

Corporate responsibility




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Our programme to reduce our **environmental impact** focuses on our carbon footprint, waste management, packaging and carrier bags.
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Responsible retailing


Home Retail Group has been committed to corporate responsibility for many years, and continues to be so during these challenging times.


We see no conflict between corporate responsibility and good business practice. We continue to seek out opportunities across the business to create shared value – meaningful benefits for society that are also valuable to our customers and our business.

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FTSE4Good

Home Retail Group is in the **FTSE4Good Index**, meeting all the relevant social and environmental criteria.



Home Retail Group has again been awarded **gold status** in the Business in the Community Corporate Responsibility Index.

How we think

With the trading environment expected to remain challenging, it is more important than ever that we maintain a relationship of trust with our customers and suppliers.

300

The number of **eco-product lines** in the Argos catalogue.

Across our operations and activities we:

- Actively seek ways to minimise our impact on the **environment** in the way we do business
- Help our **customers** to be responsible consumers by giving them information and choices
- Behave ethically and with integrity when **sourcing products** and dealing with our **suppliers**
- Provide our **colleagues** with a safe and healthy environment and enable them to act responsibly in their jobs and to develop rewarding careers
- Support the local and national **communities** in which we operate

Benefiting business

With the trading environment expected to remain challenging, it is more important than ever that we maintain a relationship of trust with our customers and suppliers, and enable colleagues not just to contribute to the long-term success of our business, but also to the sustainability of the wider environment and community.

And of course, the efficiency benefits we have achieved as a result of our corporate responsibility agenda are helping to keep costs as low as possible across the business.

Customer choice

We offer our customers clear information and products that will help them to make responsible choices. Customers have responded particularly well to products which offer them the opportunity to save energy, and save money.

We are working to ensure that the process of shopping from us is a responsible choice in itself. All catalogues and brochures given to customers are fully recyclable and, by the end of 2009, all publications, including the main Argos catalogue, will be printed on either fully certified or recycled paper. We have increased the recycled content of our carrier bags and reduced the number of carrier bags in use.

Working in partnership

We recognise the value of partnership in driving social and environmental change. This year, we have joined the Supplier Ethical Data Exchange (Sedex) which allows us to share ethical data with global suppliers as well as other businesses, enabling us to work together to achieve continuous improvement.

We are working with major domestic suppliers to reduce the environmental impact of our supply chains, for example, by compressing duvets in transit to increase the quantity that can be shipped in a container.

Our interaction with government, shareholders, NGOs and special interest groups such as the Waste Resources Action Programme, Energy Saving Trust, WWF UK Forest and Trade Network and the Responsible Jewellery Council have shaped our policies and helped us to deliver on our commitments.

What we've been doing

Empowering change

Our colleagues have put our plans into practice by making corporate responsibility part of their day job.

The commitment and engagement of our colleagues is critical to our success as a customer-facing business. Enabling colleagues to feel good about the business they work for is an important component of that engagement. They expect our business to make a positive contribution to society and the environment and they want to play their part.

Our corporate responsibility management structure actively involves all our business functions. It gives clear accountability, up to Board level, while placing responsibility with the individuals best placed to make it happen.

The Group company secretary has overall responsibility for corporate responsibility, leading discussion and decision-making on the topic at Operating Board and plc Board level and chairing the corporate responsibility steering group. He is supported by a small team of corporate responsibility professionals, led by a new head of corporate responsibility appointed this year.

The corporate responsibility steering group provides strategic direction on corporate responsibility matters, with input from two management groups. One addresses issues relating to waste, energy, products and the supply chain, while the other focuses on community affairs, the workplace and financial services. These two management groups are chaired by the Group commercial director and Group HR director respectively.

Our management of corporate responsibility is integrated within our management of business risks.

The following provides a summary of our activities in 2008/09. For a full report, please go to www.homeretailgroupcr.com

Environment

Our programme to reduce our environmental impact focuses on our carbon footprint, waste management, packaging and carrier bags.

We have reduced our total carbon footprint (buildings and transport) by 7%. Although building energy use is up by 5.8%, on the back of increases in selling space, changes to our fuel use (more gas and buying more low-carbon electricity from combined heat and power plants) mean that carbon emissions from buildings are down 7%. Argos has been accredited by the Carbon Trust to the Energy Efficiency Accreditation Scheme since 2004 and, in May 2008, Homebase was also awarded accreditation.

Carbon emissions from transport are also down, by 8%. We have maintained our focus on improving the utilisation of our commercial fleet, aided by the extensive use of multi-deck trailers. We have set up a team within distribution which focuses on reducing the amount of empty running on our store delivery and trunk fleets; Group vehicles make collections from suppliers' premises on their return journey from stores and deliver stock into Group depots, removing vehicles from the roads, and reducing the amount of empty running on our own fleet.

