

The Community

Community Initiatives

With 80 stores throughout New Zealand, more than 7000 team members and nearly 950,000 paying customers per week, The Warehouse is interacting with a large cross section of the New Zealand population on a daily basis. In addition to our commitment to provide great value products our recognition of the importance of the communities within which we operate is reflected in the special section of our strategic dashboard¹ now occupied by Community and Society.

Our initiatives in this area encompass a diverse range of activities such as The Red Shirts in Schools program, our community fundraising and sponsorship activity, our Social Audit study of rural town impacts, public meetings associated with the establishment of new stores, and our ongoing efforts to minimise waste and maximise recycling. Through our New Zealand Business Council for Sustainable Development membership we are involved in key projects such as the Youth Employment Project, in partnership with the Mayors Taskforce for Jobs.

Rural Store Impacts – Dannevirke case study

The Warehouse Dannevirke opened in July 2001. At that time we commissioned Social Audit New Zealand¹ to survey the local business community about the perceived state of the local business district and the anticipated impact of this new store. A follow up study of this group was carried out 18 months later in addition to a household survey.

The three components of the social impact assessment were:

- A questionnaire survey of retail and other businesses located in Dannevirke;
- Key informant interviews.
- A telephone survey of almost 300 households

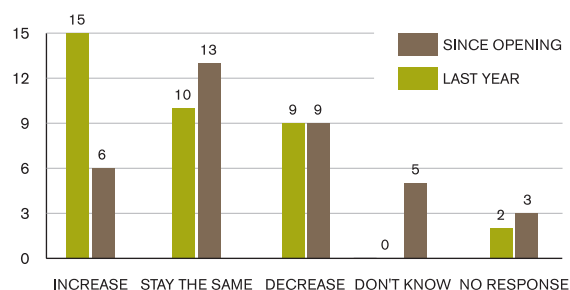
A total of 36 businesses (out of 84 in the city) responded to the questionnaire survey. The survey was supplemented with 15 more businesses by interview, and four key informant interviews. A telephone survey was also conducted which

reached 289 households. Results from the business survey were compared to the equivalent survey conducted when the store first opened.

The research found that the arrival of our store was generally viewed positively, and in particular, several local businesses supported the idea that we are acting as an anchor for the local shopping district. The information below is extracted from the survey.

Impact on other Businesses

Businesses were asked what effect the new Warehouse store had had on their sales volume, both the change over the last year and since it opened.



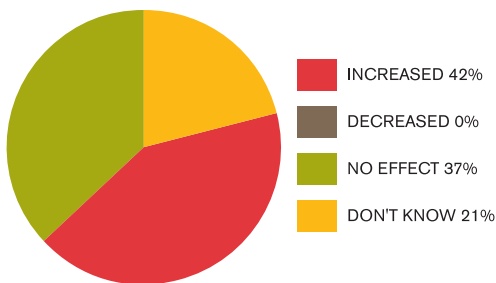
- Over 40 percent of businesses recorded an increase in sales over the last year while only 16 percent had experienced a rise over the whole 18 month period of The Warehouse's operations.
- A quarter of firms experienced a decrease in sales over both the 12 and 18 month periods.
- The six businesses that commented, which experienced either increases or decreases in sales, said that The Warehouse was not the cause of the change. The state of the rural economy was seen as a much more important determinant.

¹ www.socialaudit.co.nz



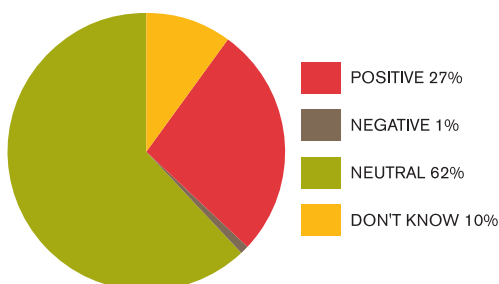
Impact on the Range of Goods

A large format retailer can also increase the range of goods available locally, especially in a town where other national chains have closed. This is indeed the perception of Dannevirke residents. Forty two percent of the sample believe the range of goods available locally has improved since The Warehouse opened and no-one felt the range had diminished.



Impact on the Range of Shops

Fears are sometimes raised that the introduction of a new Warehouse store to a rural town such as Dannevirke will restrict the range of retail choices available to shoppers. This fear does not seem to be borne out in Dannevirke. Just over a quarter of the sample think the opening of The Warehouse has had a positive impact on the range of shops. Only three households (1 percent) think it has been negative. Over 60 percent think it has had no effect.



We intend to continue to monitor the effects that our business is having on the Dannevirke community, so that we can better understand the social impacts that our operations have on all such communities and we are continuing to develop programmes that measure and improve our community responsiveness.

