

Actual Progress				
Focus Area	Priorities	FY19 (last year)	FY20 (this year)	FY20 Progress
Customers	Rewarding and engaging customer experiences			<ul style="list-style-type: none"> Weighted average Net Promoter Score (NPS) increased for the Group in the last month of the year¹ Implemented NPS for TheMarket.com Customer frequency of purchase remained stable year-on-year, with good growth in basket size in Noel Leeming and Torpedo⁷ The Warehouse Group market share grew +0.4 basis points to 6.3% of the total retail market (including grocery and fuel).²
Suppliers	Collaborative and engaging supplier relationships			<ul style="list-style-type: none"> Extended Ethical Sourcing programme, placing more emphasis on supplier development and training Conducted 146 face-to-face trainings in 2020 and completed over 2,000 e-learning lessons on various labour and environmental management topics Continued our ongoing factory auditing and monitoring activity.
Team members	Strong employment brand			<ul style="list-style-type: none"> Employment brand awareness of 86% (FY19: 89%) and brand attractiveness of 36% (FY19: 37%)³ Implemented Employee Net Promoter Score with baseline established Increased employee wage rate Announced our Retail Wage commitment, entitling employees at The Warehouse with at least a year's worth of service to receive a pay increase, which rose to \$21.15 an hour this year.
Investors	Reputable standing in the investment community including in our ability to deliver results			<ul style="list-style-type: none"> Interim results displayed evidence of benefits from the transformation plan. This transformation concluded in March 2020 with 282 initiatives implemented across the Group Forward-looking guidance pulled due to uncertainty around impacts of COVID-19 on trading performance.
Government and community	Strong corporate brand and reputation			<ul style="list-style-type: none"> Maintained 8th position on Corporate Reputation Index 2020 Raised \$71.2 million to date for New Zealand charities and communities since 1982 Applied the Government Living Standard Framework to define key areas of positive outcomes for our society and the environment.

OUR RELATIONSHIPS

Build strong relationships with strategic stakeholder groups that deliver sustainable value

Key Initiatives

This year we continued our journey to make shopping with The Warehouse Group family of brands as convenient as possible for our customers. Value for money remains a priority for The Warehouse customer, and we worked closely with our suppliers to improve the quality and sustainability attributes of our products, while ensuring our prices remain low. We saw good growth in The Warehouse and Noel Leeming apps and developed our insights capability to further understand how our customers want to interact with us so we can better meet their needs.

As part of our Vendor Consolidation Programme, we have introduced a balanced scorecard. This tool measures a range of metrics including quality, innovation, sustainability, delivery performance and price. Our goal is to have fewer but more meaningful supplier relationships.

In our relationships with investors, we continue to embrace Integrated Reporting. Using the principles of integrated thinking in decision-making helps our business to recognise the different aspects of

value that are important in a way that is understandable and consistent.

We interacted with appropriate government ministries, ministers and public parties on issues such as climate change, youth employment and business needs for tertiary training. In November 2019 our Group Chief Executive and Chief Sustainability Officers joined a New Zealand ministerial-led delegation to the United Nations Climate Summit COP25 in Madrid where they engaged with fellow international business leaders on climate change initiatives and challenges in business. During the year, the business provided input into government consultations including the Taskforce on Climate-related Financial Disclosures (TCFD), the reform of the New Zealand Emissions Trading Scheme, tertiary and vocational education reforms, waste minimisation and product stewardship, healthy homes, COVID-19 processes and labour reforms.

The Red Shirts in Communities programme to assist young people on social benefits into paid employment continued for part of the

year but was halted due to COVID-19 and is now being redesigned in partnership with the Ministry of Social Development (MSD) to provide displaced people with leading-edge skills which will appeal to the needs of future employers. This next generation programme will include sustainability and digital skills and is intended to be credentialised with NZQA. Red Shirts in Schools in The Warehouse, and Blue Shirts in Schools in Warehouse Stationery has now been extended to Noel Leeming with Discovering Passionate Experts and reached 1,125 student enrolments in these programmes in FY20. These programmes continued throughout COVID-19 with the study portion of the programme moving to online instruction, while the in-store component has been paused due to COVID-19 restrictions and can resume under alert level 1.

