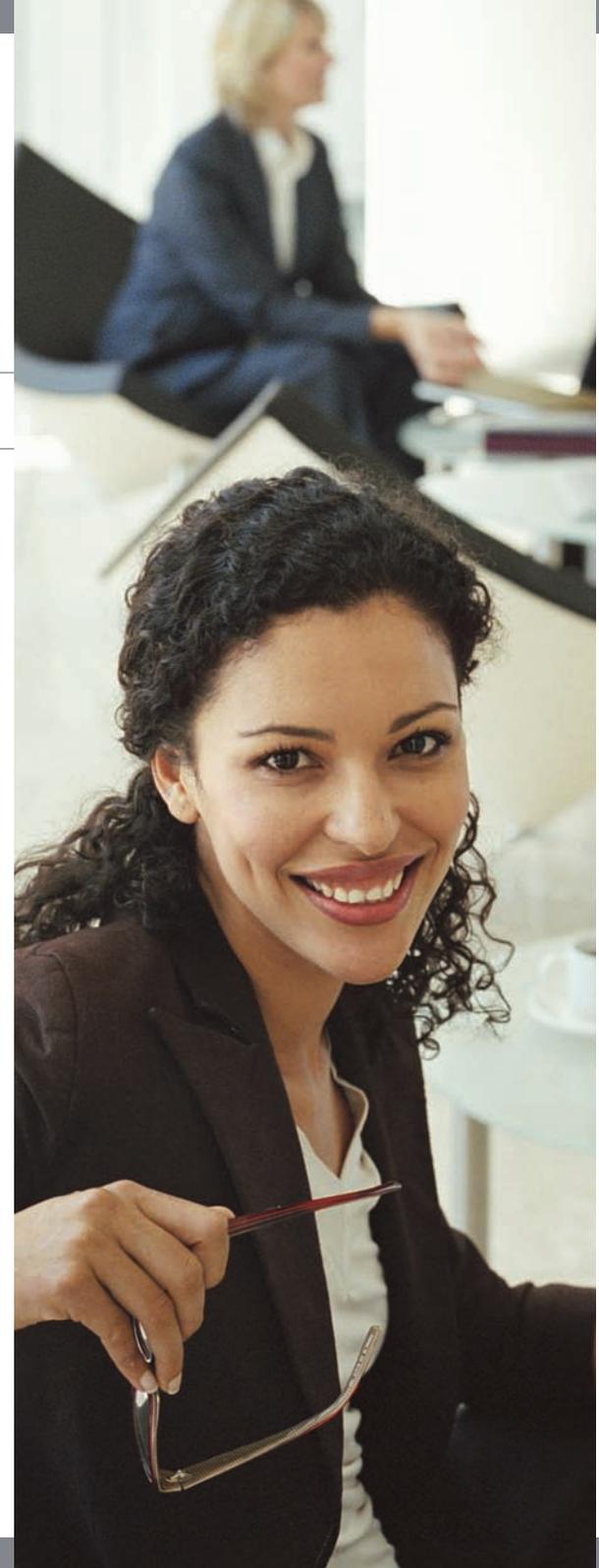
Our way of working pervades every part of our business, from the smallest *Portakabin* Hire Centre to the vast 60-acre manufacturing plant in York. The division is serious about safeguarding our people and the environment in which we all live and work; about developing our employees and playing an active role in our local communities; about working in partnership with suppliers and treating our customers fairly.

Taking responsibility comes naturally to us...

Our integrity, fairness and passion for responsible business practices are borne out of our family roots – and are at the core of everything we do. Caring for our people, our communities, our suppliers and our environment is never a token gesture – it's part of our DNA.

