

Team Members

Introduction

"Where people come first" is one of our three values. Like all values, it is something we aspire to, something against which we continually measure ourselves and try to improve.

Our goal is to create an environment where we attract, develop and retain the best people and enable them to give of their best. To achieve this goal we have focused our people initiatives on creating a high-performance learning environment.

Team Member share ownership

During the year we launched our Team Member Share Purchase Scheme to our Australian team members. Under this plan, team members are able to purchase A\$2,340 worth of Warehouse shares through an interest-free loan. The loan is paid off over three to five years with the team member receiving dividends accruing to those shares over this time. Within New Zealand, the scheme operates under section DF7 of the Income Tax Act 1994.

People First Survey

We also introduced a new team member survey tool that focuses on measuring team member engagement. Engagement is a measure of whether a team member would say good things about working at The Warehouse, has a desire to stay with The Warehouse and is motivated to strive for higher performance - the "say, stay, strive" measure. The survey is to be conducted each May and there is a significant focus placed on post-survey action planning – making changes to improve the work environment, based on feedback received through the survey.

The survey tool is provided by Hewitt Associates, an external consultancy with significant international expertise in engagement surveys. By using them we are able to compare our engagement results with other employers, both within New Zealand and overseas.

In our first engagement survey this year:

- *81 percent of team members said "given the opportunity, I tell others great things about working here"*

- *84 percent of team members "would not hesitate to recommend The Warehouse / Warehouse Stationery to a friend seeking employment"*
- *78 percent of team members said "The Warehouse / Warehouse Stationery inspires me to do my best every day"*

Employee Assistance Programme

To help ensure the well-being of our team members, we offer them access to the services of independent professional counsellors through our Employee Assistance Programme (EAP). The programme pays for team members to attend up to three sessions with a counsellor during work time. In the past year 211 team members used this service, with the average being 2.39 sessions per team member.

Diversity

Equal Employment Opportunities

We are an equal opportunity employer and have been a member of the EEO Employers Group since 1997. The EEO Trust (www.eeotrust.org.nz) encourages people seeking work to look for jobs with EEO Employer Group members.

Team member benefits

Team members have access to a range of benefits, these include:

- *Long service leave*
- *Staff discounts*
- *Sports leave*
- *Staff share purchase plan*
- *"Planit" personal financial planning service*
- *Discounted group medical scheme*
- *Paid birthday day off*
- *Annual staff conference*
- *Wellness support policy*
- *Employee assistance programme*
- *Team member uniforms*



Attrition rate

The team member resignation rate for the past year was 27.4 percent, up from 23.5 percent in the previous year. The primary drivers for team members choosing to leave The Warehouse were for personal reasons and opportunities for career progression outside of The Warehouse.

Whilst there has been an increase in attrition since last year, the retail sector typically has a high turnover and our attrition rates are below the average for the Australasian Retail Sector (33 percent).

Team member attrition rates

July 2001	30.4%
July 2002	23.5%
July 2003	27.4%

Workforce Analysis

Employment profile (as at July 2003)

Number of Team Members	Full-Time	Part-Time/Casual	Total
Warehouse Stationery	532	436	968
The Warehouse (NZ)	3,410	4,313	7,723
The Warehouse (Aus)	1,673	4,944	6,617
TOTAL	5,615	9,693	15,308

Geographic Split

New Zealand	8,691
Australia	6,617
TOTAL	15,308

Full-Time Equivalent Units

	July 2003	July 2002
Warehouse Stationery	685	578
The Warehouse (NZ)	5,147	4,670
The Warehouse (Aus)	2,173	2,109
TOTAL	8,005	7,357

The number of team members rose from 11,988 in July 2002 to 15,308 in July 2003. This increase reflects greater recruitment of part-time and casual team members. The current work force is made up of 5,615 full-time team members and 9,693 part-time and casual team members.

Recruitment and Selection

A new recruitment and selection process was introduced in 2002 and over the last 12 months we have reviewed and refined the process to support a simplified but targeted recruitment and selection.

Training in recruitment and selection has been integrated with our Management Development Framework to ensure all new appointments to leadership roles receive the skills necessary to ensure selection of the best people.

