



# triple bottom line summary report

This year The Warehouse produced its first triple bottom line report. A triple bottom line report is a means of measuring and reporting on all three elements of business performance: economic performance, social equity and environmental responsibility.

This report reviews these measures from the point of view of our shareholders, suppliers, team members, the community and our customers.

A full version of the report will be available on The Warehouse website [www.thewarehouse.co.nz](http://www.thewarehouse.co.nz) later this year.

## The Warehouse vision and values

### The vision

To be the leading community provider of products and services to provide a sustainable quality of life for all people.

### The values

The Warehouse is a values based business. Its key values are

- People first everywhere.
- Where everyone gets a bargain.

## Team members

### People First survey result

Every six months The Warehouse surveys its team members. These confidential surveys provide important feedback to ensure The Warehouse refines and improves its 'People First' policies. A key measure of attitudes is expressed in agreement with the statement: I believe The Warehouse is 'Where People Come First'. In August 2001, 88 percent of team member respondents agreed with that statement, unchanged from a year ago.

### Health and safety

Our health and safety vision is 'a place of work where no one is injured through environmental conditions or unsafe acts'. During the 2001 year the lost time injury frequency rate (a measure of work hours lost per 100,000 of hours worked) rose to 3.24 from 2.90. Part of this rise may be due to improvements in

reporting systems. This increase is disappointing and requires increased focus on injury prevention.

### Team member share ownership

Having team members who act and behave like owners is important to achieve superior financial performance in The Warehouse. At the end of August 2001, 2,902 or 64 percent of eligible New Zealand team members (those who work twenty hours or more a week for The Warehouse) held The Warehouse shares.

Approximately 1,500 Australian team members also were shareholders from shares granted as part of the purchase of the Australian operations.

### Shareholders

Economic performance is not reported separately in this section as it already constitutes the bulk of this annual report. However, three items are especially interesting and important under this heading in the context of triple bottom line reporting.

- In the 2001 year shareholders received ordinary dividends of \$38.5 million.
- A shareholder who invested \$1,000 (at \$2.50 per share) in the initial float of The Warehouse in November 1994 would, by 30 September 2001, have grown their initial investment to \$7,197 (if they reinvested their dividends in additional The Warehouse shares) which is equivalent to an annualised compound return of 36.5 percent.
- It is performance like this that keeps shareholders happy, and shareholder numbers have risen from 10,645 to 15,002 in the last twelve months.

### Customers

Two measures of how we interact with customers are 'customer count' and 'average basket size per customer'. In the last twelve months the customer count rose 12 percent to 42.9 million, and the average customer expenditure per visit rose 4.3 percent to \$27.20.

### Product safety

Under the Fair Trading Act 1986 and Consumer Guarantees Act 1993, The Warehouse has a



responsibility to ensure products meet safety standards. One measure of performance in this area is the number of notified product recalls. There were three publicly notified recalls in 2001, one less than last year.

#### **Customer services**

Checkout times have been identified in customer surveys as a major irritant. One major project launched was the development of new 'sprint' checkouts that reduce checkout processing times by 30 percent. To date twenty-one stores have been fitted with the new checkouts. The company is working on thirty-one separate projects to improve its interaction with customers.

#### **Customer complaints**

The Warehouse does not have a system to nationally capture customer complaints but does have procedures to measure and report incidents where products caused harm or damaged property. During the year ended July 2001 there were 67 reported stock incidents. Within the year under review 84 percent had been resolved.

### **The community**

#### **Fundraising**

The Warehouse has always supported groups in the communities in which it operates. Support is provided through nationally organised campaigns, local store activities, and fundraising in stores. Many initiatives are store-based, not attracting publicity. In the twelve months to 31 July 2001 The Warehouse provided support of \$2.6 million, up from \$2.3 million a year earlier.

#### **School partnerships**

The Warehouse continued its involvement in New Zealand schools through such organisations as Partners New Zealand Trust and First Foundation Project. This project has our team members working with teachers and students in schools to form a closer relationship between business and schools.

#### **Clean Up New Zealand Trust**

In September 2000, 140,000 volunteers took part in Clean Up New Zealand, organised by communities for communities, and about 37 percent of The Warehouse team members took part in those efforts. The Warehouse has been a principal sponsor of this event since 1999, contributing \$100,000 in the 2000 year.

#### **The Tindall Foundation**

The Tindall Foundation was established in 1995 to improve the quality of life of New Zealanders by

helping develop projects and initiatives that will benefit communities. Stephen and Margaret Tindall gifted shares to the foundation equivalent to 23 percent of The Warehouse Group. The trust has received \$60.1 million in dividends or bonus issues since 1995.

#### **Property**

We respect the rights of local communities to plan their environments, and the building consent success rate indicates how in tune we are with a community's planning vision. We aim to have 100 percent of planning applications granted; this was achieved in both 2000 and 2001.