Our mission and values

Shepherd Group Industrial Division comprises many businesses with a common mission: 'to delight our customers through our excellent service and quality products and to be the best we can be'. Our people are central to keeping our business prosperous and continuing to grow. In support of this we have defined our values which will guide the way we behave towards our colleagues, customers, suppliers and communities. They are:





Teamwork

Working together to succeed

- We promote a culture of empowerment and trust
- Everyone's opinion is listened to and respected
- We are encouraged to take the opportunity to develop and achieve our potential
- We share our knowledge and experience



Integrity

Keeping our promises

- We operate as a fair and ethical business
- We actively promote a safe, healthy and diverse working culture
- We respect our environments and operate in a sustainable way
- We treat everyone as we would want to be treated



Commitment

Putting our hearts and minds into everything we do

- We strive for excellence in everything we do
- We recognise and celebrate success
- We all take ownership of everything we do
- We go the extra mile in supporting our colleagues and customers



Innovation

Creative in our approach

- We have a culture which encourages new ideas
- We are flexible, responsive and open to change
- We are dedicated to working with our customers to find a solution to their needs
- We explore new opportunities to keep our business successful

Caring for our people

The Shepherd Group Industrial Division employs more than 1,600 people in the UK and Europe, with 850 working at our York headquarters. Our caring, family ethos is reflected in the large number of long-serving employees working across the business, many with more than 25 years' service. We have a low staff turnover, and work hard to support our people with plentiful career and personal-development opportunities, wherever they work.

Welcomed from day one

All new employees, no matter where they work, attend an induction day in York where they meet the Divisional Chief Executive and have lunch with directors and senior managers – ensuring they feel a welcome part of the family from day one.

Building skills and career prospects

Our people have access to a host of learning and development opportunities, ranging from informal team-level mentoring and coaching through to formal, accredited training courses – building their skills, confidence and career prospects. All first-line managers, for example, take our “Achieving Excellence Through People” course, which results in an Institute of Leadership and Management (ILM) Level 4 qualification. We offer extensive IT and systems training, accredited accountancy courses, and skills training for our

manufacturing staff, including HNCs, NVQs and skills cards.

Such extensive training and development ensures that all our people have the capabilities and knowledge to excel in their work and to keep Shepherd Group Industrial Division prosperous.

A safe place to work

We take our duty of care to employees, customers and visitors very seriously. Strict health and safety policies are in place at all of our sites, and we adhere to proven safety procedures when working on customer sites. Safe driving guidelines are issued to all employees.

Safety performance is reviewed regularly and there is director-level involvement in ensuring we achieve the highest standards of health and safety. As a result we have an excellent safety record. Nevertheless, safety

is an issue we are never complacent about – nothing is more important to us than keeping our people safe.

To encourage safe working practices, we run an annual safety competition across three different areas of the business: Hire Centres, manufacturing teams and installation teams. The winning teams in each category receive a prize of £750 to donate to a charity of their choice.

Fairness, respect and reward

Caring for our people means providing the right work-life balance too, which is why we have flexible working policies in place, as well as job share and reduced hours arrangements to suit individual needs. We offer a flexible benefits package, allowing people to choose from a range of benefits including extra holidays, healthcare services, Cycle to Work grants and a host of discounted products, services and membership schemes.

As a responsible employer, we have an effective equality and diversity policy in place to ensure our workforce is representative of the local population. Our workplaces are fully accessible for people with disabilities and we have made special adaptations where necessary to meet individual employee needs.

Mutual support

Our people support each other too, running everything from sports teams to lunchtime aerobic classes, providing friendship, exercise and a wealth of opportunities at work and beyond. Elected employee representatives from all areas of the business ensure the views of our people are heard and heeded at the highest level.

- **142 employees have more than 25 years' service. 733 have more than ten years' service**

- **More than 4,400 days of training delivered to employees during 2010/11**

- **Only 17 reportable health and safety incidents across all operations in the year ending March 2011**



"Safety is an issue we are never complacent about – nothing is more important to us than keeping our people safe."

Caring for our customers

Our relationship with customers is central to the success of our businesses and the reputation of our brands. As well as keeping customers happy and treating them fairly, our approach to customer service aims to exceed expectations at every turn.

Customer service beyond expectations

Portakabin was the first modular building manufacturer to introduce a Customer Charter, which sets out the exemplary standards of service customers can expect. It includes the promise that all projects will be completed on time and on budget – a promise backed by the offer of a week's free hire or an extended product warranty in the unlikely event that a project overruns.

Across all our businesses the high percentage of customers who return to us time and again is testament to the success of our customer service delivery. In customer satisfaction surveys, used in every business area, we constantly score more than nine out of ten for overall satisfaction.

