



TRIPLE BOTTOM  
LINE REPORT

2001

*social equity*

*economic performance*

*environmental responsibility*

# 1. chief executive officer's **statement**



## This report is the first full triple bottom line report produced by The Warehouse.

Despite being our first published report, The Warehouse has, since its listing on the New Zealand Stock Exchange in 1994, always talked of its five stakeholders – team members, shareholders, suppliers, community and its customers – as key players in the success of The Warehouse. Stephen Tindall has long been passionate about ensuring The Warehouse balances the needs of these stakeholder groups – long before triple bottom line or sustainable development reporting became increasingly accepted by business.

Triple bottom line reporting brings together three important elements, social equity, economic performance and environmental responsibility.

Our decision to report triple bottom line is a further declaration of The Warehouse's commitment to being a socially accountable and sustainable company in balancing our economic, social and environmental goals. Importantly, this commitment begins at the Board level. Section Four of this report details our commitment to sustainability in more detail.

The Warehouse has often taken a leadership role in sustainability in New Zealand. Through Stephen Tindall's Chairmanship of the NZ Business Council for Sustainable Development, participating in Dr Delyse Springett's

Corporate Environmental Survey, the Redesigning Resources Workshop series, the values audit by Social Audit New Zealand and our association with TNS ("The Natural Step"), The Warehouse is acknowledging that it is taking a leadership role to challenge other New Zealand businesses and an influencing role for other stakeholders.

Leadership exposes us to new challenges and risks. This report may raise new issues which stakeholders will question and challenge us on. From my viewpoint the highlights of this report include the fantastic work that is being done in zero waste in our stores, the enthusiasm of our team members in our community fund-raising programmes and the work being done by the Property Department to reduce energy use. Readers will also note some setbacks such as the lack of consumer interest in Environmental Choice products and a poor lost time injury frequency rates for the 2001 year.

The Warehouse has been collecting some of the health and safety, product and social performance data for only a short time. We acknowledge there are gaps in our data collection and as systems develop and verification improves, we will have greater confidence in the data and our ability to share more information with you.

Many of you will probably be unaware of the extensive nature of programmes in the community and environment that The Warehouse is associated with. This report will, I hope, stimulate debate across all of our stakeholders and we welcome your comments and feedback.

**Greg Muir**

A handwritten signature in black ink, appearing to read 'Greg Muir'. The signature is fluid and cursive, written over a white background.

**Chief Executive Officer  
The Warehouse Group Limited  
October 2001**

## 1.2 chairman's statement

Shareholders may ask the question, why are we bothering to report sustainable development, and what is in it for shareholders?

These are fair questions.

There are limits to an individual business's responsibility for society nonetheless there are a lot of very good reasons to be more broadly accountable to society than simply showing compliance with the law.

Further integrating the principles of sustainable retailing into the way we conduct our operation makes business sense to us. Values and principles are important to The Warehouse and have been the proven companions of our success to date.

In addition, managing risks, gaining stakeholder loyalty, attracting and keeping good team members, accessing the growing ethical fund management industry, gaining new customers, promoting innovation and maintaining

broad credibility are all further benefits of the social accountability rendered through Triple Bottom Line reporting. I have no doubt The Warehouse shareholders would be very interested in these benefits and support them fully.

**For more information:**

World Business Council for Sustainable Development:  
<http://www.wbcsd.org>

For an alternative view of this subject refer to "Misguided Virtue" by David Henderson  
<http://www.nzbr.org.nz/library.html>  
(under Publications)

**Keith Smith**



**Chairman**  
**The Warehouse Group Limited**

## 2. profile of the Warehouse group limited

Year ended July 2001	Warehouse New Zealand	Warehouse Stationery	Warehouse Australia	Warehouse Group
Sales	\$1,167m	\$93.5m	\$404.5m	\$1,665m
EBITA	\$117.0m	\$6.5m	\$(1.5m)	\$122m
Stores	75	33	117	225
Retail area at year end (m2)	306,838	36,775	149,766	493,379
Team Members				11,503

In New Zealand The Warehouse is a leading non-food retailer, offering value for money and a product range which is both accessible and exciting to those who require functionality at affordable prices. The growth of The Warehouse, in both sales and floor space over the last 19 years, far exceeds that of any other non-food retailer in New Zealand. In addition to the 75 The Warehouse stores, subsidiary company Warehouse Stationery has 33 stores throughout New Zealand.

In August 2000, The Warehouse purchased an Australian bargain department store chain which trades as "Clints Crazy Bargains" and "Silly Solly's". They have 117 stores throughout New South Wales, Queensland, Victoria and Australian Capital Territory. The vision of The Warehouse is to use our experience, proven processes and technology to help develop this part of our organisation into an Australian retail force proportional to The Warehouse in New Zealand.

## 3. executive summary

For the five stakeholders of The Warehouse there are many highlights in this report; below is a brief summary of the performance indicators detailed elsewhere in this report.

This first report focuses primarily on The Warehouse Limited and generally does not include Warehouse Stationery and The Warehouse Australia.

### Team Members

The People First Survey results show that in the last 12 months, The Warehouse has maintained an 88% “yes” rating for team members believing The Warehouse is where people come first. Disappointingly, the injury measure (LTIFR) rose 12% in the year, this is an unacceptable outcome and is the second year of an increase in LTIFR.

### Suppliers

This year we have started a major project to increase opportunities for NZ factories to supply The Warehouse. The first phase of measuring the number and value of NZ made product has been completed and the next step is to identify product candidates for potential import replacement.

### Community

The Warehouse helped the community groups raise \$2.6m in 2001, up from \$2.3m in 2000. The Company continues to strongly support projects such as Clean Up NZ and Partners NZ in schools. We have also undertaken two major studies of store community impact of the newly opened Dannevirke store and the soon to be open Wainouimata store.

### Shareholders

Despite a 14% fall in profit in the July 2001 year, The Warehouse maintained an ordinary dividend per share of 12.5 cents for the July 2001 year, unchanged from a year ago. Shareholder numbers increased by 40% in the year, while the market capitalisation to net tangible assets ratio fell slightly from 9.87 to 9.15.