Warehouse policy is to, where possible, locate stores within the existing retail precinct to maintain the integrity of the retail area. Of the 39 non-metropolitan Warehouse stores only nine are not in town centres or edge-of-centre locations.

This year we commissioned Social Audit NZ to study the impact on the community of two new Warehouse stores. Initial findings from the surveys show the impact on the local community as being very positive with 85 percent of respondents in the Wainuiomata survey indicating the new store would have a positive impact on their family. A full version of the survey results for Wainuiomata and Dannevirke will be included on The Warehouse website later this year.

#### **Suppliers**

As a leading retailer in Australasia The Warehouse understands its leadership and influencing role in promoting ethical and sustainable sourcing of products and services. We have a number of such initiatives:

#### **Environmental Choice**

Environmental Choice New Zealand is an environmental labelling programme to inform consumers. To date our sales of Environmental Choice product have been disappointing. The number of licensed products in the current range is 32, up from 30 a year ago. Environmental Choice made up 0.099 percent of The Warehouse New Zealand sales in the year ended 31 July 2001.

#### **Timber procurement policy**

The Warehouse has made a commitment to purchase wood only from sustainable forests. For the financial year ended July 2001, nine percent of Warehouse furniture sales were from forests that have received Forest Stewardship Council certification or similar status.





It is our view that our goal - to source only timber with FSC or similar certification by the end of 2003 - will not be achieved. Such timber is in short supply and customers are reluctant to pay the premium price.

### **Supplier code of conduct**

The Warehouse is committed to legal compliance and ethical business practices. Because The Warehouse buys products from all over the world, it is important to work with partners who follow fair, decent and legal labour practices and who agree to our supplier code of conduct. The code covers such things as supplier employment practices, working conditions, and compliance with local laws.

### **Enviro-Mark NZ™**

Because the achievement of certification to international environment management standards is beyond the resources of many of our suppliers, The Warehouse supports suppliers undertaking the Enviro-Mark NZ™ internet-based five-step certification programme.

### **Packaging standards**

The Warehouse has developed packaging specifications for its suppliers. While we have recorded some successes - such as replacing expanded polystyrene with newsprint in CD packaging, and removing stuffing in men's footwear - there are significant challenges in this area. We are endeavouring to measure the impacts of our work in packaging reduction and report these results in coming years.

### **Supporting New Zealand Made**

The Warehouse is committed to increasing the opportunities for New Zealand manufacturers to supply The Warehouse. This strategy involves measuring the number and value of New Zealand Made product, identifying best candidate products for import replacement, working with buyers and manufacturers to successfully buy new product, and promoting New Zealand Made products to manufacturers, customers and team members.

### **Other key areas**

#### **Waste**

The Warehouse is tackling waste reduction in three areas:

- In 1999 the company launched a programme of zero waste to landfill. By July 2001, forty-six stores were in the programme.
- The company is trying to reduce packaging in the products it buys. Packaging guidelines - published in

April 2000 - are available to suppliers.

- The Warehouse currently provides recycling facilities at six stores, encouraging customers to recycle paper, glass and aluminium.

### **Energy efficiency**

Energy use is a significant expenditure for The Warehouse, and the energy management team in The Warehouse has made substantial savings on energy costs. For example, in seven years the air-conditioned volume of The Warehouse stores has increased dramatically but average power consumption per square metre of retail space has been halved, from an original 200kWh/m<sup>2</sup> to 100kWh/m<sup>2</sup>. Another example is the fitting of new lamps at The Warehouse stores which produce 20 percent more light intensity with 17 percent less energy consumption.

In 2001 The Warehouse gained New Zealand industry acknowledgement by taking three awards at the Energy Efficiency Conservation Authority Awards:

- The Commercial Services Award,
  - The Energy Manager Award (Wayne Inger); and
  - The Supreme Winner Award
- as testimony to the results it has gained from energy efficiency.

### **CO<sup>2</sup> emissions**

Global climate change is seen by most governments to require internationally-concerted action. The Warehouse is committed to firstly understanding its impact by measuring its greenhouse gas emissions which are implicated in global climate change.

The Warehouse commissioned the Landcare Research Emissions/Biodiversity Exchange project team (EBEX21™) to provide this assessment. The results show that the largest source of greenhouse gases is from our electricity use in spite of the fact that two-thirds of New Zealand's electricity is sourced from non-polluting hydroelectric dams.

EBEX21™ calculates that a native forest of 1,321 hectares would be needed to capture and store an equivalent amount of carbon dioxide from the atmosphere. The Warehouse is discussing with the EBEX21™ team the opportunities to further reduce greenhouse gas emissions and offset the remainder with native bush regeneration.