We measure customer loyalty using the internationally recognised 'Net Promoter Score' which is calculated by subtracting the

percentage of a company's 'detractors' from its 'promoters'. Most companies score an average of between 5% and 10%, with best-in-class organisations scoring in the region of 70% to 80%. Across the Shepherd Group Industrial Division, we have an average Net Promoter Score of more than 80%, with some businesses scoring 100%.

Products designed in harmony with the environment

Customers can rest assured that sustainability and environmental sensitivity are built-in to all Shepherd Group Industrial Division products. As modular construction pioneers, we are continuously developing new energy, water and waste-saving buildings, such as our energy-efficient *Ultima* building modules, water-saving *Vacloo* event toilets and *Konstrukta Energy-Saver* site accommodation.

Our *Yorkon* and *Portakabin* businesses have a strong track record of delivering projects that achieve excellent BREEAM (Building Research Establishment's Environmental Assessment Method) ratings. *Portastor* has developed the long-life stainless steel LX Plus product and has invested in software and expertise to design higher-performance structures that use less steel and other materials.

The *Portasilo Bulk Handling* business delivers bulk handling solutions that offer efficient utility consumption, with minimal environmental discharge, effective long life designs and low maintenance requirements.

Our innovative off-site methods of construction, whether we are building classrooms, offices, storage silos or equipment housings, offer a host of environmental, time and cost-saving benefits for every project:

- Up to 67% less energy is required to produce a modular building compared to an equivalent, traditionally built one¹
- There are up to 90% fewer vehicle movements as a result of fewer deliveries and fewer people required on site²
- The amount of waste generated at both the factory and the site location is reduced by up to 90%³
- Modular construction is quiet, dust-free and fast – causing minimal environmental disruption
- Modular buildings deliver long-life energy-efficient performance and reduced CO₂ emissions

Lean manufacturing principles are followed rigorously and constantly honed at all our production sites, ensuring our products are created in the most energy and resource efficient manner under quality-controlled conditions.

- **Manufacturing modular buildings uses up to 67% less energy than traditional construction methods¹**
- **More than 80% of customers would recommend us to a colleague or friend**
- **Average Net Promoter Score of more than 80% puts us in the top 10% of businesses**

1. Source: Arup Research & Development. 2. Source: Mtech. 3. Source: WRAP



“Off-site construction methods offer a host of environmental, time and cost-saving benefits for every project.”

Caring for our supply chains

We recognise that the quality of our products and therefore the satisfaction of our customers relies heavily on the performance of our suppliers. That's why our purchasing philosophy is based on building supportive, collaborative, long-term relationships with leading suppliers that share our ethical principles and our objective to minimise whole-life costs.

The materials we buy range from steel, timber and windows to chemicals, ironmongery and insulation. These are sourced from diverse suppliers, from large multi-national companies to local independent specialists – and everything in between. All our suppliers are located within the Eurozone, and all first-tier suppliers are UK-based – minimising transport-related emissions and costs.

Extensive supplier evaluations

We carry out detailed evaluations of every potential supply partner, examining everything from their quality-control procedures, safety standards and delivery performance to industry accreditations and sustainability credentials. The results of these evaluations are shared with each supplier so that areas for improvement can be identified and corrective actions mutually agreed upon.

Mutual risk management

For our 40 or so key suppliers, we have single-source agreements in place, helping to keep our supply chain lean and protecting us against potential material shortages. We take time to understand how our suppliers run their businesses so we can work with them to draw up mutually agreeable risk-management strategies to mitigate against potential supply problems. We give all suppliers clear forward visibility of our demand so they can ensure our requirements are met with a continuous supply of essential materials.

Sustainable sourcing

Purchasing materials from sources that do not deplete natural resources is very important to us. We only buy timber from suppliers that hold FSC or equivalent certifications and are signatories to the UK

Timber Federation Environmental Code of Practice. The wall insulation material used in our buildings has zero Ozone Depleting Potential (ODP) which means it is not harmful to the environment. We also examine suppliers' recycling and waste-management performance very closely, to ensure they meet our own high standards.