### Customers

In the last year, The Warehouse “Red Sheds” served 42.9m customers, an increase of 12% from a year ago. That means every week 825,000 paying customers come through our doors. Product recalls fell to three in 2001 which compares with a peak of seven in 1998.



## 4. vision and values

“The Warehouse vision is to be the leading community provider of product and services to provide a sustainable quality of life for all people”.

### The Warehouse Vision

The Warehouse is a values based business – its key values are:

- People First Everywhere
- Where Everyone Gets a Bargain
- Where We Care for the Environment

The diagram below shows the linkages between our values and our stakeholders.

### Communication

While Shareholders will receive a summarised copy of this report as part of the Annual Report / Annual meeting communication, copies of this report will be made available to suppliers, customers and other interested groups on our website.

It is intended that the Triple Bottom Line report will be produced annually. Communication is a two way process and we would welcome your feedback on possible ways to improve future reports. A feedback form is included at the end of this report.



# 5. Reporting Process

## Reporting Process

Many agencies and initiatives have helped The Warehouse along its sustainable development path.

The Annual Survey of Corporate Environmental Responsiveness, conducted by Dr. Delyse Springett of Massey University, provides a benchmark for the company's performance, showing its own improvements from year to year, and a comparison with other organisations.

Engaging with The Natural Step has helped The Warehouse to grasp some of the basic goals of sustainability and share them with its team members. This has contributed to some of the projects currently being led by team members that reduce waste and focus on product quality.

By putting Environmental Choice products on its shelves, The Warehouse has supported local manufacturers of "greener" products which are less damaging to the environment.

Joining the Redesigning Resources group has enabled The Warehouse to engage with international leaders in the field (Ray Anderson of Interface Carpets; Paul Hawken and Amory Lovins, authors of *Natural Capitalism*). It has also helped the company understand its own economic, social and environmental performance, and ability to influence its many stakeholders in a positive way.

**Triple Bottom Line** reporting is the next step in our sustainable development journey. The Warehouse is committed to triple bottom line reporting and volunteered to be a public case study. It did this as a leading member of the NZ Business Council for Sustainable Development. The first stage in the case study is available on the NZBCSD website (<http://www.nzbc.org.nz>). The company has also been a member of the Redesigning Resources triple bottom line reporting workshop series, led by Landcare Research.

The essence of triple bottom line reporting is communicating with stakeholders about the company's social, environmental and economic performance. These are not covered in traditional corporate reports that focus on financial performance. Two things are needed for this to be meaningful communication. Firstly, the reported

performance areas need to be the right ones. Secondly, the way in which they are reported needs to be honest, open and trustworthy.

Like other companies in New Zealand, The Warehouse is at the start of the triple bottom line reporting journey, and has not yet put all the necessary processes in place. However, in its view this is not a reason to hold back. The Warehouse has chosen to work towards the Global Reporting Initiative reporting framework, as a standard that is increasingly recognised around the world. The company has also worked with Landcare Research to identify its "key performance areas" as described in the NZBCSD case study.

This report is therefore "work in progress". The Warehouse sees the need for greater involvement of key stakeholder groups in the selection of key performance areas on which to report, and the indicators to be used. It sees the need for additional performance data and external verification of what is reported.

But the company has already seen benefits in gathering new data about its performance, addressing issues where reliable information has been lacking, and measuring the gains that have already been made in many areas.

**Triple Bottom Line** Reporting is a two-way communication. The Warehouse welcomes readers' comments on its performance and on this style of reporting. A feedback card is provided at the end of the report.

## Global Reporting Initiative Standard

While there are numerous social, environmental and economic reporting standards available, The Warehouse has chosen to report its journey toward sustainable development using the Global Reporting Initiative (GRI) which is a long-term, multi-stakeholder, international undertaking whose mission is to develop and disseminate globally applicable sustainability reporting guidelines for voluntary use by organisations reporting on the economic, social and environmental dimensions of their activities, products and services.

## 5. Reporting **Process** continued

The Warehouse has adopted many of the principles from the GRI June 2000 Guidelines in the preparation of this report. The reason why we haven't reported separately for the environment, social and economic performance is that reporting by our five stakeholder groups gives a clearer account of the impact on these groups for the reader.

### **Stakeholder Engagement**

In this report, stakeholder engagement has not been extensive. The key stakeholders have been identified as follows:

1. Shareholders: Our main shareholder engagement in this report was via the Board members of The Warehouse Group. Apart from that contact, there has been no engagement for this report and there are no current plans for engagement beyond the usual interactions at Annual Meetings, result briefings and one-on-one meetings with institutional investors.

2. Team Members: team member views are captured by the People First Survey and a team member environmental survey.

3. Customers: customer surveys and customer focus groups are conducted on a regular basis. Customer attitudes to sustainable development are now surveyed.

4. Communities: Through independent surveys The Warehouse is now formally and independently assessing community impacts prior to locating some new stores.

5. Suppliers: Apart from informal contact in relation to implementing the supplier Code of Conduct, there are no plans for further engagement in relation to reporting.

### **Strategy**

This and future reports provide The Warehouse with a management tool to enhance the quality of our operations through continuous improvement. The **Triple Bottom Line** report will create transparency of our activities and be an important element of stakeholder dialogue by documenting our progress, successes and challenges.

### **Challenges**

- In each stakeholder section, we have identified significant issues faced by The Warehouse for that stakeholders group.



# 6. policies, organisation and management system

“Policies are the systems and practices that link to The Warehouse values”

## 1. Policies and Organisation

In The Warehouse we have developed a number of policies to support our core values. These include:

- Supplier Code of Conduct: At The Warehouse we believe a sustainable future can only be achieved with the co-operation of suppliers who will work with us to achieve environmental and social, as well as economic goals.
- The Warehouse Way team member document is a comprehensive document that records the way The Warehouse will interact with its team members. This report covers everything from privacy, harassment and remuneration, to policies on gifts and rewards from suppliers.
- Equal Employment Opportunity Policy: The Warehouse is committed to ensuring equal treatment for all of our people.