Our recruitment process ensures candidates go through a consistent, fair and objective process to ensure the best person for the role is selected. The success of our recruitment process is evidenced by our low attrition rate relative to

external benchmarks, reduced timeframes to recruit for a vacancy (current average time to recruit is seven days) and our ability to take advantage of lower cost recruitment methods.

Payroll and HR Information System

During the past year we have introduced a new Time and Attendance, Payroll and HR Information System supplied by PayGlobal. Initial focus for implementation of the integrated system, known as HORIS, has been on the time and attendance and payroll system to support increased labour efficiency and reporting within stores.

Team Members

Over the next 12 months our further focus will be on implementing a labour scheduling tool to better improve the scheduling of team members to match workloads and utilising the people modules within the system to support our people strategies.

Management Development Framework

Our Management Development Framework has been established to ensure that all managers at The Warehouse are competent in the range of skills and behaviours required to carry out their role effectively. The framework also ensures that any team member interested in a management role has a clear understanding of the competencies and behaviours they will be required to develop and demonstrate.

- *Recognise and encourage performance that delivers superior results.*

During the last year we have established a broadband remuneration structure for all salaried team members to support broad based skill development and continuous performance improvement. For team members on wages we have introduced performance based pay-scales aligned to our performance management framework and the development of specialist skills. This enables team members to be recognised for their performance as well as the skills required for their role.

All permanent team members are eligible to receive incentive payments based on the business performance and the team member / team's contribution to that success.

Our goal is to create an environment where we develop, attract and retain the best people and enable them to give of their best.

All Warehouse managers are assessed against the framework through the performance management process, any development needs identified and a plan implemented to develop these competencies. Additionally, for all new managers there are "required training" elements which are programmes that new managers are required to attend within a specified period following their appointment.

The Management Development Framework ensures all Warehouse managers demonstrate a consistent level of practice in core Warehouse Management Competencies and we have a talent pool of new managers across the business to compete for all management vacancies, increasing the level of internal promotions into management positions.

Remuneration

The Warehouse's Remuneration Strategy objectives are to:

- *Ensure remuneration practices support the achievement of our key business drivers;*
- *Enable The Warehouse to attract and retain the best people;*

Performance Management

Our performance management framework was launched in 2002 focusing on providing leaders with the skills and competencies to encourage and support team members to give their best.

Over the last 12 months we have refined the framework, reinforcing training to managers and team members and



strengthening the alignment between individual objectives and key performance indicators as the key drivers for business success.

We have also focused on utilising the outcomes of performance reviews as an input to changes to remuneration to reinforce a performance culture.

Health And Safety

Our vision for Health and Safety is to create "a place of work where no one is injured through environmental or unsafe acts". The lost time injury frequency rate (LTIFR) or the number of work-related accidents resulting in lost time per 100,000 hours worked is a tiny measure of how we are progressing in achieving our vision. As at 31 July 2003 our LTIFR was 2.21 which continues the downward trend from 2.71 in 2002.

Initiatives put in place in the last 12 months include the training of 350 managers in Health and Safety with specific focus on improving manager understanding and knowledge and skills to create a safer work environment. This training has been backed up by specific health and safety objectives for managers. There has also been significant focus placed on implementing key strategies to address risk areas including hazard management, contractor management and critical incident management.

The Warehouse and Warehouse Stationery have continued as accredited employers under the ACC Partnership Programme at secondary level reflecting our high safety management standards.

In the 2002/2003 financial year there were no prosecutions under the Health and Safety in Employment Act 1992. There has been only one prosecution of The Warehouse (in 2001) since 1997.

Warehouse People Union is the organisation that represents union members from The Warehouse and Warehouse Stationery.



Membership

The collective contract relating to non-union team members expired on June 30 this year, which meant that staff members were faced with the decision of either joining a Union, and therefore remaining on a collective agreement, or moving to an individual contract. The Union visited all stores throughout the country and as a result of this Union membership increased by 88 percent. Current membership is 2,350 people, which amounts to 33 percent of the total number of The Warehouse team members in New Zealand.

Collective Agreement Negotiations

Ratification of new collective agreements was achieved in August this year for both The Warehouse, and for the first time, Warehouse Stationery union members. New pay scale and career steps were agreed for the Distribution Centres, as were revisions to the overall pay scale to provide better opportunities for individual advancement and to recognise specialist skills and jobs. Negotiations during the year upheld the "good faith bargaining" requirements of the Employment Relations Act.