

# How we performed in 2008/09

This section of the report details key highlights and summarises our performance against our published objectives. During the year we reviewed our performance against a number of industry benchmarks. We were also privileged to be nominated for a number of corporate responsibility awards, receiving top honours in several categories.

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# Highlights

Home Retail Group is a responsible retailer. This year we continued to make good progress on our corporate responsibility aims and commitments. Here are some of the highlights.

- We have been awarded gold status in the Business in the Community "Companies that Count" index
- We are members of the Dow Jones Global Sustainability Index and have been awarded a silver class – placing us in the top four general retailers. We are also members of the FTSE4Good Index.

## Environment

We actively seek ways to minimise our impact on the **environment** in the way we do business

- We now recycle over 70% of our waste and have reduced the amount of waste we send to landfill by 46%
- 40% of customers taking delivery of large kitchen appliances returned their packaging to us
- 2,000 products have been reviewed for packaging reductions saving 600 tonnes
- We have helped customers reduce their carrier bag by 40% over the last three years
- All our paper publications, including the Argos catalogue, are 100% recyclable
- We have reduced the total carbon footprint of our operations (buildings and transport) by 7%
- 82% of electricity used in buildings is from renewable sources or lower carbon combined heat and power plants
- We reduced fuel consumption by the Group commercial fleet by 6%
- 3 additional distribution centres have achieved ISO14001 accreditation, making a total of 8 for the Group.

## Customers

We help our **customers** to be responsible consumers by giving them information and choices

- The Argos catalogue features 300 environmentally responsible products
- Our '21st Century Living' project, in collaboration with the Eden Project, is challenging and supporting 100 homes to live more sustainably by reducing their energy use, water consumption and waste
- We have introduced new opportunities for direct customer feedback such as online products reviews and the 'tellargos.co.uk' website
- We produce an audio CD of the Argos catalogue for the visually impaired, featuring verbal descriptions of our most popular products.

## Sourcing and supply chain

We behave ethically and with integrity when sourcing products and dealing with our **suppliers**

- Ethical audits have been completed for 856 factories, representing 100% of our direct-sourced and 50% of our direct-import factories
- We are on track to use 100% recycled or certified sustainable paper for print publications by end 2009
- 100% of garden furniture sold is FSC certified or from suppliers who are working towards certification
- 81% of all timber products are either FSC certified (35%) or from other certified or known and legal sources (46%).

## Our colleagues

We provide our **colleagues** with a safe and healthy environment and enable them to act responsibly in their jobs and to develop rewarding careers

- 70% of Argos store management have been appointed through internal promotions
- We have launched our first group wide colleague engagement survey
- We have reduced the RIDDOR accident rate by 11%
- We have achieved share save participation of 20% across all schemes.

## Communities

Support the local and national **communities** in which we operate

- Our community investment of £926,000 has helped to generate a further £1.8m of donations from colleagues and customers for charitable and community causes
- We are on track to raise over £2m over two years for the British Heart Foundation and Heart Children Ireland through our first Group-wide charity partnership
- 13% of employees donate through payroll to charities of their choice. Our payroll giving scheme was awarded gold status by the Institute of Fundraising in 2008 and was also highly commended for 'Best Promotional Partnership'.

# Performance against objectives

## Management

For 2008/09 we set 20 corporate responsibility objectives. Here is a summary of our performance.

## Environment

OBJECTIVE	PROGRESS	COMMENTS
Reduce landfill tonnage by 35%	✓ Achieved	Achieved a 46% reduction (compared with a reduction of 29% last year)
Achieve recycling rates of over 60%	✓ Achieved	Achieved a 72% recycling rate (up from 53% last year)
Introduce packaging reductions on a fifth of the product range, targeting a 3,000 tonne packaging saving over the next three years	➔ On track	600 tonne reduction achieved; 2,000 items assessed
Achieve 25% reduction in consumption of carrier bags (based on like for like 2005 data)	✓ Achieved	Achieved a 40% reduction (up from 18% last year)
Achieve 2% reduction in energy consumption (kWh/sq ft) year on year	✗ Missed	3.8% increase in kWh/sq ft driven by increased heating demand in the cold winter
Purchase at least 35% renewable energy	✓ Achieved	50% has been purchased
Set programmes to reduce energy consumption in buildings	➔ Ongoing	Programmes are underway and awareness campaigns have commenced
Review existing water consumption measures and review potential to use grey water in garden centres	➔ Ongoing	Trials this year have demonstrated that the use of grey water in Homebase gardens centres is not cost effective. Grey water for vehicle wash is in use at one distribution centre and we are looking for options to extend this to others. We have measured our overall water consumption in stores and will focus on reducing this in 2009/10