- Health and Safety and Wellness Policy: we believe our team members deserve a healthy workplace and no workplace injury is acceptable.

## 2. Policy Gaps

There are a number of policy gaps in the company and The Warehouse is working internally and with Social Audit NZ to address areas where further policy needs to be developed. Examples include a Code of Ethics.

## 3. Management Systems

Our management systems to report on non-financial indicators are only just evolving with the current focus on better practice rather than best practice. Similarly key performance indicators also require further definition and development.

## 4. Assistance

The development towards sustainable retailing has been assisted in the last two to three years from relationships with:

1. Internationally recognised, The Natural Step provides The Warehouse with a simple but effective framework for sustainability in business.
2. Participation in the Delyse Springett Corporate Responsibility Survey which has focused our attention on our relationship with suppliers.
3. Participation in the Landcare Research Redesigning Resources Workshop Series which has assisted us in providing context for our TBL reporting.

Find out more:

<http://www.thenaturalstep.org>

<http://www.redesigningresources.org>

Global Reporting Initiatives:

<http://www.globalreporting.org>

Business for Social Responsibility:

<http://www.bsr.org>

# performance – team members

“We regard our employees as our greatest asset. They choose to stay with us because we care and we take time to recognise individual qualities”

## People First Survey Result

Every six months, The Warehouse surveys its team members, asking a range of questions on customer service, reward and recognition, leadership, team work, people involvement and attitudes about The Warehouse. These semi-annual surveys are confidential and provide important feedback to ensure The Warehouse refines and improves its “People First” policies and improves the way it communicates and interacts with its team members. A key measure of team member attitudes is expressed in the People First Survey question which asks “I believe The Warehouse is Where People Come First”.

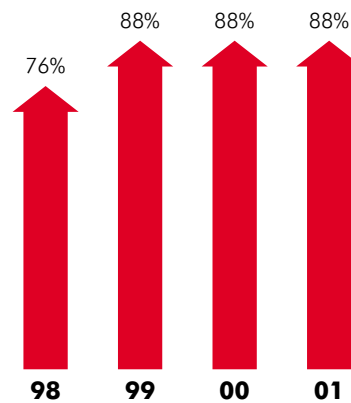
In the August 2001 Survey, 88% of team member respondents agreed with that statement, unchanged since a year ago.

During the year, focus groups of team members were conducted to review the questions in the People First Survey. Suggestions from the focus groups will be included in the 2001/2 Survey.

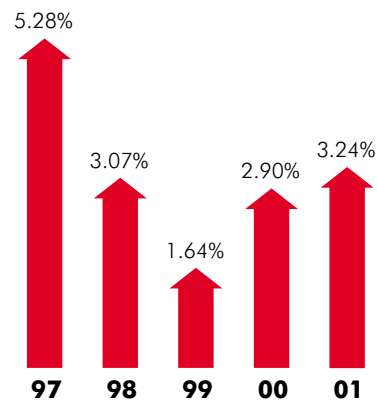
## Health and Safety

The Warehouse Health and Safety vision is “A place of work where no one is injured through environmental conditions or unsafe acts”.

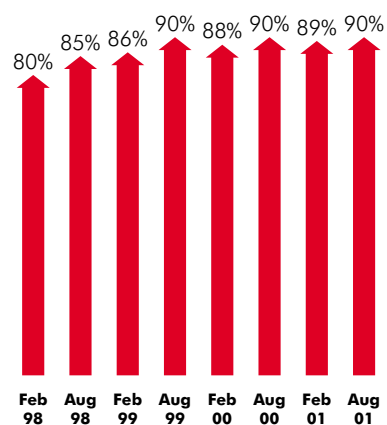
During the 2001 year, the lost time injury frequency rate rose to 3.24 from 2.90. LTIFR is a measure of work hours lost per 100,000 of hours worked. While part of the rise in LTIFR may be accounted for by improvements in reporting systems to capture this data, this increase in time lost to injury is disappointing and requires increased focus on injury prevention. During the year, The Warehouse was audited under the ACC Partnership Programme and maintained its Primary Status.



**People First Survey Results  
I believe The Warehouse is  
“Where People Come First”**



**Lost Time Injury Frequency Rate (LTIFR)**



**I am proud to work for The Warehouse**

# performance – team members continued

## **Attrition Rate**

While the People First Survey is one measure of team member satisfaction, the team member attrition rate is also a useful indicator within The Warehouse. Because the retail sector employs a high percentage of part-time and casual team members, team member turnover is high. The Warehouse turnover rate for the year ended 31 July 2001 was 30.4%. This number includes casual and part-time team members. Unfortunately because of differences in the way the data was compiled and reported in the past, we do not have a reliable data series to measure how the attrition rate has changed in recent years.

## **Team Member Share Ownership**

Encouraging team member ownership in The Warehouse has been a key strategy for The Warehouse. Having team members who also act and behave like owners has been important in driving superior financial performance. In March 2001, 1614 team members took the opportunity to buy \$2,340 of Warehouse shares under the staff share purchase scheme. This scheme gives team members an interest free loan to buy the shares, the loan is then repaid by the team member over 3 to 5 years. During this time, the team member receives any dividends accruing to those shares. As at the end of August 2001, out of an eligible pool of 4340 team members, 2902 NZ team members were holders of Warehouse shares under Section DF7 of the Income Tax Act 1994 holding 1.524m Warehouse shares. Approximately 1500 Australian team members were also shareholders from shares granted to them as part of the purchase of the Australian retail operation of Clints and Solly's.

Refer to Note 26 in the 2001 Warehouse Annual Report for more details.

## **Competency Framework**

"Sustainability" is now included as a core competency in the recruitment, selection and performance management within The Warehouse. The sustainability competency is defined as making decisions which take into account triple bottom line elements of social equity, economic performance and environmental responsibility. There are three behavioural indicators for sustainability which are measured across all levels of the business, from the CEO to those working at store level. To be a successfully

sustainable business, genuine buy-in from all team members is needed as well as an understanding and willingness of every team member to play a part in the goal of developing a sustainable business.