Red Shirts 'N Schools

Red Shirts 'N Schools is about having our team members develop helpful and productive relationships with their local primary, intermediate and secondary schools throughout New Zealand.

It's about providing a hand up for schools and their students by having our team members sharing their skills, experiences, facilities and equipment and working in partnership with schools and their students. It is not about providing handouts.

Between September last year and February this year the scheme was launched to all our Area and Store Managers, who were introduced to the vision and objectives of the programme and the 'tools' required to make it happen.

At the end of the business year 48 stores have established relationships with schools and of those, 38 had completed activities involving them. The target for the first year of the programme was for each region to develop partnerships with four schools, making a total of 36 partnerships nationwide.

The activities of Red Shirts 'N Schools are being celebrated with team members through the bi-monthly internal newsletter, The Red Shirts Rave.

Activities undertaken so far include working with schools in areas such as science fairs, zero waste schemes, work experience, social responsibility, book launches, planting and landscaping programmes, as well as safety, career, sports, tuition and special interest activities like fashion.



Red Shirts Programme in action at Albany Store

The Community

Zero Waste

We are currently reviewing our Zero Waste program, which had the goal of having all our stores providing customer-recycling services by the end of 2002.

Although we are still sending all recyclables and landfill to three central points for further sorting, we have identified a number of issues that need to be resolved.

Firstly the quality of materials collected varies widely from store to store and that means our landfill residue often contains materials that could be recycled. It also means that separated recyclables are frequently contaminated by landfill material, which cannot be recycled.

Secondly, the practice of sending residual landfill to our recycling centres prior to final disposal is inefficient.

The likely outcome of our review will be a new system that offers more incentives for greater care to be taken in the separation and recovery of recyclables, is more efficient, and which utilises local disposal for any residual landfill.

Unfortunately the introduction of customer recycling stations at the entrance to our stores has compounded the problems we have encountered, as many users ignore our recycling messages and indiscriminately use our recycling receptacles as "rubbish bins". Our review will encompass ways in which we might improve these behaviours.



Global Warming Reductions

This year The Warehouse has continued to devote resources to reduce and limit our energy consumption and greenhouse gas emissions through remote automated control systems and the responsible use of air conditioning refrigerants.



Remote monitoring of store air conditioning

With our extensive expansion through new retail stores and distribution centres, the energy team has focused on new innovations to reduce energy consumption and raw materials used. Large store and distribution centre designs now use centrally located dry-type main distribution transformers to limit the size of low voltage mains and sub-mains cables. There are two main benefits from this approach: less energy lost and reductions in the size and length of conductors used – 400kg of copper is estimated to have been saved at our South Island Distribution Centre. The dry-type transformer is also recyclable at the end of its life and due

to its non-combustible make-up, no building materials are needed to inhibit possible spread of fire or oil spillage.

Lighting and energy system management design changes were implemented in the original part of our Wiri distribution center this year. This has cut energy consumption in half with energy savings of 1200 megawatt hours per annum. Both our new distribution centers in the South Island and Brisbane, Australia have had similar energy management systems installed and show similar projected energy savings (50 percent) compared with previous system designs.

As the global warming debate is heating up, there is world-wide industrial research and development occurring in the area of refrigerants – the gases used in air conditioning and refrigeration systems. The Warehouse has taken the initiative in the retail industry by working closely with a local manufacturer to produce one of Australasia's first 90kW roof top air conditioners using the less environmentally damaging 410A refrigerant. This has better energy efficiency and is not an ozone depleting refrigerant. Over the next year The Warehouse will be phasing out the use of equipment that contains ozone depleting refrigerants in new installations. Instead, we will be specifying equipment using ozone friendly HFC type refrigerants such as 410A. We are also committed to using 'natural' refrigerants, such as CO₂, wherever possible in the future.

To maintain our leadership in the retail industry and in particular, the management of energy and our energy consuming equipment, we are continuing our development of Information Technology systems related to this. These systems will allow us to monitor and manage our energy consumption and plant in more detail than we do presently. The results from these systems will be able to be reported in more detail in the next few years. The impressive savings already documented at our distribution centres are but one good example of what these systems can achieve.

Saving power and money – the ECO-WRAP story

A star sales performer during the winter of 2003 was ECO-WRAP, a product made by Autex Industries of Avondale that offered buyers an easy way to reduce their electricity bills.

The ECO-WRAP is an easy to install polyester fibre-based hot water cylinder insulating blanket that delivers power and money savings, especially when installed on older model hot water cylinders.

As well as selling this directly through our stores, we successfully tendered for a contract to supply Waikato-based WEL Networks Limited, with ECO-WRAP's through our three Hamilton branches.