## Performance against objectives continued

### Customers

OBJECTIVE	PROGRESS	COMMENTS
Increase levels of customer satisfaction	→ Ongoing	Satisfaction levels remain high. We have concentrated on providing greater opportunities for direct customer feedback in both operating companies
Increase customer opportunities to actively reduce their impact on the environment through extended choice and enhanced information	→ Ongoing	Our activities include introducing 300 environmentally responsible products in Argos; the launch of an Argos eco-home buying guide; a Homebase 'how to' guide on insulating your home; and a Homebase energy event
Embed our approach to treating our customers fairly (TCF)	→ Achieved and ongoing	TCF is reinforced and measured through a wide range of activities including quality monitoring, complaint handling, colleague training and customer satisfaction surveys
Achieve a high level of recognition amongst Financial Services colleagues of our TCF principles and guidelines	→ Achieved and ongoing	Our 'Speak Out' survey of colleagues in Financial Services indicated that 80% of colleagues agree that our commitment to customers can be seen in action as well as words – this is ahead of the financial services industry benchmark
Document and communicate our policy for responsible lending for our store card business	✓ Achieved	Our responsible lending policy is published on our Group web site
Establish a partnership with a charity/community group engaged in improving consumer financial capability	→ Ongoing	We are supporting a research project being undertaken by the Association of British Credit Unions (ABCUL) aimed at identifying key success factors for credit unions to work with schools to help develop financial skills and confidence amongst pupils

## Performance against objectives continued

### Our colleagues

OBJECTIVE	PROGRESS	COMMENTS
Provide a Group-wide employee engagement survey with external benchmarks	✓ Achieved	Group-wide survey was rolled out in March 2009
Improve take up of share save schemes	✗ Missed	13% for 2008/09 vs 21% 2007/08. Total proportion of eligible employees participating in all schemes is 20%
Reduce RIDDOR rate (per 100,000 employees) by 10% year on year	✓ Achieved	11% reduction in RIDDOR rate achieved

### Communities

OBJECTIVE	PROGRESS	COMMENTS
Raise £2m over two years for the Group charitable partner (launched July 2008)	➔ On track	Over £750k raised for British Heart Foundation and Heart Children Ireland in eight months
Maintain gold status for payroll giving and ensure Argos and Homebase each achieve 10% participation	✓ Achieved	13% participation
Pilot a Group volunteering policy and establish a formal policy	➔ On track	Volunteering policy being defined for launch in 2009/10

# Objectives and targets for 2009/10

## Environment

Reduce landfill tonnage by a further 10%

Achieve recycling rates of over 75%

Achieve 50% reduction in the consumption of carrier bags (vs 2005)

Introduce packaging reductions on a fifth of the product range, targeting a 3,000 tonne packaging saving over the three years 2008/09 to 2011/12

Achieve a further 2% reduction in energy consumption (kWh/sq ft) year on year

Purchase at least 50% renewable energy

Roll out programmes to reduce energy consumption in buildings

Take steps to reduce water consumption across both Argos and Homebase

## Customers

Increase levels of customer satisfaction

Increase customer opportunities to actively reduce their impact on the environment through extended choice and enhanced information

Establish a periodic feedback survey specifically for Store Card customers

Maintain the view amongst colleagues that our commitment to customers can be seen in action as well as words at a level which exceeds in financial services industry norm (as measured by our colleague opinion survey)

Successful delivery of the Credit Union Schools project

## Sourcing and supply chain

For all publications, achieve 100% certified or recycled paper

Achieve at least 60% peat-free growing media by end 2009/10 and at least 65% by end 2010/11

Ethical audits for 100% of direct-source and direct-import factories

Work towards using accredited audit protocols with our domestic supply base

## Objectives and targets for 2009/10 continued

### Our colleagues

Improve overall scores in new Group-wide employee survey – against internal and external benchmarks