## **Numeracy and Literacy Programme – "Learn for Life Programme"**

The literacy and numeracy programme was set up at The Warehouse in conjunction with Workplace Learning, a trust that operates to provide such services within the workplace. The need for this type of programme was recognised within The Warehouse after statistics came to the fore which noted that there were many people within New Zealand workplaces that did not have the basic literacy and numeracy skills needed to cope in today's workplace (and social) environment.

The Literacy and Numeracy programme has been in operation within The Warehouse from March 1999 after a pilot programme was trialed at the Manukau store. This programme has so far been broken down into 5 phases, within which a targeted 12% of team members have received tutoring targeted to their needs. The total number of stores within these five phases are numbered at 49. Since 1999, the company has invested \$190,000 in the programme. For the 2001/02 financial year an additional \$68,000 will be spent on the programme.

## **Challenges**

- Attrition Rate – high attrition rate
- LTIFR – high lost time rate
- Developing and meeting targets for injury prevention

# performance – shareholders

“We believe long-term economic viability is in the interests of all stakeholders. By integrating the principles of sustainable retailing into our business, we will be better able to provide long-term growth and financial security for all stakeholders”

Below is a summary of the audited results of The Warehouse Group Limited.

## 1. Earnings

	July 2001 (\$000)	July 2000 (\$000)
Operating Revenue	1,664,749	1,075,349
Other Revenue	21,304	30,210
<b>Total Revenue</b>	<b>1,686,053</b>	<b>1,105,559</b>
Operating Earnings (EBITA)	122,095	111,336
Earnings Before Interest and Tax	110,742	112,838
Interest	(14,927)	(4,786)
Taxation Expense	(35,062)	(37,593)
<b>Net Surplus After Tax</b>	<b>60,753</b>	<b>70,459</b>
Earnings Per Share	20.3cps	24.3cps
<b>Operating Margin</b>	<b>7.3%</b>	<b>10.4%</b>

## 2. Distributions to Shareholders

This year, shareholders received an ordinary dividend of 12.5 cents per share, the same as that paid in the 1999/2000 financial year.

Distributions to Shareholders	July 2001 \$000	July 2000 \$000	July 2001 Cents per share	July 2000 Cents per share
Interim Dividend	25,084	24,402	8.5cps	8.5cps
Interim Special Dividend	-	25,901	-	9.0cps
Final Dividend	12,173	11,514	4.0cps	4.0cps
<b>Adj. To previous year's dividend</b>	<b>513</b>	-	-	-
	38,550	61,877	12.5cps	21.5cps
Bonus issue provided from retained earnings	-	35,975		
	<b>38,550</b>	<b>97,852</b>		

## 3. Other Ratios/Statistics

	July 2001	July 2000
Interest Coverage Ratio	8.2x	23.3x
Debt/Debt + Equity	46.6%	33.8%
<b>Capital Expenditure</b>	<b>\$77.8m</b>	<b>\$65.4m</b>

# performance – shareholders continued

## 4. Intangible Assets

The ratio of market capitalisation to net tangible assets measures the financial markets view of the intangible value of the brands, systems, intellectual processes and capital not recorded in the statement of financial position. In the last year, the market capitalisation to net tangible assets fell from 9.87 to 9.18.

July Year Ended	Market Cap/NTA	Market Capitalisation	Net Tangible Assets (NTA)
2001	9.15	1,707m	186m
2000	9.87	1,653m	167m
1999	6.36	1,038m	163m

## 5. Shareholder Returns

The Warehouse floated in November 1994 with an initial price of \$2.50. After adjusting for the two businesses, if an investor invested \$1,000 in the initial float of \$2.50 per share (400 shares) the returns would be:

	Gross Return (\$)	Annualised Compound Return %
	\$7,197	If Warehouse dividends were invested in additional Warehouse securities 36.5%
OR	\$5,963	If Warehouse dividends were reinvested at the risk free rate of 5.6% 33.3%
OR	\$4,760	If Warehouse dividends were not reinvested 29.5%
Notes:	To September 2001	
Source:	Forsyth Barr, 2001	

## 6. Top 20 Shareholders

Twenty Largest Registered Shareholdings as at 1 October 2001

	Number of Ordinary Shares	Percentage of Ordinary Shares
S R Tindall	84,717,281	27.83%
M M Tindall & S R Tindall & J R Avery and K R Smith (as trustees of The Tindall Foundation)	63,323,220	21.78%
National Nominees New Zealand Limited <sup>1</sup> .	26,408,965	8.67%
Westpac Banking Corporation – State Street <sup>1</sup> .	12,629,151	4.15%
The Trustees Executors and Agency Company of New Zealand Limited	7,506,542	2.47%
Citibank Nominees (New Zealand) Limited <sup>1</sup> .	6,181,522	2.03%
N D O'Neill and S J O'Neill.	4,281,202	1.41%
D P Rickards & K A Rickards.	4,281,202	1.41%
ANZ Nominees Limited <sup>1</sup> .	3,516,453	1.16%
S R Tindall & K R Smith and J R Avery (as trustees)	3,389,844	1.11%
R G Tindall & G M Tindall & J R Avery & K R Smith & S R Tindall (as trustees)	3,000,000	0.99%
ANZ Life Limited <sup>1</sup> .	2,827,334	0.93%
J A Inger	2,750,000	0.90%
P G Inger	2,750,000	0.90%
AMP Superannuation Tracker Fund Limited <sup>1</sup> .	2,524,934	0.83%
Premier Nominees Limited <sup>1</sup> .	2,154,583	0.71%
The National Mutual Life Assurance of Australia Limited <sup>1</sup> .	1,618,233	0.53%
Accident Rehabilitation and Compensation Insurance Corporation <sup>1</sup> .	1,134,773	0.37%
BNZ Nominees Limited <sup>1</sup> .	1,102,852	0.36%
Westpac Superannuation Nominees (NZ) Limited <sup>1</sup> .	955,367	0.31%
	<b>240,053,458</b>	<b>78.85%</b>

1. Shareholdings held in New Zealand Central Securities Depository Limited (NZCSD). Total holdings in New Zealand Central Security Depository Limited were 81,686,470 (26.83%)

# performance – shareholders continued

## 7. Who are our Shareholders?

The table below is a list of The Warehouse shareholders as at 1 October 2001.

