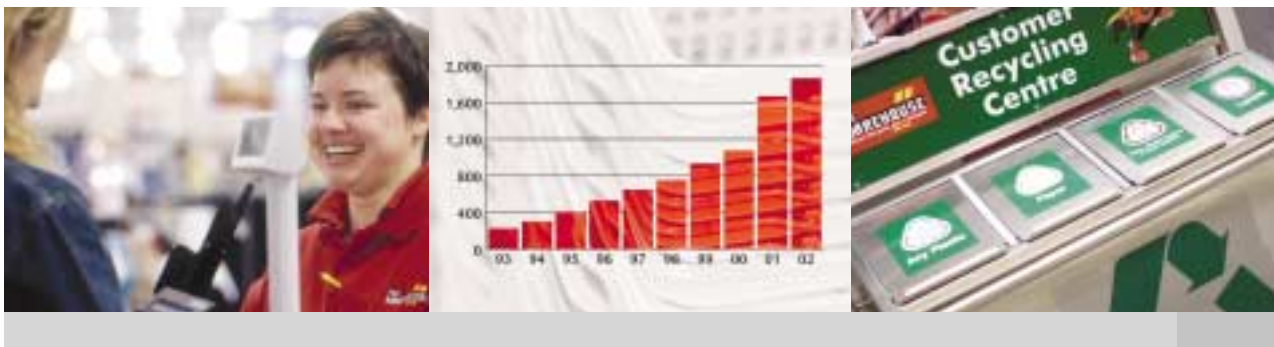


“What Ought One to Do?”

D E C E M B E R 2 0 0 2



The Warehouse Group Limited – *2002 Triple Bottom Line Report*
Social Equity • Economic Performance • Environmental Responsibility





Socrates' ethical challenge –
 "What ought one to do?" which
 introduces this years triple bottom

This, our second triple bottom line report, provides you the reader and ourselves an opportunity to review our performance against all our values. Over time these will provide a valuable record of our sustainable development journey and hopefully provide you some insight into how we think about our business and our efforts to "balance" the triple bottom line of economic, social and environmental performance viewed from the perspective of our key stakeholders: shareholders,

The Warehouse continues to be a leader in this sustainability area with our ongoing involvement in the NZ Business Council for Sustainable Development, the Redesigning Resources Workshop series, participation in Delyse Springett's of Massey University's environmental research and our association with Landcare Research and Enviro-Mark.

As with our first triple bottom line report, I hope this stimulates debate across all our stakeholders. We welcome your comments and

Socrates' ethical challenge – **"What ought one to do?"**

line report is akin to the challenge presented to The Warehouse by our set of values:

- **Where people come first**
- **Where everyone gets a bargain**
- **Where the environment matters**

Our response to this challenge forms the basis of much of the enclosed report. If we are indeed a people first company – what ought we do? If indeed the environment does matter to us as a business – how do we behave in this area?

The Warehouse's success is founded on our customers recognition that our merchandise and pricing represent outstanding value. Our company by line and jingle "Where Everyone gets a Bargain" has attained iconic status in New Zealand.

suppliers, customers, team members and the community.

Particularly in New Zealand, because of our relative size and success, The Warehouse Limited continues to attract a great deal of interest and comment. Hopefully this report may enable readers of all persuasions to look behind the headlines and discover more of what we are doing to build on our success, and become the kind of company the future and our stakeholders demand and deserve.

We are proud of the achievements we have made this past year, particularly in the areas of health & safety, team member attrition, integrated people framework, involvement in local communities, and supplier development.

feedback, and a form is attached for your use at the back of this report or alternatively please feel free to provide feedback through our website.

Greg Muir
 Chief Executive Officer
 The Warehouse Group Limited

dear friends



I'd like to acknowledge up front that moving a company like The Warehouse towards a sustainable future is an enormous task. In terms of the journey we have embarked on, we see that we have probably only completed the first kilometre of a thousand kilometre trek. I am exceptionally proud of our magnificent team of people throughout New Zealand and Australia who are starting to understand and grapple with the complexities of such a challenge. As you will read, the ethos of The Warehouse over the past 20 years has developed into a company that cares.

Our strong desire is to build closer communities and we are under no

illusion that this journey will be long, detailed and at times difficult.

We have tried to communicate our small amount of progress so far – warts and all – and have therefore identified the huge opportunities that still remain ahead of us in progressing further.

We are keen to play our part in promoting responsibility for a more sustainable future and that responsibility extends to what is happening in our supply chain both locally and overseas.

It is our ambition to attempt to enhance the quality of life in New Zealand by continuing to make the desirable affordable. Our challenge is to source sustainable materials that will either enhance the longevity of the product or enable the materials from which they are made to be recycled or reused, hence creating a closed loop system rather than today's take, make, waste, lineal process. Similarly our ambitions of

doing more with less are illustrated in our work in energy efficiency and the redesigning of packaging to enable this to be minimal and recyclable.

The most essential element in all our work is people. Our desire is to be a truly people first company. I hope this is well illustrated throughout this document and it will only be through like minded people who have an ambition to create a more sustainable world that we will succeed in travelling further on our journey in the years to come.

Thanks to all interested parties for taking the time to read this document.

A handwritten signature in black ink that reads "Stephen Tindall".

Stephen Tindall
Founder

Retail Issues

As a retailer, The Warehouse faces a range of issues in its operation on a daily basis. The summary below is drawn from UK retailer Kingfisher and demonstrates issues faced by all retailers around the world.

Sourcing and Manufacture

- Child labour
- Working conditions
- Health and Safety
- Bonded or slave labour
- Fair wages
- Freedom of Association
- Global versus local sourcing
- Transparency and Accountability
- Pollution
- Supplier relationships
- Sustainability of resources

Products

- Recycling
- Packaging
- Environmental Claims
- Labelling
- Information
- End of life issue
- Energy efficiency of products
- Climate change
- Toxics
- PVC
- Timber and forestry

Operations and Processes

- Distribution and transport
- Product takeback
- Waste Management
- Provision of recycling facilities for customers
- Out of town / in town
- Site Management

Our People and Our Customers

- Disability
- Race and culture
- Age
- Gender and sexuality
- Work / Life balance
- Customer information
- Training and career management
- Health and Safety in stores

Community

- Relationships with local stores and community
- Relationship with supply base
- Charitable giving
- Team member volunteering
- Stakeholder dialogue
- Relationship with investors

Business Profile

Year Ended July 2002	Warehouse New Zealand	Warehouse Stationery	Warehouse Australia	Warehouse Group
Sales (\$m)	\$1,261.6	\$124.4	\$476.0	\$1,862
Operating Profit (\$m)	\$140.1	\$4.2	\$2.6	\$147.0
Store Numbers	78	36	120	234
Retail area at year end (m ²)	330,343	40,406	191,341	562,090
Team members	6,604	749	4,635	11,988

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 20 years, far exceeds that of any other non-food retailer in New Zealand.