Ensure that every colleague has:

- Personal performance feedback
- Access to personal development opportunities

Continue to increase the percentage of eligible employees participating in one or more sharesave schemes

Reduce overall number of lost time accidents

Reduce number of RIDDORs

Reduce number of major injuries

### Communities

Raise £2m over two years for the Group charitable partner (launched July 2008)

Maintain gold status for payroll giving and ensure Argos and Homebase each achieve 10% participation

Implement volunteering policy

## Industry benchmarks

**FTSE4Good:** we have met the published social and environmental criteria required for investable companies.

**Dow Jones Global Sustainability Index:** Dow Jones calculates these indices by assessing the top 10% of companies against a proprietary framework to judge their sustainability. We have been awarded a silver class, placing us in the top four general retailers.

**BITC Index:** we have maintained our gold band status.

**Insight Investment's CDP5 benchmark:** this survey assesses the performance of FTSE 100 companies in response to climate change. We scored 49% based on our published information for 2006/07; the average score was 46%.

**Carbon Disclosure Project (CDP6):** we disclosed our carbon emissions as part of the Carbon Disclosure Project.

**Sustainable Investment Research International's draft profile:** we have been rated by independent analysts PIRC using their SiRi methodology.

**Ethibel Index:** we have been included in the proprietary Ethibel Index, assessed by French analysts Vigeo.

**London Benchmarking Group:** this index benchmarks national community investment across different business sectors, including retail. Home Retail Group continues to lead the retail sector in donations generated from others as a proportion of our community investment.



FTSE4Good



Dow Jones  
Sustainability Indexes  
Member 2007/08

Business

Community

CARBON DISCLOSURE PROJECT



## Awards

We submit applications for selected awards, including those relevant to our corporate responsibility agenda, and we are sometimes nominated for awards by other organisations. The comments of judges can be a useful external benchmark of how we are doing across all areas of the business. Winning awards and being short-listed can also be very motivational for our team, who work extremely hard to achieve real improvements right across our business.

We have received several notable awards during the last 12 months.

### General

- The Group was awarded gold status by Business in the Community (BiTC) which assesses performance in four key areas of corporate responsibility – community, environment, marketplace and workplace
- Argos won the Precision Marketing Grand Prix Award for its on-line 'Giant Jar' marketing campaign
- The Homebase garden, "Room with a View", was awarded a Silver-Gilt medal at the Hampton Court Flower Show
- The Group's Investor Relations team (IR) was recognised by the Investor Relations Society by winning the award for the 'Best Overall IR for a FTSE 250 company'. Home Retail Group has since returned to the FTSE 100 Index.

### Environment

- Magna Park distribution centre (DC) has received the internationally recognised environmental management standard certification to ISO14001. Eight DCs have now achieved this standard
- Homebase store support manager, Sam Stevens, won the 'Commercial Recycling Champion' award at the 2008 LetsRecycle awards
- The Group was a finalist at the Sustain Award for 'CR Governance 2008' and the Supply Chain and Logistics Award for 'Green Supply Chain 2009'.

### Supply chain

- Argos and Homebase both won awards at the Chartered Institute of Logistics and Supply awards. Homebase is the first retailer to win the Supply Chain Integration award for three consecutive years. Argos won the 2008 Logistics Best Practice Award.

### Our people

- Chief executive, Terry Duddy, was voted the UK's most respected retail boss and the second most respected leader in UK industry in a Whitehead Mann survey of FTSE 100 chief executives and city analysts
- Argos store operational support manager, Will Jary, won the Store Support Manager of the Year award at the Retail Week 'Rising Stars' awards, which recognise burgeoning talent and leadership potential
- Homebase won three awards at the Retail Bulletin 'People in Retail' awards
- Two Homebase store managers, Linda Burton and Paul Shaw, won silver awards as Britain's best DIY superstore managers at the Britain's Best Retailer Awards
- Home Retail Group received a gold award from The Royal Society for the Prevention of Accidents (RoSPA) for health and safety excellence at its distribution centres.

### Community

- Home Retail Group achieved 'highly commended' status for its payroll giving campaign in the 2008 Payroll Giving Quality Mark awards and was awarded gold status by the Institute of Fundraising in 2008.