The wraps were free to approved WEL Network customers, having been paid for and promoted by the WEL Energy Trust (www.energy-trust.co.nz) The scheme allowed customers to buy the wrap using a WEL voucher, redeemable only at our stores.

WEL Networks has calculated that the programme will enable its ECO-WRAP customers to save a total of some \$308,340.00 and about 3,751,000 kW of power in the first year of the wraps being installed.



Co-sponsored by
Genesis and ECCA



Major Sponsor

The Community

Packaging Reduction: Simple changes – BIG impacts.

Apparel packaging issues would appear to be fairly minor with most clothing in our stores being hung from reusable hangers. However behind the scenes it's a different story as our apparel team discovered when they first took up the challenge of eliminating unnecessary packaging. Look at these before and after statistics.

Plastic outer carton strapping

Winter 2002 (six month season)	784,000m
Winter 2003	91,116m
Reduction	88.4%

Garment wrapper bags

Winter 2002	980,000 bags
Winter 2003	225,760 bags
Reduction	77.0%

In addition the recyclability profile (plastic type) of the wrapper bag was improved from 35 percent in 2002 to 92.3 percent for Winter 2003. The above reduction in the number of garment wrappers per shipper carton also created substantial but unspecified savings in handling labour.

The approximate combined effect of these two initiatives was a landfill diversion or materials savings of some 14.25 tons of plastic!



Property

During the past year we continued with our building programme, gaining resource consents for five new stores and for our Clothing Distribution Centre.

We have held Public Meetings in Te Kuiti, Dargaville, Snells Beach and Keri Keri to gauge public opinion on establishing stores in these areas. Each of these meetings was attended by more than 350 people and at all the meetings there was clear majority support for us establishing a store in the area concerned.

We recently received a Heritage Award from the Invercargill City Council for the restoration of the Tram Barn and Powerhouse buildings shown in the before and after pictures below.





One of The Warehouse's small appliance factories in China

Helping lift world workplace standards

Working conditions in the developing world are a contentious issue in today's global economy.

As a major purchaser of goods from such countries, we actively seek assurances about supplier performance on human rights and working conditions. We are also working with a range of groups to effect improvements in these areas.

In the coming year we intend co-sponsoring a Verité, "Factory Work Hour Study" into the extent of overtime use in footwear and apparel supplier factories in China. "Verité" is Massachusetts organisation that is one of the most reputable independent, non-profit social auditing and research organisations involved in the area of improving working conditions in the developing world.¹ The study which will involve some of our suppliers, among others, aims to clarify the physical, psychological, economic and social impacts of overtime work on those working in such factories.

¹ www.verite.org

PACIFIC BRANDS

Pacific Brands is a leading clothing brand supplier to the Australasian market and one of our important suppliers. They have been developing their Social Compliance Programme over the past four years and have been actively auditing social compliance within their supply chain for the past two years. Their published Code of Conduct reflects the responsible apparel production standards established by leading apparel producers such as Jockey International and Marks and Spencer.

They, like us, work collaboratively with their suppliers to effect improvements and to ensure that factories in the developing world that supply them, provide the basic living and wage conditions that we believe are fair to those that such suppliers employ.



The Community

Community Fundraising and Sponsorship

For the twelve months ending July 2003 The Warehouse New Zealand utilised its personnel and resources to raise \$2.2 million for community organisations and charities.

During the year, this support included:

- *The traditional BBQs outside The Warehouse stores: \$921,145*
- *The Warehouse Supplier Golf Day and Charity Dinner: \$353,000 for Parenting with Confidence.*
- *Participating in National Fundraising Campaigns for charities such as the Cancer Society, Guide Dogs, and The Variety Club.*

In addition The Warehouse provided free mailer coverage to the "Reduce Your Rubbish Campaign" in association with Regional Councils in May 03. We supported the Target 10 percent Power Saving Campaign in June 03 by donating \$4000 worth of The Warehouse shopping vouchers as prizes for a primary and intermediate school competition to design power saving posters. Our team members again lent their support to the Clean Up New Zealand campaign which attracted 155,000

participants. Other major sponsors for the 2002 campaign were McDonalds New Zealand and DDB Advertising.

Fundraising Aug 02 – Jul 03

Golf Day and Supplier Dinner	
– Parenting with Confidence	\$353,000
Stores – BBQs	\$921,145
Stores – Other	\$699,731
National Campaigns	
Cancer Society Jun 03	\$47,918
Guide Dogs Apr 03	\$41,396
Variety Club Feb 03	\$26,343
Breast Cancer Oct 02	\$10,965
Canteen Oct 02	\$37,006
RSPCA Oct 02	\$4,214
Cancer Society Aug 02	\$78,090
Project Kiwi	
– Financial Services Sponsorship	\$53,872
	\$2,273,680