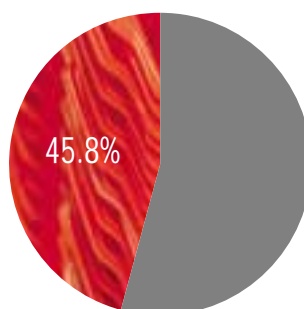
In addition to the 78 The Warehouse stores, subsidiary company Warehouse Stationery has 36 stores throughout New Zealand. Our business to business e-commerce channel was launched in 2001 and allows customers to access the small-to-medium size enterprise market via the internet, a call centre or a Warehouse Stationery sales representative.

In August 2000, The Warehouse purchased an Australian bargain store chain which then traded as "Clints Crazy Bargains" and "Silly Solly's". The chain now has 120 stores throughout New South Wales, Queensland, Victoria and the ACT. The vision of The Warehouse is to use our experience, proven processes and technology to develop this part of our organisation into an Australian retail force proportional to The Warehouse in New Zealand.

Market and Market Share

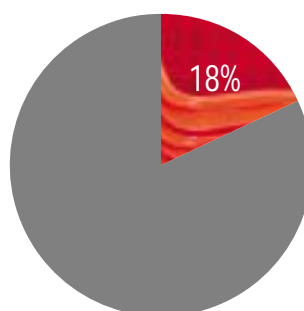
The Warehouse New Zealand

For the year ended 31 July 2002, nominal total national New Zealand retail sales rose 7.5 percent excluding motor vehicle and motor vehicle servicing, while the department store sector grew by 2.5 percent during the same period. The Warehouse's share of the department store sector was 45.8 percent for the year ended 31 July 2002, a rise of 2.4 percentage points from 2001.



Warehouse Stationery

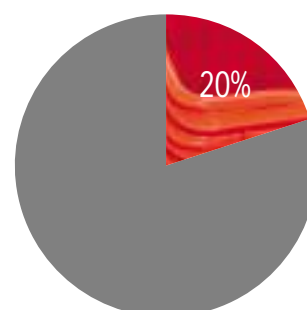
The stationery sector has an estimated size of \$700 million and Warehouse Stationery has an estimated share of 18 percent.



The Warehouse Australia

The "Bargain Sector" has an estimated market size of A\$2 billion. The discount department store and bargain sector is growing faster than the traditional department store sector. The Warehouse Australia has an estimated market share of 20 percent. Nominal Australian retail sales grew 6.5 percent for the year ended 31 July 2002.

The Australian bargain sector remains fragmented despite recent consolidation.



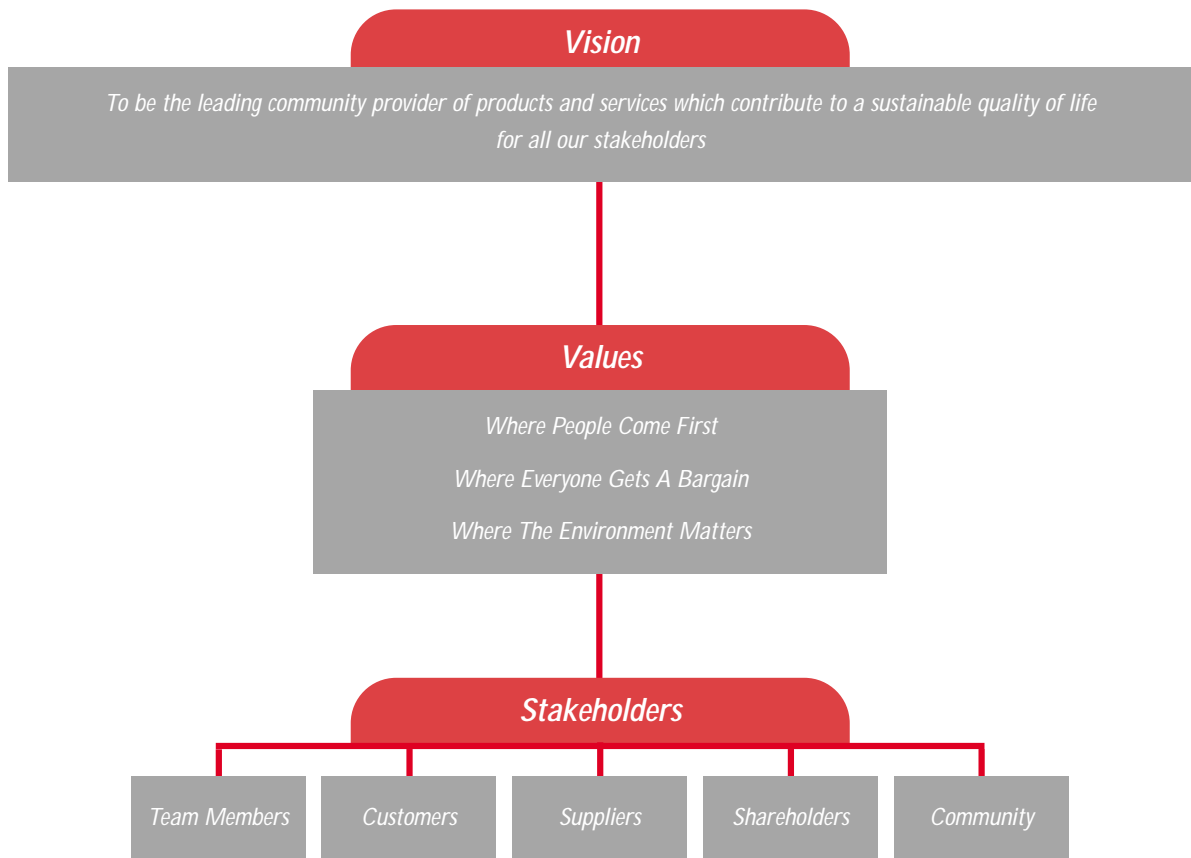
Vision and Values

To be the **leading community provider** of products and services which contribute to a **sustainable quality of life** for all our stakeholders.

The Values

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

- Where people come first
- Where everyone gets a bargain
- Where the environment matters



Reporting Process

Communication

We have again chosen to include a summarised copy of this report as part of the Annual Report, with copies of this full report being made available to suppliers, customers, team members and other interested groups on our website

(<http://www.thewarehouse.co.nz>).