### Distribution of Ordinary Shares as at 1 October 2001

Size of Shareholding	Number of Shareholders		Shares Held	
1 – 999	5,374	35.82%	2,501,322	0.82%
1,000 – 4,999	7,788	51.91%	16,287,878	5.35%
5,000 – 9,999	1,016	6.77%	6,555,581	2.15%
10,000 – 499,999	786	5.24%	27,479,886	9.03%
500,000 – 999,999	17	0.11%	11,350,505	3.73%
Over – 1,000,000	21	0.14%	240,276,678	78.92%
	<b>15,002</b>	<b>100.00%</b>	<b>304,451,850</b>	<b>100.00%</b>

### Registered Address of Shareholders

Auckland and Northland	4,285	28.56%	227,202,108	74.63%
Waikato and Central North Island	3,793	25.28%	8,090,680	2.66%
Lower North Island and Wellington	2,379	15.86%	47,716,709	15.67%
Canterbury, Marlborough and Westland	1,748	11.65%	6,421,286	2.11%
Otago and Southland	1,011	6.74%	2,362,665	0.78%
Australia	1,664	11.09%	12,296,680	4.04%
Other Overseas	122	0.81%	361,722	0.12%
	<b>15,002</b>	<b>100.00%</b>	<b>304,451,850</b>	<b>100.00%</b>



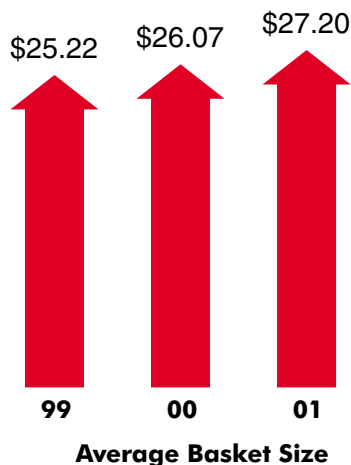
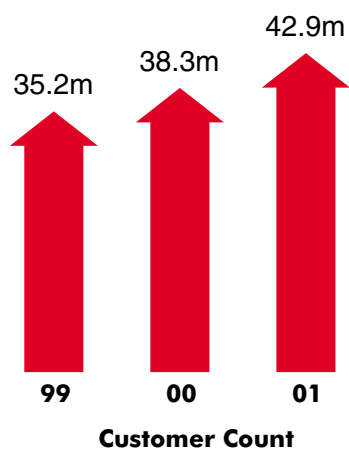
In the last two years, The Warehouse has attempted to widen its shareholder base to promote liquidity and increase private investor interest in The Warehouse shares. The Warehouse has conducted two bonus issues, the most recent one was a taxable bonus issue in 2000 which provided a 1:1 share split and was part of the strategy to make the nominal share price more accessible.

Shareholder numbers in the last 12 months have grown from 10,645 to 15,002.

# performance – customers

“We set out with one simple concept in mind. To put the customer first and let everything else, every business activity and consideration flow from that principle”

Two key measures of how we interact with our customers are customer count and average basket size per customer. In the last 12 months, the customer count rose 12% and the average basket size rose 4.3% in dollars.



## Product Quality

The Warehouse cannot accurately measure product returns that are due to faulty product. However the company is working on a number of initiatives to capture and use this data to improve buying practice. The Warehouse has a quality control unit that tests,

amongst other things, clothing and footwear. The company has a ‘money back guarantee’ policy which features heavily in its advertising and promotion.

## Product Safety

Under the Fair Trading and Consumers Guarantee Act The Warehouse has a responsibility to ensure product sold in stores meets appropriate regulatory and product safety standards. The Fair Trading Act deals with product safety and creates product safety standards. There are currently three product safety standards for children’s night clothes, pedal bicycles and children’s toys, which The Warehouse must comply with. One measure of how the business is meeting the demand for quality product is the reported instances of notified product recalls. Publicly notified recalls in 2001 numbered just three, down one from the previous year.

YE July	Publicly Notified Product Recalls
2001	3
2000	4
1999	3
1998	7

Source: Consumers’ Institute, 2001

## Customer Services

In 2000, The Warehouse, working with KPMG, undertook a number of surveys focused on customer needs and expectations. From that analysis, a team was developed within the business to evaluate the survey findings and improve customer service in stores. The business is working on 31 projects to improve our interaction with our customers. In the surveys, checkout times were identified by customers as a major irritant. One major project that was launched was the development of new “sprint” checkouts that reduce checkout processing times by 30%. To date 21 stores (or 28% of The Warehouse stores) have been fitted with the new checkouts and a further 18 stores are programmed to have the “sprint” checkout by July 2002. Other projects underway include improved in-store signage and information desk performance.

## Customer Complaints

The Warehouse does not have a formal system to capture the number and type of customer complaints. The Warehouse does however have a system to measure stock incidents during the year ended July 2001. There were 67 reported stock incident reports (incidents where a product caused harm or damaged property). Within the year under review, 84% had been resolved during that period.

# performance – customers continued

## Environmental Survey

In order to gain a better understanding of how the community views sustainability, we commissioned research conducted by Forsyte Research. Surveys were conducted in May and June 2001 with 578 respondents in the survey. Respondents were selected on the basis of targeting respondent profiles that matched the total population census (1996).

“Did you go out of your way to shop with a retailer with good environmental policies?”

Only 21% replied ‘Yes’ to this question, with 63% ‘No’ and other responses making up 16%.

These scores highlight a challenge for retailers who wish to promote environmentally friendly merchandise ranges. Many consumers do not rate retailers or suppliers more highly who provide their products in an environmentally friendly fashion.

As a discount retailer, The Warehouse is acutely aware that it must offer consumer choices – between “green products” such as Environmental Choice and ‘traditional’ ranges, while at the same time providing an influencing and educational role to teach customers about how a product was manufactured or its positive environmental attributes.

