

# OUR ENVIRONMENT

In FY21 we have accelerated the deployment of sustainability throughout our value chain and expanded our efforts to engage our stakeholders on the risks and opportunities of sustainability leadership. We continue to adapt our business to changing consumer behaviours and government regulation which are impacting our business and the retail industry at large. Our efforts continue to build on the programmes we have established over the past few years. They represent our founder's legacy and manifest the Group's purpose of helping Kiwis live better every day.

As New Zealand's largest general merchandise retailer with a footprint that touches every Kiwi, we are harnessing our resources to drive towards a low carbon, circular economy that benefits our business, our people, our communities, and our planet.

## Product sustainability

Improving the sustainability attributes in our products is a key focus of our Sustainable & Affordable<sup>1</sup> platform. This means offering more sustainably sourced products with certified ingredients, recyclable or recycled content, and sustainable packaging options.

Our target is to have 50% of our private label<sup>2</sup> sales derived from products with sustainable features and packaging by 2025. In FY21 we carried over 11,500 SKUs with a sustainable attribute, accounting for \$176 million in sales.

We have clear policies to guide our buyers and sourcing teams on the design and procurement of products with enhanced sustainability features and packaging, including step-by-step guidance on how to substantiate claims and communicate these responsibly to customers.

We also have policies which address specific commodities that carry known environmental or human rights hazards within the supply chain. At present these include cotton sourcing, sustainable forest management (paper and wood products), responsibly sourced cocoa and palm oil, and a prohibition on certain microplastics and glitter. These policies, our membership of initiatives like Better Cotton Initiative<sup>3</sup> (BCI) and the Forest Stewardship Council, along with certifications such as OEKO-TEX 100, and Rainforest Alliance, help extend our influence to the origin of the supply chain and give our customers confidence that their purchases are making a positive difference.

We sold over 8,400 apparel and home textile products sourced through the Better Cotton Initiative (BCI). This represents around 65% of our annual cotton consumption. BCI production methods are at the origin of our cotton supply chain for many of our textile products such as towels, sheeting, t-shirts, and denim.

In addition to seeking to improve the material characteristics of our product ranges, the ethical audit and supplier screening each of our private label factories must undergo includes a review of their manufacturing practices from an environmental standpoint.

In these audits we review any external environmental accreditation such as ISO 14001, or OEKO-TEX 100, review the factories' environmental management resources such as policies, environmental hazard registers, and records associated with energy and water conservation. We also physically assess the actions taken to monitor wastewater discharge, control air pollutants, dispose of solid waste, enable recycling, and deal with any hazardous wastes. Any environmental shortcomings identified in the audit are remedied within the larger corrective action plan arising from the audit. Factories' environmental audit scores averaged 88% in

FY21, and no suppliers were identified as having any major environmental non-conformances.

## Waste minimisation

The Group's waste reduction ambitions address two key areas:

1. Targeting zero waste in our own operations by reducing unnecessary, non-recyclable packaging, and minimising our operational waste to landfill.

The main sources of Group operational waste include waste from our distribution centres, our daily store operations, store renovation, and daily operations in our Store Support Office. By working with our national waste and recycling service providers, we diverted 77.9% of our operational waste from landfills in FY21. Of the waste that was sent to landfills, most went to locations that have recovery facilities to reduce the negative climate impacts of landfill gas.

While New Zealand does not have commercial incineration facilities for disposal of waste, many landfills have Landfill Gas Recovery Facilities (LGRF) to capture the greenhouse gas generated from the breakdown of organic matters. In FY21, 96.3% of landfill waste from The Warehouse Group was sent to landfills with LGRF. In FY21, The Warehouse Group disposed of 0.046 tonnes of hazardous waste.

We provide waste minimisation solutions throughout the value chain. At our North Island Distribution Centres, we work directly with a fibre recycler and a plastic wrap recycler, diverting more than 1,300 tonnes of recyclable waste from landfills. At our stores, we work with our national waste and recycling service providers to supply comprehensive waste minimising solutions, including comingle recycling, paper recycling, and cardboard recycling. At our Store Support Office, we provide a wide variety of recycling services to our team members.

This year, we are pleased to have become an Impact Partner of All Heart New Zealand, a charity that helps corporates redirect and repurpose unwanted and redundant items. Through this partnership, we redirected or repurposed 88,012kg of redundant items from landfills, and gave these items a new life within communities in need.