We will continue to produce the triple bottom report annually, and welcome your feedback on possible ways to improve future reports. A feedback form is included at the end of this report.



Sarah Hayward, assistant manager at the South Dunedin Warehouse store

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 which predominantly focus on financial performance.

Two things are needed for this to be meaningful communication. First, 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.

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.

This report continues to be a "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.

Global Reporting Initiative Standard

The Warehouse has chosen to report its journey toward sustainable development using the Global Reporting Initiative (GRI) (<http://www.globalreporting.org>) 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.

The Warehouse has adopted many of the principles from the GRI 2002 draft 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 the reader a clearer account of the impact on these groups.

Stakeholder Engagement

During the year the following stakeholder engagement was undertaken.

1. Supplier Engagement

Suppliers to The Warehouse receive a bi-monthly supplier magazine – this is a forum for discussion of key issues and challenges with the supplier base. During the year a group of suppliers participated in a focus group giving valuable feedback on a new Terms of Trade document, a copy of which is available on our website.

2. Team Member Engagement

Team member views are captured six-monthly by the People First Survey and the team member environmental survey. In 2001 and 2002 focus groups of team members were engaged company-wide to provide feedback on the form and content of The Warehouse "People First" survey. As a result of these focus groups, the survey in 2003 will incorporate many of these recommendations.

In August 2002 the second team member environmental survey was conducted amongst team members in The Warehouse New Zealand. Responses were received from 958 team members which represents a 29 percent response rate from full time team members.

The aim of the survey is to better involve team members in the company's environmental strategy and to measure, on an annual basis, behavioural change and support for environmental initiatives. The specific outcomes from this survey have been very

similar to the results from the 2001 survey. Interesting results include:

- **An increase in the mean score for team member awareness of environmental issues from 6.7 (out of 10) to 7.0 in 2002.**
- **63.3 percent of team member respondents believe, in 50 years, the world will be worse off environmentally, compared to 49.9 percent in 2001.**
- **In 2002, 43.3 percent of team member respondents said they participated in "Clean Up New Zealand" activities.**

Some comments from team members in response to the question "What one thing would you like The Warehouse to do to improve its environmental performance?"

- **31 percent believe The Warehouse should aggressively reduce packaging and aim to eliminate plastic packaging.**
- **26 percent believe the company should eliminate plastic checkout bags and offer paper or cloth options.**
- **17.4 percent believe environmental education is critical and strategies should be implemented to better educate team members, customers, children and the community.**

Clearly issues such as recycling, plastic bags and education are top of mind concerns from team members that responded to the survey.

3. Community Engagement

In July 2002, The Warehouse participated in the Redesigning Resources Workshop. Redesigning Resources sets a challenge to all businesses, to assess the sustainability of their activities and to radically redesign. The Warehouse was one of a pilot of eight organisations that committed to working through a process to become a more sustainable entity. The forum gave an opportunity for The Warehouse to update the group on what was achieved to date and suggested to The Warehouse a list of targets to be achieved by 2004, some of which are identified as follows:

- **Raising awareness of sustainability issues amongst customers.**
- **Establishing an "unpacking area" in every store. e.g. an in-store area where customer's can unpack their purchases for The Warehouse to recycle the packaging.**
- **Make internal training resources available to outside community groups, e.g. provide extra "seats" at generic internal training courses.**
- **Ensure the store "fits with the local community".**
- **Increase the number of product lines with recycled content.**

4. Customer Engagement

The Warehouse conducts extensive customer surveys and customer focus groups. Customer attitudes to sustainable development are also surveyed. Section 8 provides a summary of surveys undertaken in 2002.

5. Shareholder Engagement

Our main shareholder interaction 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. In late November 2002, our website was updated with improvements to the investor relations section.

*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:

- **The Warehouse Way** which is a comprehensive document that records the way The Warehouse will interact with its team members. This report covers everything from privacy, harassment, remuneration, to policies on gifts and rewards from suppliers.

- **Supplier Code of Conduct** which is part our Supplier Terms of Trade.

- **Equal Employment Opportunity Policy.**

- **Health and Safety and Wellness Policy.**

2. Policy Gaps

There are a number of policy gaps in the company and The Warehouse is working internally to address areas where further policy needs to be developed. A Code of Ethics is currently being developed.

3. Management Systems

Management systems to report on non-financial indicators and key performance indicators have been introduced in The Warehouse and are being reported both at a management and board level on a monthly basis.

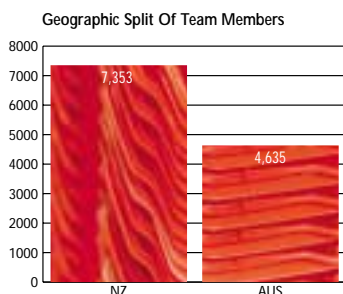
Team Members

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.

The Warehouse Way is a people first philosophy that was established when the company was first formed. People First means treating people the way you would like to be treated yourself.

Work Force Analysis

Team member numbers rose from 11,503 in July 2001 to 11,988 in July 2002. The chart below shows the geographic split of team members for Australia and New Zealand.



The current workforce is made up of 4,782 full time team members, 3,775 part-time and 3,431 casual team members.

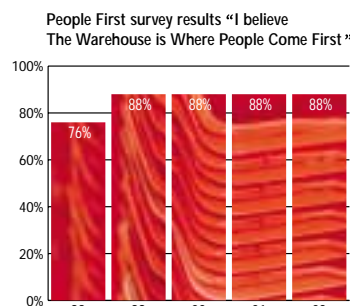
Employment Profile (as at July 2002)

	Full Time	Part-Time/Casual	Total
Warehouse Stationery	445	304	749
The Warehouse (NZ)	3,282	3,322	6,604
The Warehouse (Australia)	1,055	3,580	4,635
TOTAL	4,782	7,206	11,988

People First Survey Result

Every six months The Warehouse New Zealand surveys its team members to gain important

feedback to ensure The Warehouse refines and improves its "People First" policies. One key measure of attitudes surveyed is expressed through agreement with the statement "I believe The Warehouse is where people come first". In August 2002, 88 percent of team member respondents agreed with that statement, a percentage which has remained unchanged for the previous three years.



In February this year we introduced new questions to the survey one of which was "I believe in The Warehouse and because of this I try to do the best job I can

every day". 92 percent of team member respondents agreed with that statement.