In order to track attitudinal changes to things environmental, The Warehouse has added a number of social and environmental questions to its popular consumer survey. In future **Triple Bottom Line** reports, some of the results of the survey will be highlighted and discussed. See Supplier section for more results from the survey.

## Warehouse Cardholder

Warehouse Card customers donated Purchase Points equivalent to \$55,000 to Project Kiwi (protecting Kiwis in the Coromandel Peninsula) and \$5,000 towards native tree planting.

## Zero Waste

The Warehouse provides customer recycling facilities at only six stores. The goal is for all stores to offer this by end 2002, encouraging customers to recycle paper, plastic bags, glass and aluminium.

## Challenges

- Educating customers to raise awareness of sustainability issues.



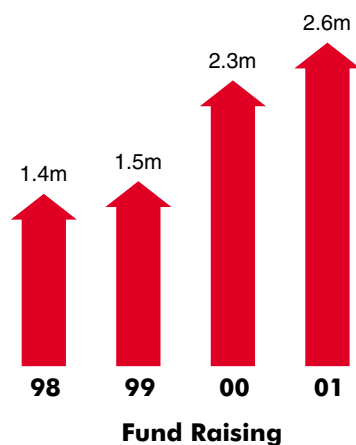
# performance – community

“We are part of the community. For The Warehouse, our values approach means respecting the environmental and social needs of the communities we operate in”

## Fund Raising

Since its inception, The Warehouse has had a long tradition of supporting groups in the communities in which it operates. The Warehouse provides support in three forms: nationally organised campaigns, local store activities and fund raising in our stores. Many of the initiatives are store based and do not attract wide publicity. In the 12 months to 31 July 2001, The Warehouse provided solus and support of \$2.6m, up from \$2.3m a year earlier. During the year, this support included:

- Supporting the Childflight campaign in June/July 2001, raising a total of \$195,000 through the sale of scratch and win tickets in stores.
- The traditional BBQ's outside Warehouse stores raised \$900,000 for local organisations.
- Surf Life Saving – Surf Life Saving New Zealand was the chief charity/organisation sponsored by The Warehouse in 2000 and 2001. In the August 2000 Golf Day and Charity dinner, \$355,000 was raised by suppliers for Surf Lifesaving NZ.



Find out more:

<http://www.slsnz.org.nz>

## School Partnerships

The Warehouse is involved in New Zealand schools through such organisations as Partners New Zealand Trust and First Foundation Project.

Find out more:

<http://www.cwa.co.nz/partnersnz>

<http://www.ffp.org.nz>

## Clean-up NZ

The Warehouse has been a principal sponsor of this event since 1999, contributing \$100,000 in the 2000 year. In September each year Clean-Up NZ promotes events to inspire New Zealanders to clean up their environment. In 2000, some 140,000 volunteers took part in Clean-Up NZ, organised by communities for communities. This event encourages New Zealanders to join forces under the banner Clean-Up NZ Trust and make a real difference to the quality of our environment. Team members in all Warehouse stores play an active part in the week of environmental initiatives. In 2000, some 37% of team members actively took part in the promotion.

Find out more:

<http://www.cleanupnz.org.nz>

## Tindall Foundation

The Tindall Foundation was established in 1995 with the aim of improving the quality of life of New Zealanders by helping individuals and groups develop projects and initiatives that will benefit their communities. Stephen and Margaret Tindall gifted shares to the Foundation equivalent to 23% of The Warehouse. As a shareholder, the Trust receives semi-annual dividends from The Warehouse and has received \$60.07m in dividends or bonus issues since 1995.

Find out more:

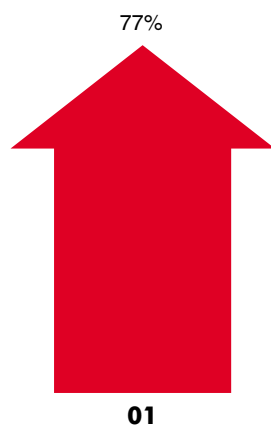
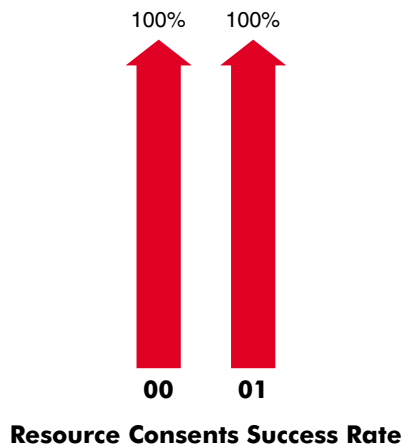
<http://www.tindall.org.nz>

## Property

At The Warehouse we respect the rights of local communities to plan their environments and community. The consents success rate is an indicator of how in tune we are with a communities planning vision. Our aim is to have 100% of all planning consents applications granted – this was achieved in both 2000 and 2001.

The Warehouse has in recent years focused on ensuring its stores are designed to fit into the surrounding retail landscape. Recent examples of sympathetic store siting or design include the new stores in Queenstown and Dannevirke. The Queenstown store design was enhanced with the additions of stone feature walls to fit into the local landscape, while the Dannevirke store was sited in the existing retail precinct replacing a building that was condemned.

# performance – community continued



## % of Stores in Town Centres/Edge of Town

The Warehouse policy is to try to locate its stores within the existing retail precinct in order to maintain the integrity of the established retail area and avoid the abandonment of private, public or community assets. Because Warehouse stores and parking requirements require significant retail area, the opportunity to economically source sites is an increasing challenge for the Company.

In the last two years, there has been a significant amount of local community debate about the positive and negative impacts of locating a Warehouse store in smaller communities such as Feilding, Dannevirke, Motueka, Kerikeri and Wainuomata.

Much of the debate on this issue has occurred in an information vacuum. Recognising that the lack of data does not lead to informed debate, The Warehouse has commissioned community impact studies for two localities.

The survey, conducted by Social Audit New Zealand establishes a baseline against which change (positive and negative) can be assessed. The actual impacts will only become clearer after a Warehouse store has been open for 1-2 years. It is planned to conduct a follow up audit within 18 months of the Wainuomata store opening.