- Our sources of supply are all within the European Union. 15% of our key suppliers are based in the Yorkshire region
- The supplier selection criteria within our procurement process include accreditations to environmental, sustainability and quality standards. Procurement performance is measured by the success of these suppliers



“Our purchasing philosophy is based on building mutually supportive, collaborative, long-term relationships with suppliers.”

Caring for the environment

Safeguarding the environment is nothing new for Shepherd Group Industrial Division. While we have achieved the ISO 14001 environmental management accreditation for the past three years, we have been monitoring and managing our energy use for the past 25 years. Our approach to environmental stewardship is a pragmatic one – we take effective action that is good for our business and good for the environment.

Effective energy management

Using energy efficiently is central to minimising our environmental impact. Reducing energy use cuts the carbon emissions associated with our operations, as well as reducing our costs. Electricity, gas, LPG, oil and other fuel usage at our sites is monitored weekly, so we know exactly when and where energy is being consumed.

Such clear insights into our energy consumption enable us to identify areas for improvement, set energy use and carbon emissions targets, and implement effective initiatives to achieve those targets.

Recycling and waste management

Recycling our waste is another significant way in which we are minimising our impact on the environment. The importance of segregating waste for efficient recycling is impressed upon everyone in the business. At our York manufacturing site, waste is now sorted into 18 different waste streams for recycling. We already recycle more than 90% of the waste generated by our manufacturing facilities, and we have a target of sending zero waste to landfill by 2013.

We vet and verify all recycling plants where we send our waste, to ensure they are effectively and efficiently recycling our material into useful products. We recycle

locally wherever possible, because we recognise that any environmental benefits of recycling will be negated if materials have to travel long distances by road to the recycling plant.

To secure the buy-in and involvement of all areas of the business, we have created a waste-management team (which includes our waste-management subcontractor) that meets every six weeks to share ideas, discuss issues and implement improvements. This group has recommended many waste-saving initiatives over the years, including introducing colour-coded bins into manufacturing areas to facilitate fast and hassle-free waste segregation at source.



"Our approach to environmental stewardship is a pragmatic one – we take effective action that is good for our business and good for the environment."

Minimising transport impacts

The Shepherd Group Industrial Division is keen to minimise emissions from road transport. Our transport policy encourages employees to walk, cycle or take public transport to work. Supported by a 'Cycle to Work' incentive scheme, the policy has been whole-heartedly embraced by our people, and won the 'Best Sustainable Transport Initiative' accolade at the York Press Awards in 2010 and the York City Cycle Challenge award in 2011.

All hauliers employed to transport our products and buildings are thoroughly vetted to ensure that their vehicles meet European emissions standards. Our nationwide maintenance fleet comprises the most fuel-efficient vehicles available – we've even removed roof racks and roof

ladders to improve fuel efficiency. The fleet is carefully managed to minimise travel distances, keeping our costs, emissions and fuel consumption under control. For international shipments we use local ports wherever possible to minimise road transport emissions.

Emissions control

Our site in York has Process Permissions issued by City of York Council covering timber component production, surface coatings (e.g. painting) and polyurethane panel production. These permissions control the amount of noise and emissions to air that we are able to make. Over recent years we have also had to meet new obligations to reduce the amount of organic solvents emitted from our painting processes. Some areas of the business have

been able to change their paint and varnishing systems to water-based, thereby eliminating the need for strict emissions control. Where this hasn't been possible, we have invested in high solid paint systems and improvements to our process extraction systems. All our processes are independently checked on a regular basis.

Annual compliance check

To ensure we continue to exceed all environmental legislative requirements, we invite a full third-party audit of our entire 60-acre site in York every year. The two-day audit assesses our compliance with every piece of environmental legislation, from the Wildlife Act to noise emission regulations – and the site has never failed to comply in all areas.

Reward for environmental commitment

In 2011 we entered the Business in the Community 'Environment Award' for the second time and, having won the highest scoring newcomer award in the Yorkshire and Humber region in 2010, we improved our score further this year. This is a well-regarded award scheme, requiring entrants to prove that they are living up to their commitments and that environmental protection is taken seriously at every level of the business.