Team Member Share Ownership

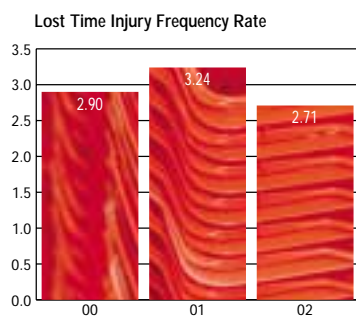
The Warehouse continues to encourage team member share ownership through its staff share purchase scheme. New Zealand team members are able to purchase \$2,340 worth of The Warehouse shares under this scheme. An interest free loan is available which is then repaid over three to five years. During this time, the team member receives dividends accruing to those shares. This scheme is operated under section DF7 of the Income Tax Act 1994. In 2003, a similar team member share ownership plan will be established for the Australian team members of The Warehouse Australia.

Currently, 4,632 team members in both New Zealand and Australia hold The Warehouse shares. This represents an increase of an additional 230 team member shareholders from 2001. Team member shareholders represent nearly 31 percent of total shareholder numbers.

Health & Safety

Our health and safety vision is "a place of work where no one is injured through environmental conditions or unsafe acts". A key indicator in this area is the lost time injury frequency rate (LTIFR), a measure of the number of work related accidents resulting in lost

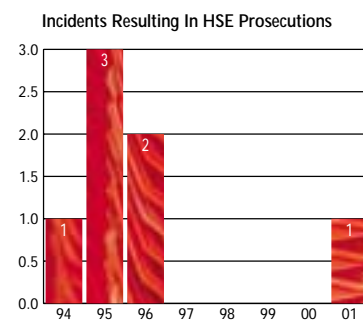
time per 100,000 of hours worked. LTIFR for 2002 was 2.71, which is a significant improvement over last year (2001: 3.24). This decrease is the result of a focused effort by our managers on issues identified as having caused previous injuries. This was achieved by increasing the awareness of risks amongst our team members in the areas of knife handling, stacking, ladder usage, stock movement and manual handling.



The Warehouse New Zealand and Warehouse Stationery are accredited employers under the ACC Partnership Programme. This programme encourages eligible employers to take responsibility for their own workplace health and safety, and injury management. This includes rehabilitation and claims management of employee work injuries.

During the year our status as a partnership employer was reconfirmed by ACC following the annual ACC Partnership Programme health and safety audit. That audit also upgraded our status from Primary level to Secondary level, reflecting improved safety management standards within the company, which resulted in ACC granting us additional discounts on our levy.

In 2002, The Warehouse was prosecuted in relation to failing to comply with Section 16 of the Health and Safety in Employment Act 1992 in that being in control of a place of work, failed to take all practicable steps to ensure that no hazard that arose in the place harmed any person. The incident resulted in bruising to a customer and, as a result, The Warehouse was fined \$4,000. This was the first prosecution since 1997.



Team Member

Sophie is 18 and is a Checkout Supervisor in one of The Warehouse stores. She has worked for the company since 1999 and is a permanent team member.

Her gross earnings for the year were \$28,508.70, including \$911.74 for over-time and two bonus payments of \$1,838.66 for the achievement of personal objectives and company EBIT targets. Sophie's base hourly rate is \$12.33 which compares with the minimum wage of \$8.00 and the retail average of \$11.56 for a similar position.

Sophie took up a staff share purchase scheme in May 2001 where she purchased 579 Warehouse shares at \$4.04 per share and will repay the interest-free loan (\$2,340) for the shares over the next five years. The current value of the shares is \$4,169 (\$7.20 per share).

Sophie is one of 5,203 team members and their partners who attended the annual weekend conference in September 2002, an annual event that rewards team members and their partners for their contribution to the company.

Sophie also benefits from the team member discount card which gives team members a 15% discount on company purchases. Staff schemes also give her access to discounted medical and other insurance and savings products offered through Planit.

Apart from the statutory five days sick leave she is entitled to each year (which can be accrued up to 12 days), Sophie's manager also has the discretion to grant her an additional 10 days per year for short-term illnesses. And she may also be eligible for up to six months paid sick leave for major illnesses that require long-term recovery. She also receives an extra day off for her birthday each year, on full pay.

In the last two years, Sophie attended in-house training courses on Business Processes – Checkout, Business Process Coaching and Assessment, Performance Management and Presentation Skills.

Sophie is currently studying towards a Certificate in Management and receives study time and fees reimbursement for successful completion of the course.

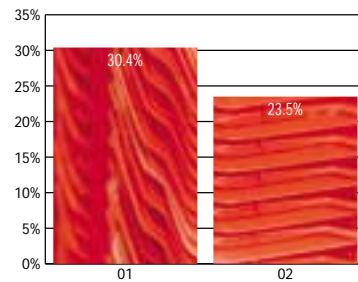
Employee Assistance Programme

Team members' emotional health is as important as their physical health. The Warehouse New Zealand offers all permanent team members the services of independent professional counsellors through the Employee Assistance Programme (EAP) to assist with any personal problems. The Warehouse will provide paid time off to attend up to three sessions and also pays for the counsellor. For the 12 months ending 30 June 2002, 261 team members used this service with an average of 2.4 sessions per team member.

Attrition Rate

The retail sector has a typically high turnover due to the number of part-time and casual team members employed in this sector. The Warehouse New Zealand is no exception to this with a team member turnover rate for the year ended 31 July 2002 of 23.5 percent. This represents a significant improvement on turnover of 30.4 percent recorded in 2001. Team member attrition includes part-time team members.

Team Member Attrition Rate



Team Member Benefits and Assistance

The Warehouse operates a number of programmes to benefit its team members. These are summarised below:

- Long service leave
- Staff discount card
- Sports leave
- Staff share purchase scheme
- Planit personal financial planning service
- Group medical scheme
- Paid birthday day off
- Wellness support policy
- Employee Assistance Programme

Diversity

Equal Employment Opportunities

The Warehouse is an equal opportunity employer and is a member of the EEO Employers Group. The EEO Trust (<http://www.eeotrust.org.nz>) encourages job seekers to look for EEO Employer Group members as employers of choice.

Learning and Development

The Warehouse learning and development team partners with each of the three retail businesses to:

- build individual competence and confidence;
- build management leadership capabilities; and
- build organisation capacity

Training includes generic skills, specialist retail and merchandising training and management skills such as recruitment and selection, performance management and presentation skills.

Integrated People Framework Introduction

A little over 18 months ago, The Warehouse developed an Integrated People Framework to support the vision and values of the organisation. This framework details the people related practices/processes necessary to support our strong People First focus. The practices and processes outlined include Leadership and Management Development, Recruitment and Selection, Remuneration and Performance Management, etc. The successful implementation of these will enable The Warehouse to create a working environment which ensures that we attract and retain the best people and allow them to reach their full potential and maximise their personal satisfaction.

Outlined below are some of the initiatives that have been undertaken to date.

