

# Appendix A

## The Warehouse Terms of Trade

In August 2002, The Warehouse issued its trade suppliers and agents a Terms of Trade. The terms include specific policies on environmental, workplace, transparency and related matters.

A summary of the terms is detailed below with a full copy available on our website.

## Social Policy

### Compliance with Applicable Laws

All suppliers shall comply with the legal requirements and standards of their industry under the laws of the countries in which the suppliers are doing business, including the labour and employment laws of those countries and any applicable New Zealand laws. Should the legal requirements and standards of the industry conflict, suppliers must, at a minimum, be in compliance with the legal requirements of the country in which the products are manufactured. If, however, the industry standards exceed the country's legal requirements, The Warehouse will favour suppliers who meet such industry standards. Suppliers shall comply with all requirements of all applicable governmental agencies.

### Compensation

Suppliers shall fairly compensate their employees by providing wages and benefits that are:

- in compliance with the national laws of the countries in which the suppliers are doing business; or,
- are consistent with the prevailing local standards in the countries in which the suppliers are doing business, if the prevailing local standards are higher.

### Hours of Labour

Suppliers shall maintain reasonable employee work hours in compliance with local standards and applicable national laws of the countries in which the suppliers are doing business. Employees shall not work more hours in one week than allowable under applicable law, and shall be properly compensated for overtime work. We favour suppliers who comply with the statutory requirements for working hours for employees and we will not use suppliers who, on a regularly scheduled basis, require employees to work in excess of the statutory requirements without proper compensation as required by applicable law. Employees should be permitted reasonable days off (which we define as at least one day off for every seven-day period) and leave privileges.

### Forced / Prison Labour

Forced or prison labour will not be tolerated by The Warehouse. Suppliers shall maintain employment on a voluntary basis. The Warehouse will not accept products from suppliers who utilise in any manner forced labour or prison labour in the manufacture or in their contracting, subcontracting or other relationships for the manufacture of their products.

### Child Labour

The Warehouse will not tolerate the use of child labour in the manufacture of products it sells. The Warehouse will not accept products from suppliers that utilise in any manner child labour in their contracting, subcontracting or other relationships for the manufacture of their products. No person shall be employed:

- At an age younger than 15; or,
- At an age younger than 14 where the law of the country of manufacture allows; or,
- At an age younger than the age for completing compulsory education in the country of manufacture where such age is higher than 15.

### Discrimination

The Warehouse recognises that cultural differences exist and different standards apply in various countries, however, we believe that all terms and conditions of employment should be based on an individual's ability to do the job, not on the basis of race, creed, politics or other personal characteristics or beliefs.

### Freedom of Association

There shall be no unlawful interference with the right of workers to choose, or not to choose, to affiliate with legally sanctioned organisations or associations.

### Workplace Environment

The Warehouse maintains a safe, clean, healthy and productive environment for its team members and expects the same from its suppliers. Suppliers shall furnish employees with safe and healthy working conditions. Factories working on The Warehouse merchandise shall provide adequate medical facilities, fire exits and safety equipment, well lit and comfortable workstations, clean restrooms, and adequate living quarters where necessary. Workers should be adequately trained to perform their jobs safely. The Warehouse will not do business with any supplier that provides an unhealthy or hazardous work environment or which utilises mental or physical disciplinary practices.

### Concern for the Environment

Suppliers should share The Warehouse's concern for the environment. Suppliers shall adhere to their local and national laws regarding the protection and preservation of the environment.

### Right of Inspection

To further assure proper implementation of and compliance with the standards set out in these Terms of Trade, The Warehouse or a third party designated by The Warehouse may undertake affirmative measures, such as on-site inspection of production facilities, to implement and monitor the standards. Any supplier which fails or refuses to comply with these standards may be subject to immediate cancellation of any and all outstanding orders, refuse or return any shipment.

### Environmental Policy

#### Sustainability

The Warehouse seeks to continuously improve the environmental sustainability of its operations. The Warehouse will, where practical, source products derived from renewable resources that have been manufactured using sound environmental management systems.

#### Packaging

The Warehouse has an environmental packaging policy, details of which are available from the "Packaging Guide" document on our website.

#### Environmental Claims

The Warehouse recognises it has a responsibility to provide customers with the means to make an informed choice on the basis of a product's environmental performance. Any environmental information given on packaging must therefore be clear, factual and substantiated. Suppliers must avoid confusing the customer with jargon, misleading claims of superior environmental performance or an excessive number of environmental labels. These guidelines therefore lay out the requirements for any environmental claims included in the packaging or labelling of a product.

#### Gift and Gratuity Policy

The Warehouse has a strict policy which forbids and prohibits the solicitation, offering or acceptance of any gifts, gratuities or any form of "pay off" or facilitation fee as a condition of doing business with The Warehouse; as a form of gratitude, or as an attempt to gain favour or accept merchandise or services at a lesser degree than what was agreed.