Social Audit New Zealand is a community owned company which works with organisations to report on and improve their social and environmental impacts.

A summary of the findings of the Wainuomata study are detailed below.

Proposed store:	Wainuomata
Location:	Wainuomata Mall
Store Size:	3300 sq metres
Direct Employment:	40 positions

Anticipated impact on local community:

- 85% of respondents indicated the store would have a positive impact on their family.

Anticipated impact on local business:

- 68% of businesses selling similar goods said there would be a negative effect on the economic health of their own business.
- 56% of businesses selling dissimilar goods said there would be a positive effect on the economic health of their business.

Of the 39 non-metropolitan Warehouse stores, only nine of The Warehouse stores are not in town centres or edge of centre locations.

## Taxes

The Warehouse generates significant revenues for the Government via GST, PAYE, duties, excise and tax paid profits. In the year ended July 2001, company tax paid rose from \$29.3m to \$31.886m.

The Warehouse Group Limited –  
Company Tax Paid or Accrued

Year	Company Tax
July 2000	31,886,035.80
July 1999	29,299,354.90
July 1998	18,392,028.60
July 1997	15,892,620.80
March 1996	7,451,076.60
March 1995	13,279,881.70
March 1994	7,362,032.0

## Challenges

- Monitor and assess small community impact during site selection process and after store construction.

# performance – suppliers

“We are able to provide our suppliers with more potential customers than almost any other business in New Zealand”

## Background

As a leading retailer in Australasia, The Warehouse understands that it has a leadership and influencing role in promoting ethical and sustainable sourcing of products and services. As a retailer, this is one of our largest challenges. The Warehouse has a number of initiatives within its business to promote ethical sourcing.

## Supplier Code of Conduct

The Warehouse is committed to legal compliance and ethical business practices throughout all of its operations. 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.

Ensuring The Warehouse source product that is not manufactured with child labour or manufactured under unsafe work practices is an issue for consumers. An environmental survey of 578 respondents in May/June 2001 indicated that:

1. 49.5% would like a 100% guarantee that product is not manufactured with child labour or unsafe work practice.
2. 42% said that The Warehouse should take “responsible steps” to ensure product was manufactured ethically.
3. 5.5% did not require any such guarantee.

The message from respondents was clear. They expect The Warehouse to have an active policy of promoting ethical sourcing (see “Challenges” section).

## Enviro-Mark NZ™

Because the achievement of certification to international environment management system standards such as ISO14001 is beyond the resources and needs of many of our suppliers, The Warehouse supports suppliers undertaking the Enviro-Mark NZ™ Internet-based five-step certification programme. It is hoped a future key performance indicator will be the number of suppliers to meet the externally certified Bronze Enviro-Mark NZ™ standard that indicates compliance with health, safety and environmental legislation. Future Warehouse reports will report on the supplier take-up of Enviro-Mark NZ™ standards.

Find out more:

<http://www.enviro-mark.com>

## Environmental Choice

Environmental Choice New Zealand is an environmental labelling programme created to help consumers find products that ease the burden on the environment. The programme results from a NZ Government initiative and International Accreditation New Zealand (“IANZ”) manages it on behalf of the Minister for the Environment.

IANZ has developed and published specifications for a number of product categories and The Warehouse sells a small range of paint, rubbish bags and gardening products. To date, our sales of Environmental Choice product has been disappointing. The number of licensed products in the current range is 32, from 30 a year ago. Environmental Choice made up 0.099% of The Warehouse Limited sales in the year ended 31 July 2001.

Find out more:

<http://www.ianz.govt.nz/echoice/>

## Timber Procurement Policy

The Warehouse has made a long-term commitment to only purchase wooden furniture sourced from sustainable forests. The Forest Stewardship Council (“FSC”) is an international non-profit organisation founded in 1993 to support environmentally appropriate, socially beneficial and economically viable management of the world’s forests.

For the last financial year ended July 2001, 9% of Warehouse furniture sales were from forests that have received FSC certification or similar status. Two years ago, The Warehouse sold no furniture with forest certification. The Warehouse objective is to develop a policy to purchase only sustainably-produced indoor and outdoor products that meet independent timber certification for high environmental and social standards.

Our goal is to source all timber products with FSC or similar certification by the end of 2003. It is our view that this goal may not be achieved because we are realising customer/consumer education is essential. FSC timber is in short supply and thus attracting a price premium which customers are reluctant to pay.

Find out more:

<http://www.fscoax.org>

<http://www.panda.org/forests4life/certify.cfm>

# performance – suppliers continued

## Packaging Standards

As indicated elsewhere in this report, 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 or stiffness in mens' footwear, there are significant challenges in this area. The Warehouse's ability to influence packaging design is very limited in circumstances where it buys from international brands and where product design and packaging standards are set by large North American or European retailers. To date, we would rate our successes in the area of promoting more sustainable packaging as only modest.

Find out more:

<http://www.packaging.org.nz>

## Supporting NZ Made

The Warehouse has made a commitment to increase the opportunities for NZ manufacturers to supply The Warehouse.

This strategy to increase our volume of NZ made merchandise involves four core activities. They are measuring the number and value of NZ made product, identifying best candidate products for import replacement, working with buyers and manufacturers to successfully buy new product to market, and finally, promoting the purchase and sale of NZ made products to manufacturers, customers and team members.

The Warehouse recently undertook a major survey of the country of manufacture of products and services sold by The Warehouse in New Zealand (excluding Warehouse Stationery). For the 12 months ended July 2001, New Zealand made sales accounted for 18.5% of total sales by value.

The Warehouse is actively pursuing supporting NZ Made growth opportunities and has dedicated resources to increasing NZ Made content.

An example of a recent New Zealand made initiative was the support extended by The Warehouse to the "West Coast Sock Factory". The Warehouse provided a substantial forward order to this business which helped it secure start-up capital from the local council. This expanding new business is now supplying a range of acrylic sport socks to The Warehouse which had previously been imported.

Our merchandise team is actively pursuing a number of other import replacement initiatives and is planning a "New Zealand Made Week" in which to celebrate and highlight to consumers our New Zealand made merchandise. Our New Zealand made content is especially high in departments such as Consumables, Gardening, Hometextiles, Confectionery and Plastics.