Performance Management

Our Performance Management Framework has been developed to support team members in achieving their full potential at The Warehouse and to strengthen the alignment of individual contributions to organisational business plans.

The focus of our Performance Management Framework is to provide our people leaders with the skills, competencies and tools to encourage and support team members to give their best.

Remuneration

The Warehouse's Remuneration Strategy has been established to support the alignment of individual and team outcomes with organisational success. Our overall goal is to ensure all team members are rewarded for The Warehouse's success as well as encouraging and rewarding individual and team contribution.

Recruitment & Selection

In the last 12 months, The Warehouse Group has designed and implemented a 12-step recruitment and selection process that ensures that a transparent and fair process is used for appointing the best person to all our roles. Implementation has meant training over 800 recruiters in Australia and New Zealand.

All our candidates are now screened based on the competencies identified for success in the relevant role.

The implementation of this process has meant that our candidates experience a fair and objective process based on merit, that the quality of our hiring decisions has improved markedly. The Warehouse New Zealand, the franchise that has had the process in place the longest, has experienced a significant decrease in turnover in all positions.

Management Development

The Company believes the development of our Managers is critical to the group successfully meeting its challenges. Because of this, we have implemented a Management Development framework based on the competencies Managers at all levels require to carry out their roles successfully.



Te Ara Howard, The Warehouse, Glenfield

All our Managers have an annual development plan they have agreed with their Manager and, to support

their development, a comprehensive curriculum of courses especially designed for the Warehouse context

is available. These include, but are not limited to, recruitment and selection, performance management, team leadership, planning and organising, business and financial skills and project management.

In the last 12 months, over 800 managers have had training in some of the modules available under the framework.

Leadership Development

The Warehouse Group has implemented a Leadership Development framework that focuses on the development of our leaders at all levels of the organisation. This framework has three components – talent management, the High Potential and Emerging Talent programmes and Executive Development.

Conclusion

The work outlined is critical to where The Warehouse wants to be as an organisation and typifies the sort of people-related initiatives we are undertaking in order to create a high performance learning environment which allows us to attract and retain the best people and for them to give their best.



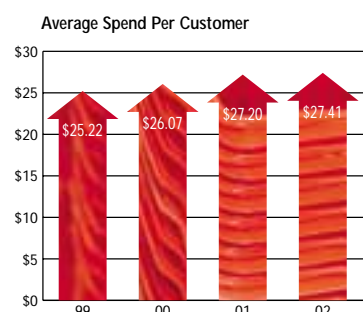
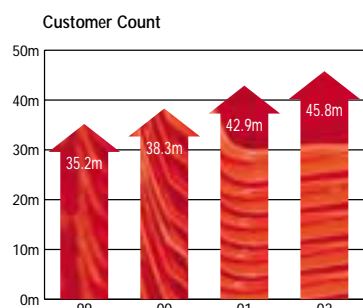
The Warehouse is creating a high performance learning organisation which allows us to attract and retain the best people

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.

Customer Indicators

Customer traffic rose 6.8 percent in 2002 while average customer spend was up 0.8 percent.

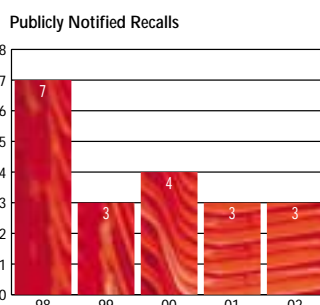


Product Quality & Safety

The Warehouse New Zealand has a responsibility under the Fair Trading Act 1986, and Consumer Guarantees Act 1993, to ensure that all products meet safety standards. A measure of performance in this area is the number of publicly notified product recalls. During 2002, there were three recalls, which is in line with last year.

A project, planned to commence in February 2003, will capture details

of faulty or returned goods. Once developed, this metric will be reported in future triple bottom line reports.



Customer's First – The Warehouse Way

One major initiative in the customer area has been the introduction of a Warehouse customer service training module entitled "Customer First – The Warehouse Way". All store team members have been taken through this training module where the primary focus is improving customer service. It is now an integral part of the induction process for all new team members. The Warehouse also continues to work on a variety of other projects to improve its interaction with customers.



Customer Complaints

The Warehouse New Zealand does not yet have a system to nationally capture customer complaints but it does have procedures to measure and report incidents where products caused harm or damaged property. For the year ended 31 July 2002, there were 127 reported stock incidents with a resolution rate of 94 percent.

Fireworks Safety

As a major retailer of fireworks for the Guy Fawkes celebrations, The Warehouse proactively promotes safe practice on its fireworks product, promotions and advertising. A website (<http://www.bigboom.co.nz>) has been designed to promote and educate the public on fireworks safety.

Customer Recycling Bins

Customer recycling facilities have been installed in all The Warehouse New Zealand stores offering customers the opportunity to recycle plastic bags, paper, cans and bottles. The units are already proving popular and promote the company's commitment to zero waste.

Environmental Survey

This is the second year The Warehouse New Zealand, as part of its customer survey process, has asked questions to gain a better understanding of how the community views sustainability and our level of social and environmental performance. The survey was performed by NFO New Zealand Limited in May and June 2002 with 620 respondents. Respondents were selected on the basis of targeting respondent profiles that matched the total population census (2001).

The results for 2002 are almost identical to those of 2001.

To the question, "did you go out of your way to shop with a retailer with good environmental policies?", 70 percent replied 'No' compared with 63 percent a year earlier. Those that replied 'Yes' were unchanged at 21 percent. This score and other similar responses to other questions asked in the survey once again highlights a challenge to retailers. Many customers do not rate retailers, suppliers or products more highly if those products are made in a more environmentally friendly fashion.

Did you Go Out of Your Way to Shop at Businesses with Good Environmental Policies?

	2001 %	2002 %
Yes	21	21
No	63	70
Unaware/ Don't Know	16	9

Respondents were also asked "what one thing The Warehouse could do to look after the environment." The majority of respondent suggestions centred on reducing packaging and recycling, areas that The Warehouse has a current focus upon.

What One Thing The Warehouse Could Do To Look After The Environment?

2002 Survey	%
Recycle plastic / packaging	14
Use less packaging	10
Use brown paper bags instead of plastic	7
Less plastic used	5
Community sponsorship	4
Sell better quality products	3
Buy local / New Zealand products	2
Rubbish bins in the carpark	2
Awareness of imported woods etc.	2
Recycle boxes	1
Make completely smoke-free	1
Don't know	49

Taxes

The Warehouse generates significant revenues for New Zealand via GST, PAYE, duties and excise and company tax. In the year ended July 2002 company tax paid decreased from \$47.1m to \$39.8m.