## Appendix B

EMERGING BEST PRACTICE*	THE WAREHOUSE GOVERNANCE
<p><b>Continuous Disclosure / Trading</b></p> <p>All investors should have equal access to materially price sensitive information disclosed by listed entities.</p> <p>Share trades by directors be reported promptly.</p> <p><i>Code of Ethics</i> Leading companies are developing Code of Ethics because there is a trend to move from rule based compliance to principles based compliance.</p>	<p>Results and other price sensitive information is issued via the NZSE/ASX and is available on The Warehouse website.</p> <p>A disclosure committee within The Warehouse is responsible for continuous disclosure practice.</p> <p>TWL complies with the ASX and NZSE rules which requires director trades to be reported within five business days of the transaction.</p> <p>The Warehouse does not yet have a published Code of Ethics but is currently working on this for 2003.</p>
<p><b>Accounting</b></p> <p>Adoption of relevant international accounting standards.</p> <p>Accounting for share options.</p>	<p>The Warehouse financial statements are prepared in accordance with NZ GAAP and applicable FRS.</p> <p>NZ GAAP does not require expensing of share options.</p>
<p><b>Audit Committees</b></p> <p>Companies should establish an audit committee.</p> <p>The auditor of a listed entity be appointed and the remuneration set by the audit committee.</p> <p>All or a majority of all committee members be independent.</p> <p>The Annual Report may include a statement whether the audit committee is satisfied that the provision of non-audit services by an external auditor, is compatible with auditor independence.</p> <p>At least one member of the audit committee be a financial expert.</p> <p>External audit is subject to a second partner review.</p>	<p>The Warehouse has operated an audit committee since the initial floating in 1994.</p> <p>The Warehouse has been operating under this regime since 1994.</p> <p>Apart from Mr Tindall, all committee members are non-executive.</p> <p>The Warehouse has developed a policy on non-audit services which was established in the FY02 Annual Report.</p> <p>The current chair of the audit committee is an ex-partner of a major accounting firm. The current Chairman of the Board is a member of a national accounting practice.</p> <p>This is current practice for Ernst &amp; Young.</p>
<p><b>External Auditors</b></p> <p>An audit partner rotation every five years.</p> <p>The CEO, CFO, Controller or Chief Accounting Officer cannot have been employed by the listed entity's audit firm during the twelve months preceding an audit.</p> <p>The external auditor attends the annual meeting and answers reasonable questions concerning the audit.</p> <p>The annual report discloses fees paid to the external auditor for each category of non-audit services performed.</p>	<p>Not a requirement in NZ. The Ernst &amp; Young audit partner for The Warehouse changed in 2002.</p> <p>TWL has a policy that prevents recruiting the external audit team.</p> <p>The Warehouse auditor currently attends annual meetings.</p> <p>The Warehouse discloses non-audit work in the 2002 Annual Report.</p>
<p><b>Board</b></p> <p>Board should have a majority of non-executive directors. NZSE proposals are for one-third to be independent directors. UK best practice is a majority of directors.</p> <p>The CEO and Chairman roles to be separate.</p> <p>Best Practice Code recommends formal individual and Board performance assessment.</p> <p>Listed entity should have a remuneration and nomination committee and charters.</p> <p>NZSE proposals support directors holding shares in the entity.</p> <p>Australian CLERP9 recommends the CEO and CFO sign a declaration that the company's financial reports comply with the Corporations Act 2001.</p>	<p>The Warehouse Board has seven non-executive directors and two executive directors.</p> <p>The Warehouse has, since listing, retained separate positions for the CEO and Chairman. The current CEO is not a director of The Warehouse Group. The Chairman is a non-executive director.</p> <p>The Warehouse has a process of formal Board and director review.</p> <p>The Warehouse does have a remuneration committee, but does not have a nomination committee or a written remuneration charter.</p> <p>Eight out of nine directors are beneficial holders of The Warehouse shares.</p> <p>NZ law requires the directors to approve and sign the company's financial reports.</p>

\*Documents referred to in this report.

- Ramsay Report Aust (Professor Ian Ramsay's Report on the Independence of Company Auditors).
- CLERP9 – Australian Corporate Law Enterprise Return Programme Issue Paper 9 (Corporate Disclosure – Strengthening the Financial Reporting Framework).
- Sarbanes-Oxley 2002 (US law governing Board oversight)
- NZSE Proposed Governance Listing Rule Changes relating to Corporate Governance and its proposed code of best practice.

## Appendix C

The indicators recommended by the Global Reporting Initiative draft sustainability reporting 2002 have been cross referenced to the pages on this report (see [www.globalreporting.org](http://www.globalreporting.org) for GRI details).

<b>Vision and Strategy</b>	<b>Page</b>
Business Profile	5
Governance Structure and Management Systems	9
<b>Performance Indicators</b>	
<b>Economic Indicators</b>	<b>Page</b>
EC1. Net Sales	5
EC2. Geographic Breakdown of Markets	5
EC6. Distributions	22
EC10. Donations etc	17
<b>Environmental Indicators</b>	<b>Page</b>
EN8. Greenhouse Gas Emissions	19
EN11. Waste	19
<b>Social Indicators</b>	<b>Page</b>
LA1. Workforce Analysis	10
LA3. Union Representation	12
LA6. Health & Safety	10-11
LA7. Injury Rates	10-11
LA10. EEO Policy	13
HR1. Policies and Guidelines on Human Rights	25
HR3. Suppliers Human Rights Policies	25
HR6. Child Labour Policy	25
HR7. Fixed Labour Policy	25
SO1. Policies to Manage Community Impact	18
SO2. Policies on Bribery, Corruption	25
PR4,7. Product Non-compliance	15

*Thank you* for taking an interest in this,  
our second 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,  
School, Tertiary Institution
  - Representative of a Special Interest Group (specify):
- 

2. How did you rate our second 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="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance – Team Members	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance – Customers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance – Community	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other key areas – Zero Waste	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance – Suppliers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Performance – Shareholders	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. Is there anything else you would like to add?

---



---



---



---



---



---

*Please return this feedback form to:*

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