We have made huge progress in reducing the amount of waste generated from our stores, distribution centres and offices across the UK and Ireland. We have reduced the amount of waste to landfill by 46% this year and are now recycling over 70% of the waste generated.

Our packaging teams in the UK and China have assessed packaging reduction solutions for over 2,000 items across the Group and are in the process of implementing the necessary changes; we have already removed 600 tonnes of packaging this year with more expected in the coming years.

Over the last year, we have increased the recycled content of our carrier bags to 50% and over the last three years we have reduced the number of carrier bags used by 40% on a like-for-like stores basis. In Homebase, this has been supported by the provision of cardboard boxes at checkout for customers to use; this is popular with customers as a convenient alternative to bags, and an excellent reuse of transit packaging. »

40%
 Reduction in the use of **carrier bags** over the last three years.

72%
 The amount of **waste** we recycle.

41%

of the **electricity** we use is from renewable sources.

Customers

Customer satisfaction – with both the product and shopping experience – is one of the strongest drivers of our performance. It is fundamental to the success of our business that we know and act on what our customers think about our product offer, our pricing and their entire shopping experience.

Both Argos and Homebase conduct regular research which is dedicated to understanding and responding to customers' views. This includes mystery shopper visits, exit surveys and customer listening groups.

Argos has extended its customer research by introducing direct customer feedback opportunities such as 'tellargos.co.uk' – a website where customers can provide us with feedback on their shopping experience. The website address is printed on all receipts. Both Argos and Homebase have introduced online product reviews.

We offer our customers clear information and products that will help them to make responsible choices. Customers have responded particularly well to products which help them to conserve their resources and therefore save money. This includes insulating their homes, using more energy efficient electricals and even growing their own vegetables.

The Argos catalogue now features 300 eco-product lines (up 18% versus last year) including energy efficient options across televisions, set top boxes and white goods. The Homebase 'energy event' significantly increased sales of loft insulation and energy efficient light bulbs. Our partnerships with E-ON and the Energy Saving

Trust have helped us to educate customers, promote energy efficient products and drive growth in this area. Homebase has re-launched its range of grow-your-own fruit and vegetables this year and we are pleased with the customer reaction.

Recent customer research has told us that customers are looking for help from retailers to reduce household waste and dispose of waste responsibly. We are responding to this with our initiatives to reduce product packaging and by offering to take back packaging on deliveries of white goods (40% of customers return their packaging in this way). We also offer a take-back service for old appliances.

In our Financial Services business, we remain committed to adhering to our responsible lending policy, and continue our focus on treating our customers fairly, including refining the tools we use to measure this. We are supporting research by the Association of British Credit Unions into how credit unions can successfully work with schools to help develop financial skills and confidence amongst pupils. This project gives us an exciting opportunity to support the development of financial capability amongst young people.

Sourcing and supply chain

This year we have significantly stepped up our ethical audit programme and have met our target of ensuring that 100% of our direct source factories and 50% of our direct import factories have been audited over the last two years – a total of 856 factories. Corrective actions are agreed and documented for any concern identified during a factory audit, and progress against these actions is monitored on an ongoing basis.

We have joined the Supplier Ethical Data Exchange (Sedex), which allows us to share ethical data with global suppliers as well as other businesses, enabling us to work together to achieve continuous improvement.

We have engaged separately with selected groups of suppliers to define and implement our policies on sourcing timber, growing media (such as the use of peat), quarried materials, jewellery and chemicals.

We have significantly increased the volume of paper which is either recycled or certified. Across all publications, this total has reached 67%, of which 19% is recycled. By making recognised certification a pre-requisite of supply in 2009/10, we are confident that by the end of 2009 we will have achieved 100% recycled or certified content for all publications, including, for the first time, the main Argos catalogue.

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Our colleagues

During the year, the average number of Home Retail Group employees was 53,745. With 74% working part-time, this equates to 29,794 full-time equivalents. We have opened a total of 37 new Argos and Homebase stores and one new HomeStore&More.

We remain committed to investing resources to support, engage and motivate colleagues. We offer a wide range of learning and development opportunities, covering over 250 programmes in total. For example, our commercial development training programme has involved every member of our commercial team, extending their skills, knowledge and capacity to fulfil their potential in their roles, and to improve the performance of their function overall.

We actively encourage a performance culture where all colleagues receive regular feedback about performance and have an opportunity to discuss their ongoing development with their line manager.

We have a range of policies to ensure our colleagues work in safe conditions and, to contribute to their health and well-being, this year we have carried out a full review of all training material relating to health and safety.

Disabled persons have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. We have further procedures to ensure that disabled colleagues are fairly treated and that their training and career development needs are carefully managed.

We provide clear communication on company performance, strategy and priorities cascaded through team briefings, larger employee events, intranet sites and colleague newsletters. Where appropriate, we involve colleagues on matters that concern them through local consultative procedures. Where we have recognition agreements with trade unions, the consultation process is established through national and local trade union representatives and joint consultation committees.