The Warehouse Group Limited – Company Tax Paid

Year	Company Tax 000's
July 2002	39,788
July 2001	47,056
July 2000	35,119
July 1999	28,264
July 1998	19,035
July 1997	12,045



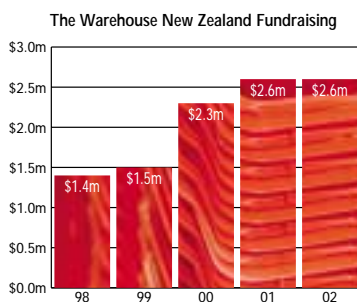
Community

We are part of the community.
*In The Warehouse, our values approach means representing **the environmental and social needs** of the communities we are part of.*

Fundraising

The group supports a number of organisations within the communities in which we operate. This support is provided through local store activities, in-store fundraising, and nationally organised campaigns. For the twelve months ending 31 July 2002, The Warehouse New Zealand provided support of \$2.6 million which is in line with the support of a year ago. During the year, this support included:

- The traditional BBQ's outside Warehouse stores raised \$987,000 for local organisations.
- Parenting With Confidence – which is the chief charity/organisation sponsored by The Warehouse for 2002 and 2003.
- Suppliers who supported the Golf Day and Charity dinner in August 2001 raised \$355,000 for Surf Life Saving New Zealand.



Warehouse Stationery raised \$80,000 for Child Flight through fundraising and Warehouse Stationery's Supplier Charity Golf Day.

The Warehouse Australia raised over A\$310,000 in the last year, providing support for groups such as the Rural Fire Service, the Leukaemia Foundation and the Cancer Council.

Clean Up New Zealand

Clean Up New Zealand (<http://www.cleanupnz.org.nz>) remains the country's largest volunteer event focused on environmental improvement, and The Warehouse Group has been the principal sponsor since 1999 when all The Warehouse New Zealand and Warehouse Stationery stores first registered events. These events are usually organised in conjunction with local schools, businesses, community groups and councils. In 2002, 2,845 team members from forty-two stores and distribution centres participated in the event.

School Partnership Programme

The Warehouse began forming partnerships with schools in 2001. The objective is to enhance the school curriculum by enabling

schools to become involved in specific business projects. This is also a two-way relationship where Warehouse team members are able to develop their own skills in areas – public speaking for example – outside their normal work environment. The Warehouse will be supporting this programme through a \$50,000 sponsorship for the 12 months ending July 2003.

In 2002 the initiative has been adopted nation-wide and already more than twenty stores have begun significant working partnerships with local schools. The Warehouse is working with Elizabeth Deuchrass and Associates (EDAL) to facilitate this process. The goal is to form partnerships with forty-five more schools within the next twelve months.





During 2002 the company, on behalf of its suppliers, chose Parenting with Confidence as its sponsored charity for the next two years. Parenting with Confidence Inc, is a not-for-profit community organisation founded by Ian and Mary Grant in 1994. It is dedicated to improving the lives of New Zealand families through the provision of parenting and relationship-based seminars. Its aim is to encourage parents to establish self-nurturing, self-governing families, and to inspire and equip adolescents to become great future parents.

Key4Free



Last year Warehouse Stationery became a partner with TANZ (Tertiary Accord of New Zealand) a group of polytechnics who provide free computer training. Under this partnership, classrooms are set up in Warehouse Stationery stores. The launch of Key4Free has been received very positively by consumers, and more than five thousand people have been through this facility to date. This free, self-paced computer training service is now available in ten locations.

Property

Our leadership within the retail industry also extends to our building program. While we

continue to reap significant savings through energy efficiency measures, a number of new initiatives are being introduced in selected new stores, such as:

- Solar water heating
- Water reticulation
- Car park water run-off management
- Increased landscaping
- Increased insulation

The Warehouse has recently been involved in developing two new stores which preserved and incorporated historic buildings. Working alongside the Historic Places Trust and local councils, The Warehouse has been able to instil new life into the old tram powerhouse building (now the Invercargill Warehouse Stationery store) and the historic BNZ building (now part of the Alexandra Red Shed).



Warehouse Stationery Invercargill



The Warehouse Alexandra

Community Impact

The Warehouse continues to monitor its impact on communities. This year we have commissioned Social Audit

New Zealand to conduct a major study of our impact on rural centres. The research program builds on work undertaken during 2001 and will inform the company on how best to work together with communities in developing vibrant local economies.

Work is currently underway examining community impacts in Kaitaia, Greymouth and Dannevirke. A summary of these results will be posted on the website in 2003.

(Evening News, November 2002)

Dannevirke model in Warehouse research

By Judy Babe

Dannevirke is the model for the rest of the company in research being carried out by Social Audit New Zealand on behalf of The Warehouse.

Now halfway through the survey John Stansfield of Social Audit NZ said The Warehouse showed forward thinking three years ago when it asked his non-government organisation to survey the impact its presence has on rural based communities.

They are also doing investigative work on the West Coast and in the Far North, but the Dannevirke survey will be the most thorough.

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 community's planning vision. Our aim is to have 100 percent of all planning consents applications granted – this has been achieved in the last three years.

The Warehouse policy is to try to locate its stores within the existing retail precinct in order to maintain

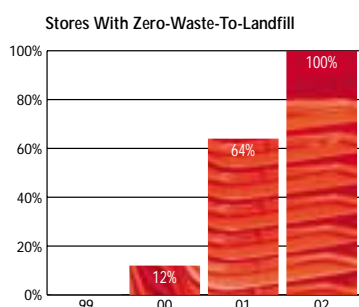
the integrity of the established retail area and avoid the abandonment of private, public or community assets. Because Warehouse stores and parking requirements require significant retail area, the opportunity to economically source sites is an increasing challenge for the Company.

The Warehouse estimates that 77 percent of its stores are in town centres or edge of town locations.



Zero Waste

In New Zealand The Warehouse is taking responsibility for its waste stream through a program of recycling, and reduction of waste at source, as a commitment to a policy of zero-waste-to-landfill. All stores in New Zealand have achieved zero-waste-to-landfill with all but a small percentage of store waste now recycled and diverted from landfill.



Waste is diverted to three resource centres located in Auckland, Wellington and Christchurch where the material is sorted and made available for recycling. A residual amount (7 percent of the total company waste) still goes to

landfill because there are currently no recycling options. The company's aim is to reduce this residual amount from 7 percent to 3 percent by 2013.