We're proud to partner with IBM and Manukau Institute of Technology to launch Pathways in Technology (P-TECH), an initiative which brings together industry, high schools and tertiary education partners

Roadmap to our goal		Key Risks	Mitigations
FY21	FY22+		
		<ul style="list-style-type: none"> International competition grows and New Zealand customers increasingly interact with overseas brands Customer disposable income remains constrained in the years ahead, with the economic impacts from COVID-19 still unclear. 	<ul style="list-style-type: none"> Deliver add-on/supporting services surrounding retail Focus on delivering value-for-money propositions linking sustainability values Consolidate Group customer loyalty programmes e.g. Giveit.
		<ul style="list-style-type: none"> Consolidation of upstream suppliers limits our choices and changes buyer power dynamics International trade barriers or access limitations Cost of goods sold (COGS) exposure to inflation drivers in other economies. 	<ul style="list-style-type: none"> Diversify supply chain geographically Continue to apply hedging and appropriate risk management processes.
		<ul style="list-style-type: none"> Staff turnover, driving increased staffing costs Industrial action risk increases due to climate of wage 'catch up' and base wage inflation. 	<ul style="list-style-type: none"> Partner with employee groups Broader employee participation and values beyond wages Increase wage rate to improve employee motivation and satisfaction Implement Employee Net Promoter Score to enable constant feedback and improvement.
		<ul style="list-style-type: none"> Liquidity of free float stock insufficient to drive more active investor interest in the stock Market prioritisation of short-term profits over long-term sustainable value creation. 	<ul style="list-style-type: none"> Continue to maintain regular, open dialogue with the investment community Provide timely, transparent disclosure of company performance, strategy and investments Deliver on stated Group goals and performance targets.
		<ul style="list-style-type: none"> Our capacity to support government initiatives is spread too thinly to be effective Politicians target The Warehouse Group, leading to reputational risk. 	<ul style="list-style-type: none"> Continue routine accountability reporting Measuring our impact and the strength of relationships is difficult, and something we continue to work on.

HIPS



to equip students with the technical skills they need for the future. P-TECH is an international programme with 220 schools and more than 100,000 students across 24 countries. It is a five-year programme where students will complete high school, earn an advanced diploma and engage in mentoring from IBM and The Warehouse Group, to be ready to step easily into high-growth, 'new collar' jobs or continue onto higher level study.

We worked with Massey University to update the Massey University Bachelor of Retail and Business Management (BRBM) degree, to embed the retail element of the programme into a general business degree. We continue to promote retail as a career through Industry Training Organisations (ITOs) and membership on the Boards of Directors at ServiceIQ and Retail NZ as well as the newly formed Industry Establishment Development Board overseeing the set-up of Services Workforce Development Council in building a sustainable vocational education system.

Through our community partnerships, we help charities address some of New

Zealanders' most pressing needs including mental health, healthy homes, family violence, child poverty and equality, and our environment. We work closely with charities including The Salvation Army, Life Education Trust, Women's Refuge and Plunket to achieve better outcomes for New Zealanders.

Materiality

Given the broad coverage of The Warehouse Group's stakeholders, we have not attempted to define or explain materiality to our relationships.

Significance

The continuing rise of global online retailing means that our customers have unlimited shopping choices 24/7. We must source dynamically and deliver the latest trends quickly by partnering and planning with the right suppliers to ensure we remain relevant and continue to grow in our market.

Future focus areas

- Deliver stronger end-to-end customer experiences that motivate our customers to give us an increased share of wallet and spend

- Drive product development and design through strategic relationships with our suppliers and take the ethical and responsible sourcing actions that our customers now expect
- Prepare our culture and organisation to move our team members into an Agile working environment and in turn be prepared for future of work environments
- Continue to work within our communities and with key stakeholders to deliver a positive impact for the communities we serve
- Partner with suppliers who can help us build our ranges faster, smarter and with more sustainable options.

- Qualtrics, Customer Voice.
- Marketview (BNZ credit and debit card data). For the time period from 29 July 2019 to 2 August 2020, when compared to the entire retail market, including supermarkets and fuel. FY20 Group market share includes 1-day and TheMarket.com.
- Randstad Employer Brand Research 2020 Report, Wholesale and Retail Trade sectors. Includes TheMarket.com and 1-day in FY20.