2. Expanding new post-consumer waste recycling solutions and playing our part in creating a circular economy in New Zealand.

In FY21 we expanded our collaboration with industry partners to introduce new waste diversion solutions for our customers. At Noel Leeming, 16 stores are providing customers with e-waste recycling solutions, a programme we launched with TechCollect NZ to provide the Ministry for the Environment with insights that inform the design of the upcoming mandatory scheme on product stewardship. In six months, we have collected more than 33 tonnes of e-waste from our customers, showing a robust demand for such solutions. In addition, 29 The Warehouse stores offer soft plastic recycling and three Auckland-based The Warehouse stores have launched a new recycling programme with TerraCycle NZ to help our customers recycle such items like razors and coffee capsules.

## Climate action

In December 2020 we were awarded an A- score by the Carbon Disclosure Project, putting us in the highest leadership category and acknowledging that we are implementing current best practices in the fight against climate change.

1. Sustainable & Affordable is The Warehouse's guiding statement and branding device representing our aspiration to become one of New Zealand's most sustainable companies while still delivering great value to our customers.

2. Brands owned by The Warehouse Group sold in The Warehouse and Warehouse Stationery.

3. <https://bettercotton.org/>

# OUR TARGETS AND FY21 PROGRESS

**Product sustainability** Our key initiatives to ensure sustainability of products, supply and ethical sourcing by 2025 are:

## Target

50% of our private label<sup>1</sup> sales from products with sustainable features and packaging by 2025



## FY21 Progress

- In **FY21, 11,500** stock keeping units (SKUs) carried a sustainable feature, accounting for over **\$176m** in sales
- We estimate that in **FY21 15% of private label sales** were derived from products with sustainable features

**Waste Minimisation** Our key initiatives to achieve our 2025 waste minimisation targets are:

## Target

Zero Waste by increasing operational waste diversion to 90%



## FY21 Progress

- **Diverted 77.9%** (10,202.6 tonnes) of operational waste from landfills, an increase of 12.9% year on year.<sup>2</sup> FY20: **76.7%** (9,040.2 tonnes)

Offer consumer waste recycling solutions in 100% of our store catchments



- Collected and recycled **39.8 tonnes of soft plastics**, equivalent to **6.2 million plastic bags or wrappers**
- **29** The Warehouse stores offer Soft Plastic Recycling Scheme
- **3** The Warehouse stores offer TerraCycle NZ recycling service

Expand e-waste solutions to 100% of our store catchments by end-2022



- **16** Noel Leeming stores offer e-waste recycling service
- All Noel Leeming stores offer **RE:MOBILE mobile phone recycling service**
- Collected and recycled **33.2 tonnes of e-waste**
- Collected and recycled **74.9 tonnes of expanded polystyrene, whiteware and e-waste packaging**

**Climate Action** Our key initiatives to achieve our 2025 carbon emissions reduction targets are:

## Target

Reduce absolute Scope 1 and Scope 2 GHG emissions by 42% by 30 June 2030 (from a 2020 baseline)



## FY21 Progress

- **Increased 5.0%** compared to FY20<sup>3</sup>
- **Decreased 2.7%** compared to FY19

100% transition of passenger fleet to EV by 2025



- **60%** of the Group's passenger fleet is full EV
- FY20: **30%**

75% of stores with 100% LED lighting by 2025



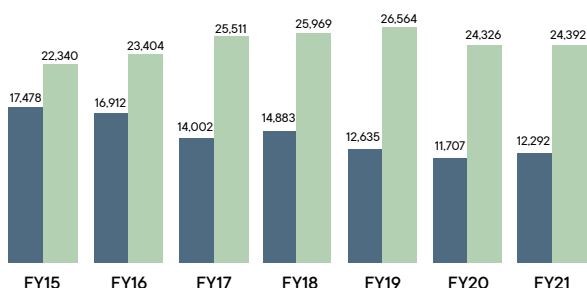
- **25%** of stores have full LED lighting (Converted 10 stores in FY21). FY20: **20%**

Solar energy generation with community benefits on up to 10 sites or 2MWp of capacity by 2025



- **2 sites** identified for rooftop solar installation in FY22
- **23 sites** shortlisted for further review

Some progress
 In progress
 Significant progress
 Achieved



■ Scope 1 & 2 emissions (tonnes CO<sub>2</sub>e)  
■ Scope 3 emissions (tonnes CO<sub>2</sub>e) – non-trade\*  
 \*Scope 3 excludes trade supplier emissions