Environmental Corporate Responsiveness

The New Zealand Survey of Corporate Environmental Responsiveness was introduced by Massey University in 1999 and is based on the UK Index of Environmental Engagement which Business in the Environment administers with the FTSE 350 and companies in the Dow Jones Sustainability Index Group. The Survey has provided the opportunity for a research-led industry partnership, as well as a practical tool for assessing how systematic a company's approach to environmental management is, and provides a company with measurement of its evolution to strategic environmental business planning over the years. While representing only one aspect of the business shift to sustainable development, benchmarking of levels of environmental responsiveness is one way that business can demonstrate corporate commitment to sustainable development, and it is fundamental to the sustainability shift.

The Warehouse, although dropping in the overall rankings in 2002, has again performed well in the 2002 Corporate Environmental Responsiveness Survey conducted through Massey University by Delyse Springett. The Warehouse was ranked 28th out of 53 companies compared with a 14th ranking (out of 66) in 2001.

The Warehouse performed highest in the retail sector with the next closest company in the sector placed 46th.

The survey was again dominated by the country's heavier-impact industries such as primary production, manufacturing, oil, gas, water and electricity.

The survey remains a valuable tool for benchmarking our sustainability journey, and although simple in its ten parameters, the survey focuses on the most important aspects of the journey.

The full report is available at:

<http://cbsd.massey.ac.nz>

Energy Efficiency

During the past few years The Warehouse has made some significant achievements in the area of energy efficiency and has been acknowledged through a number of awards. We continue to look for innovative ways to minimise energy consumption and maintain average power consumption at under 100kWh per square metre of retail space.

CO₂ Emissions

The Warehouse continues to use the EBEX21™ process to measure our CO₂ emissions. Our current focus is in the area of energy efficiency and transport which are our largest source of greenhouse gas emissions.

Over 80 percent of The Warehouse New Zealand's CO₂ emissions are from electricity use, despite the fact that two-thirds of New Zealand's electricity is sourced from non-polluting hydroelectric dams.

In 2001, EBEX21™ calculated 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.

Suppliers

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

Terms of Trade and Supplier Appraisals

This year The Warehouse New Zealand issued a revised Terms of Trade suite of documents accessible under the supplier section of our company website (*Refer Appendix A*). Our Terms of Trade includes references to minimum acceptable working conditions in factories supplying The Warehouse. This year we have a program of appraisals wherein Warehouse representatives will visit factories of our suppliers to ascertain their compliance with the provisions of our Terms of Trade. Our aim is to conduct 50 appraisals by July 2003. Statistics on compliance assessments will be published in future triple bottom line reports.

Packaging Guidelines

The Warehouse has produced a comprehensive Packaging Guide which is available on our website. This guide provides specific

guidelines as to the environmental characteristics of product packaging. Over the next twelve months The Warehouse buyers will be reviewing the top 200 products with the intention of reducing the shipper and product packaging and using more recyclable materials.

As part of its commitment to Zero Waste, The Warehouse actively encourages waste elimination through its supply chain. Using its buying power as leverage, The Warehouse is able to influence its suppliers toward minimising the amount of material used in packaging.

Enviro-Mark NZ

In the coming year The Warehouse is launching a unique supplier development program we have developed with Enviro-Mark™ (<http://www.enviro-mark.com>). The Enviro-Mark™ certification is an international qualification customised for use in New Zealand

by Landcare Research. The goals of the project are to improve the overall environmental performance of our supply chain as well as assisting suppliers to lower production costs through more energy efficient production techniques, resource use and waste minimisation. An Enviro-Mark™ consultant team has been assembled to deliver the project and they have extensive skills and experience in both environmental management systems and eco-efficiency.

Environmental Choice

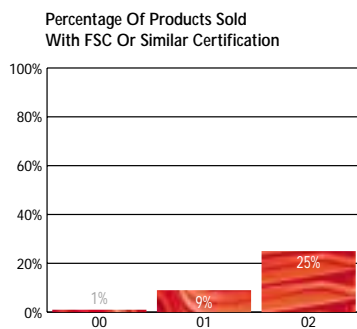
The Warehouse believes independent verification to validate environmental claims is essential. To this end, we continue to work closely with Environmental Choice (an environmental labelling programme to inform consumers). We currently sell a small range of products bearing the Environmental Choice logo, including paint and other plastic products.



Menswear Buyer, Ewa Liddington, recently initiated the redesign of packaging for a range of men's t-shirts, polo shirts and singlets. The original plastic bag and hanger were replaced with cardboard band wraps. This replacement eliminates 12 grams of plastic per unit. With sales of over 300,000 garments, this packaging change equates to a direct saving of around 4 tonnes of waste plastic per year

FSC Timber

In the past, we have made a commitment to increase our purchase of wood products from sustainable forests. For the year ended 31 July 2002, twenty five percent of furniture sales were from forests that have received Forest Stewardship Council certification (FSC) or similar. This is up from 9 percent a year earlier. We will continue to promote FSC timber in our stores with the ultimate goal to source only timber with FSC or similar certification.



KiwiMade

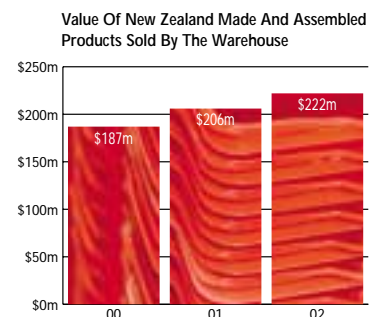


In June 2002 The Warehouse New Zealand launched a special KiwiMade logo to identify New Zealand-made goods sold and advertised within our business. This is available at no cost to qualifying suppliers who are now beginning to incorporate the logo in their packaging. Through a special facility in our point-of-sale software, KiwiMade purchases are highlighted to our customers by printing the logo on the sales receipt.

New Zealand Manufacturers

The Warehouse New Zealand recognises the special role played by its New Zealand suppliers.

Since 2001, The Warehouse has been actively measuring and reporting on the sales and performance of New Zealand-made and assembled products compared to imports. This enables our buyers to identify the areas of competitive advantage for local suppliers. In the past year, sales of New Zealand-made and assembled product increased 8.1 percent to \$222 million, this compares with an 11.8 percent increase in total sales for The Warehouse New Zealand.



An outstanding example of this is a range of previously imported storage containers. Following an initiative from our buyer, this product is now manufactured by Papakura plastics manufacturer, Perroplas One, with the advantage of local supply (in terms of availability of stock and faster replenishment times) having seen a significant increase in sales.



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.