Our benefits packages allow colleagues to share in the success of the Group. Our Save As You Earn plan gives colleagues the opportunity to purchase shares at a discount, tax-free; 20% of eligible colleagues are now participating.

Our annual employee engagement survey is a key measure of the drivers and extent of employee engagement. This year we have launched our first Group-wide survey, which will allow us to compare results, successes and areas of opportunity across different parts of the business. It will also provide us with benchmarks of our performance against other high-performing companies.

Unfortunately, the organisational changes we have made this year to improve the operational efficiency of the Group have resulted in redundancies. We have strived to make the process of these reorganisations clear and objective at all times.

Communities

The total value of the Group's charitable giving for 2008/09 was £926,000 (2007/08: £1,397,000). These funds have supported local and national projects with an education or environmental theme and charities that address the needs of homes and families.

We have supported the development of a Samaritans text message (SMS) service. We are funding the development of Disabled Living Foundation's 'Living Made Easy' website, which provides practical advice on daily living equipment for people with disabilities. In Milton Keynes, working with the Youth Housing Network, we have funded a theatre workshop worker who has set up a theatre group for young people affected by homelessness. Our community cash-back scheme recognises and supports the efforts of our colleagues by contributing up to £1,000 to the funds raised by individual colleagues for the charities of their choice. »

13%
of our colleagues contribute to payroll giving.

COMMUNITY PROGRAMME SUPPORT	£'000
Cash donations	465
Volunteering	119
Gifts in kind	186
Management resource	156
Company donations	926
Monies raised by colleagues	
Payroll giving	351
In-store fundraising	1,374
Tick to give	85
Donations from others	1,810
Total	2,736

Total donations from others were ahead of last year at £1.8m, despite the current economic climate (2007/08: £1.66m). Through their fund-raising activities, our colleagues have raised over £1.3m for our Group charity partners. A further £85,000 has been added to this by Argos customers through our 'Tick to Give' scheme where customers can tick a box on their selection slip to make a donation. Approximately 13% of the Group's employees donate to charities of their choice through payroll, contributing over £350,000 this year.

Benchmarks

FTSE4Good: Home Retail Group is included in the FTSE4Good Index, meeting all the relevant social and environmental criteria.

Dow Jones Sustainability Index: Home Retail Group is listed in the Dow Jones Sustainability Index which selects the top 10% from 3,000 global companies based on comprehensive sustainability data. Silver classification places the Group in the top four general retailers.

Business in the Community (BiTC): This index assesses the extent to which corporate responsibility is integrated into business practice throughout an organisation, and evaluates performance in a range of environmental and social impact areas. Home Retail Group has been awarded gold status this year.

Read more online

For a full report on our corporate responsibility activities in 2008/09, please go to www.homeretailgroupcr.com

Corporate responsibility case study:

Waste not want not

We are working hard to improve the way we manage the waste we generate, and to help our customers to do the same. Not only does this help the environment, it also reduces costs to the business and to our customers.

Reduce

Our packaging teams are looking at ways to reduce the packaging on the products we sell, as well as the transit packaging used while the products are on their way from the factory to the stockroom. 2,000 product lines have been tackled this year. Our customers are using 40% fewer carrier bags than they did in 2005.

Reuse

In Homebase, our customers are using the boxes and plant trays used to deliver products into stores to take their purchases home.

Through its partnership with the Furniture Reuse Network (FRN), Homebase donates furniture items, tools and fixings which are not sold in store (end of lines, undamaged returns) to charitable re-use organisations across the UK. Unsold and end of line paint is donated to Community Repaint.

Recycle

In our stores, our colleagues are working hard to segregate waste so that it can be returned to our distribution centres to be processed and sent on to the appropriate recycling facilities, or collected from store by third-party contractors. This year we reduced our waste to landfill by 46% and now recycle over 70% of the waste we produce.

We were delighted that Samantha Stevens, Homebase store services manager, won the Commercial Recycling Champion Award hosted by LetsRecycle this year. This award recognises the dedication of an individual or team within the commercial and industrial sector in promoting recycling and sustainable waste management within their company.

When we deliver white goods into customers' homes, 40% are now returning the packaging on our delivery vehicles for us to recycle for them. We also offer a take-back service for old appliances.

All our plastic carrier bags are now made with a 50% recycled content. Across our print publications, 17% of paper used this year was recycled paper; this will increase to over 25% next year. All our publications, including the Argos catalogue, are 100% recyclable.



Samantha Stevens led the 'Putting waste in its place' project to dramatically reduce the amount of waste sent by Homebase to landfill.



In stores, colleagues are working hard to segregate waste.



Sorted waste is returned to our distribution centres to be processed and recycled, or is collected by specialist contractors.



Samantha was named Commercial Recycling Champion by letsrecycle.com in their 2008 awards.



With the project now entering its third year, Samantha and the team are hoping to reduce landfill waste even further.