The success in increasing NZ made sales will be measured annually by The Warehouse.

## Challenges

- To maximise NZ content while still fulfilling our promise – "Where Everyone Gets a Bargain".
- Ethical Sourcing – determining effective methods (such as industry, governmental or NGO co-operation) to verify ethical sourcing.
- Consumer education of FCS certification of timber sourcing.

## other key areas – waste

“At The Warehouse, we undertake to reduce the waste we produce from our operations, recover as much as is practical and encourage our suppliers and customers to recycle where appropriate.”

### Key Performance Indicators

The Warehouse is tackling waste reduction by seeking to reduce packaging, recycling its own waste and encouraging customers to recycle. In 1999, the Company launched a programme of zero waste to landfill. By July 2000 eight stores were zero waste stores and in July 2001, 48 stores were in the programme. At a store level, zero waste involves separating waste into paper, cardboard, soft plastic, polystyrene, hard plastic, strapping, glass, cans and food waste. Some stores have worm farms for their food waste. The separated product is then forwarded to a recycle station. By using this programme, zero waste Warehouse stores have ceased using waste skips.

The second initiative is reducing the level of packaging in the products The Warehouse buys. A packaging guideline has been published and is available to suppliers.

The aim of our supplier engagement is to influence suppliers to think about why they package their product in the way they do.

Find out more:

<http://www.zerowaste.co.nz>



% of Zero Waste stores	Zero Waste Stores	TWL Stores	% of Stores TWL
2001	48	75	64%
2000	8	69	12%
1999	0	69	0%

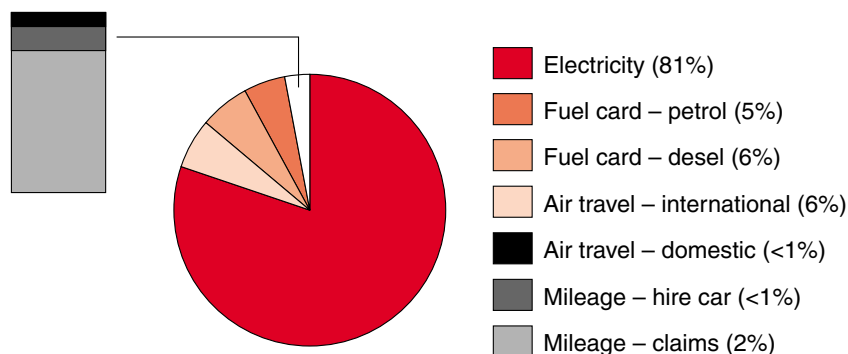


## other key areas – energy/transport

“At The Warehouse, we are striving to minimise energy use, greenhouse gases and encourage efficient energy consumption through our stores, store design and through our product supply chain.”

### Energy Efficiency

Energy use is a significant expenditure for The Warehouse and over recent years a small team within The Warehouse has made substantial savings on company energy costs. The Warehouse in 2001 gained New Zealand industry acknowledgement by taking three awards at the Energy Efficiency Conservation Authority Awards – the Commercial Services Award, Energy Manager Award (Wayne Inger)



CO2 Emissions from energy inputs

and the Supreme Winner Award, as testimony to the results its gained from energy efficiency.

In seven years, the air-conditioned volume of The Warehouse stores has increased dramatically – but has not been matched by a commensurate rise in power usage. In fact, power consumption average has dropped from an original 200 KWh/m<sup>2</sup> to 100 KWh/m<sup>2</sup>.

The savings have come from using software to control heating and lighting and the use of new generation lamps. One trial undertaken recently has resulted in all new Warehouse stores to be installed with solar water heaters that will now provide all hot water requirements for staff.

In the store building envelope, energy-savings are further captured with insulation levels exceeding the Building Code standards.

### Transport

The Warehouse is a major user of transport, both internationally and domestically. The majority of domestic transport is undertaken by Tranz Rail, either by rail, ferry or trucking.

### CO2 Emissions

Global climate change is now seen by most governments including the USA to be influenced by mankind’s activities, and something that requires internationally concerted action. The Warehouse is committed to the first step of understanding its impact by measuring its greenhouse gas emissions footprint. It is these emissions, especially the release of carbon dioxide by burning of fossil fuels, that are implicated in global climate change. The Warehouse commissioned the Landcare Research Emissions/Biodiversity Exchange project team (EBEX21™) to provide this assessment. The results are shown below:

The results show that by far 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 1321 hectares would be needed to capture an equivalent amount of carbon dioxide from the atmosphere and store it long-term. The Warehouse is discussing with the EBEX21™ team the opportunities to further reduce greenhouse gas emissions and offset the remainder with native bush regeneration.

Find out more:

<http://www.ebex21.co.nz>

### Challenges

- Determining how best to reduce and offset greenhouse gas emissions.

# the Warehouse limited **feedback form**

Thank you for taking an interest in our first Triple Bottom Line report. We would appreciate your feedback to help us develop a better report next year.

## 1. Which stakeholder group do you belong to?

- Customer
- Team Members
- Shareholder
- Supplier
- Other Community Member
- Representative of a Special Interest Group (specify):
- \_\_\_\_\_

## 2. How did you rate this first TBL report?

Written Content (please tick one):

- Very Good
- Good
- Poor
- Very Poor

Layout and Design (please tick one):

- Very Good
- Good
- Poor
- Very Poor

## 3. How strongly do you agree that this TBL report is a true and accurate record of The Warehouse performance (please tick one)?

- Strongly Agree
- Agree
- Strongly Disagree
- Neither Agree Nor Disagree

## 4. Have we provided enough detail in each section?

	Too Much	About Right	Not Enough
Introductory material	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance – Team Members	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance – Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance – Customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance – Community	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Performance – Suppliers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other key areas – Waste	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other key areas – Energy/Transport	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Is there anything else you would like to add?

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Please return this feedback form to:

Environmental Co-ordinator  
The Warehouse  
PO Box 33-470  
Auckland