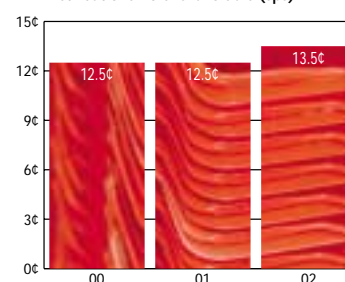
1. Earnings

(\$000)	July 2002	July 2001
Operating Revenue	1,862,031	1,664,749
Other Revenue	15,763	21,304
Total Revenue	1,877,794	1,686,053
Operating Earnings	147,009	122,095
Earnings Before Interest and Tax	139,223	110,742
Interest	(12,250)	(14,927)
Taxation Expense	(44,369)	(35,062)
Net Surplus After Tax	82,604	60,753
Earnings Per Share	27.0cps	20.3cps
Operating Margin	7.9%	7.3%

2. Distributions to Shareholders

This year, shareholders received an ordinary dividend of 13.5 cents per share, a one cent per share increase to that paid in 2001.

Distributions To Shareholders (cps)



3. Other Ratios/Statistics

	July 2002	July 2001
Interest Coverage Ratio	12.0x	8.2x
Debt/Debt + Equity	39.0%	46.6%
Capital Expenditure	\$79.9m	\$77.8m

4. Who are our Shareholders?

Distribution of ordinary shares as at 30 September 2002

Who Owns Us?	Number of Shareholders	Percentage	Number of Shares Held	Percentage
Registered Address of Shareholders				
Auckland and Northland	4,347	28.18%	229,084,564	75.12%
Waikato and Central North Island	3,855	24.99%	8,529,220	2.80%
Lower North Island and Wellington	2,540	16.47%	47,624,110	15.62%
Canterbury, Marlborough and Westland	1,742	11.29%	6,174,660	2.02%
Otago and Southland	1,088	7.05%	2,632,916	0.86%
Australia	1,721	11.16%	10,651,584	3.49%
Other Overseas	131	0.86%	279,619*	0.09%*
	15,424	100.00%	304,976,673	100.00%

*Analysis of our share register indicates 19 percent of shares are owned by offshore investors. Some of these shares are nominally held by New Zealand custodians on behalf of the offshore investors and are therefore recorded in either Auckland or Wellington addresses in the above table.

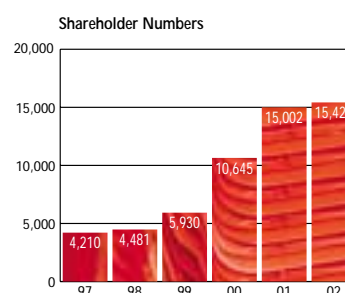
5. How Many Shares Have They Got?

Size of Shareholding	Number of Shareholders	Percentage	Number of Shares Held	Percentage
1 - 1,000	7,134	46.25%	4,036,290	1.32%
1,001 - 5,000	6,740	43.70%	16,076,559	5.27%
5,001 - 10,000	939	6.09%	7,018,774	2.30%
10,001 - 100,000	517	3.35%	12,075,022	3.96%
100,001 and over	94	0.61%	265,770,028	87.15%
	15,424	100.00%	304,976,673	100.00%

6. Total Shareholder Numbers

In recent years, The Warehouse has attempted to widen its shareholder base to promote liquidity and increase private investor interest in The Warehouse shares.

Shareholder numbers in the last twelve months have grown from 15,002 to 15,424.



7. Intangible Assets – What's the Brand Worth?

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 9.15 to 8.37.

Year Ending July	Market Cap/NTA	Market Capitalisation	Net Tangible Assets (NTA)
2002	8.37	2,144m	256m
2001	9.15	1,707m	186m
2000	9.87	1,653m	167m
1999	6.36	1,038m	163m

8. Transparency

During the year, there has been considerable debate about corporate governance and transparency.

The Warehouse has always treated good governance as being very important to its performance.

Appendix B illustrates how the company's practices compare with emerging best practice.

During the year, governance and transparency was further enhanced through three initiatives:

1. Disclosure Committee

Following the company achieving a full Australian Stock Exchange (ASX) listing on 28 June 2002, it revised its continuous disclosure policy in July 2002. The policy outlines a formal procedure for dealing with potentially price sensitive information (disclosure information) and involves referrals to a disclosure committee.

The committee is responsible for ensuring the company meets its disclosure objectives under ASX Listing Rule 3.1 and New Zealand Stock Exchange (NZSE) Listing Rule 10.1.

2. New Website

Late in November 2002, the group updated its website as part of an initiative to improve the quality, timeliness and accessibility of financial and other information of The Warehouse to its investors and other stakeholders.

3. Audit Independence

In July 2002 the board reviewed its policy and procedures for audit and non-audit work that may be performed by the external audit firm.

The key principles arising from that review, which have been adopted by the company, are:

- **The external auditor must remain independent of the company at all times and comply with Professional Standards F.1 (Australia) and ICANZ Code of Ethics and ICANZ EG1 Guide to Objectivity.**
- **The external auditor must monitor its independence and report to the board that it has remained independent.**
- **The company will not recruit the audit partner or other members of the external audit firm into finance roles within the company.**

The company has developed a set of procedures for the external audit firm and their related firms and has implemented a set of guidelines on what non-audit services are permitted and not permitted by the audit firm in respect of the company.

9. Compliance with NZSE and ASX Listing Rules

The Warehouse is listed on both the NZSE and ASX. In the year ended July 2002, The Warehouse did not receive any enquiry, investigation or complaint from either exchange in respect of compliance with listing rules.

10. Awards

Forbes 200 Best Small Companies

In 2002, Forbes Magazine (<http://www.forbes.com>) named The Warehouse in its worldwide list of "200 best small companies" that had revenues of US\$1 billion or less.

On this year's list, 31 countries were represented.

ICANZ Annual Report Awards

In May 2002, the Institute of Chartered Accountants of New Zealand (<http://www.icanz.co.nz>) awarded The Warehouse a commendation for its triple bottom line in the "Environmental/Sustainability Reporting category by a listed entity. The judges said "The Warehouse Group is to be commended for its report which shows a commitment from senior management to environmental/sustainability reporting. The report demonstrates a willingness to tackle hard issues, such as the impact of Warehouse stores on smaller communities."

11. Ethical Funds

In late 2001, The Warehouse was added to the FTSE4Good index an index for socially responsible investment designed by FTSE, one of the world's leading global index providers. FTSE4Good index (<http://www.ftse4good.com>) is a series of benchmark and tradeable indices that facilitate investment in companies with good records of corporate social responsibility.

FTSE works in association with EIRIS (<http://www.eiris.org>), the Ethical Investment Research Services, in sourcing and verifying company data.

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>Continuous Disclosure / Trading</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>Accounting</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>Audit Committees</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 & Young.</p>
<p>External Auditors</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 & 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>Board</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 for GRI details).

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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**