- **91% of waste from our manufacturing facilities is recycled**
- **The cost of waste sent to landfill has been reduced by 50% in the past three years**
- **Use of solvents in manufacturing plants has been reduced by 69% since 2007**



Caring for our communities

Our aim is to be a valued, supportive and integral member of the communities in which we operate. In Hire Centres from Dublin to Aberdeen and Norwich to Plymouth, in our factories and offices, our people are proud to contribute to their local communities and forge links with charities, businesses and schools.

Generous support for good causes

Our people give generously of their time and money to good causes, supporting everything from national charity events such as Macmillan coffee mornings, Red Nose Day and Wear Something Pink Day, to local causes including York Against Cancer and the Yorkshire Air Ambulance.

Across the business, our people regularly organise sponsored cycle rides, walks, raffles, book sales and a host of other activities to raise money for causes close to their hearts. The annual York Rotary Dragon Boat Challenge has been supported by the Shepherd Group since its inception. We enter teams every year, raising money for causes ranging from local respite care services to The Samaritans.

Giving something back to the community takes on a literal meaning when the blood transfusion service visits our head office, and is supported by a large number of willing donors.

The Shepherd Group itself makes significant donations to selected charities every year, including the Alzheimer's Society, British Trust for Conservation Volunteers, Help for Heroes, Muscular Dystrophy and the National Railway Museum.

Employees have the chance to make their own regular donations to a charity of their choice through our 'payroll giving' scheme, which enables them to make contributions direct from their pay packets.

Sharing knowledge and expertise

Local schools and colleges benefit from the experience and knowledge of our people. Volunteers from our offices and factories regularly participate in careers fairs, give school talks, act as mentors on university programmes, work as school governors and accompany school trips. Our production sites frequently host school party tours, providing a first-hand introduction to our manufacturing processes.

All areas of the business welcome work experience students from local schools, giving young people an insight into a range of occupations and helping to shape their perceptions of the world of work. *Portakabin* has also contributed a detailed case study to support the long-established Times 100 project – a unique online resource for teachers and students of Business Studies.



Portakabin
50 years
1961-2011

10

Selfless community support

We never cease to be amazed by the enthusiasm and commitment of our people for selfless community involvement. Shepherd Group Industrial Division employees run local sports teams, volunteer as Girl Guide and youth club leaders, and support local community events. The Shepherd Group itself sponsors a variety of community projects, including a thriving brass band in York. The Group provides funds and free rehearsal space for more than 100 band members of all ages and abilities.

Good neighbour policy

Wherever we work we aim to be considerate and sensitive neighbours. Our manufacturing site in York is bordered by a shopping centre, an industrial estate and a housing estate. Here, our good neighbour policy means we log and respond quickly to any requests, complaints or enquiries from people living or working nearby. This is a long-standing policy and since it was introduced we have received only a handful of comments from neighbours. In fact, when the local environmental health officer visited our site early one morning to monitor noise levels, he reported that no factory sounds could be detected above the birdsong.

- **Over £90,000 donated to good causes by Shepherd Group in 2010**
- **A minimum of 10 work experience students hosted across our business each year**
- **More than 20 community organisations supported by Industrial Division employees across the UK in 2010**



"We never cease to be amazed by the enthusiasm and commitment of our people for selfless community involvement."

Focus on the future

Whilst we have achieved a lot, we can never be complacent. We are determined to continue to do more for our communities, customers and the environment.

Having recently joined Business in the Community we will be working with them to determine our priorities for the coming

year. Our objective will be to consolidate on our efforts so far and expand on them by focusing on community involvement and developing a more structured approach to our charitable giving and sponsorship activities.

We will report back on our progress in a year's time.





Shepherd Group
Industrial Division
York YO32 9PT

Shepherd Group, Shepherd Building Group, Porta, Portakabin, Portaloo, Yorkon, Konstructa, Konstructa Energy Saver, Foremans Relocatable Building Systems, Portastor, Portasilo and Ultima are trade marks.

Produced by the Shepherd Group Industrial Division Marketing Studio 11/2011.

© SGID 2011.



Shepherd Group
Industrial Division