## FY21 Total energy consumption within the organisation

Total fuel consumption <sup>4,5</sup>	104,341 GJ
Total electricity consumption	329,304 GJ (91,474,062 kWh)
<b>Total energy consumption</b>	<b>433,645 GJ</b>

## FY21 Energy intensity ratio<sup>6</sup>

127 GJ / \$million of revenue

## FY21 Reduction of energy consumption<sup>7</sup>

29,588 GJ reduction = 6.4% reduction on FY19

1. Brands owned by The Warehouse Group sold in The Warehouse and Warehouse Stationery.

2. Operational waste is calculated from an annual report of the Group's waste processing from all our waste and recycling service providers and extracted relevant landfill and recycling data to calculate the total annual waste and landfill waste data for the Group.

3. Scope 1 and 2 emissions increased compared to FY20 due to reduced operations as a result of 7 weeks of COVID-19 lockdown periods during the FY20 financial year.

4. Includes diesel 2,448,632 litres (93,562 GJ), jet fuel 63,865 litres (2,956 GJ), LPG 212,740 kg (5,646 GJ), petrol - premium 33,586 litres (1,188 GJ), and petrol - regular 28,108 litres (989 GJ).

5. Source data from certified TWG 2021 Carbonzero Emissions audit. Conversion factors applied from Ministry for the Environment "Measuring Emissions: A Guide for Organisations: 2020 Detailed Guide".

6. Includes Diesel, LPG, Electricity, Petrol, Jet Kerosene energy consumption used within the organisation.

7. Includes Diesel, LPG, Electricity, Petrol, Jet Kerosene energy consumption used within the organisation compared to FY19 (FY20 as unusual due to reduced operations as a result of 7 weeks of COVID-19 lockdown periods during the FY20 financial year).

The Group's climate action addresses three key areas:

1. **Carbon neutrality** through our ongoing commitment to the Toitū Envirocare carbonzero programme. Since 2019 we have voluntarily offset 100% of our Group carbon emissions each year by investing in gold standard, clean development mechanism projects, supporting the communities in which we operate including India and China. In FY21, the Group also offset 13,000 tonnes of emissions via a New Zealand Permanent Forestry Sink Initiative (PFSI) project. Our annual carbon emissions reporting follows the strictest audit standards (carbonzeroCert™) of our reporting partner, Toitū Envirocare. Our reduction targets are aligned with the New Zealand Climate Leaders Coalition commitments, which reflect the Paris Agreement guidelines. The Group is certified in accordance with ISO 14064-1:2006.
2. **Emissions reduction** through the ongoing implementation of our active emissions reduction programme. This includes the continuation of transitioning our light commercial vehicle fleet to electric vehicles (EV), LED lighting upgrades in our stores, minimising operational waste and directing waste to methane capture landfill facilities. These initiatives have resulted in total energy consumption reduction of 6.4% against FY19. In FY21 the Group's Scope 1 and 2 emissions increased by 5.0% and total emissions increased by 1.8%, compared to FY20. This was expected given the comparative period included a seven-week COVID-19 lockdown. In FY21, we saw a reduction in Scope 1 and 2 emissions of 2.7% and total emissions reduction of 6.4% compared to FY19. The Group's Greenhouse Gas (GHG) emissions intensity ratio was 10.74 total gross GHG emissions per revenue (\$million) in FY21, a decrease of 5.4% compared to FY20 and 25.3% compared to our baseline year of FY15.
3. **Leadership in climate action** through collaboration with industry including with freight partners and government agencies. In partnership with the Energy Efficiency & Conservation Authority (EECA) we launched our first fleet of home delivery EV trucks in Auckland, Hamilton, Tauranga and Christchurch this year. We are also assessing the viability of long-haul hydrogen fuel transportation and have a roadmap for solar generation on our property rooftops.

These initiatives will deliver meaningful emission reductions for our business and the communities we serve.

The Group also surveyed its private label manufacturers on a wide range of sustainability competencies including any practices and data in relation to GHG emissions and Science Based Targets. The survey is the first step of a wider Supply Chain Engagement programme and will inform our future approach to influencing the reduction of this important source of carbon emissions within our value chain (Scope 3 Carbon Emissions).

Carbon and energy emissions are obtained from Toitū certified emissions data. For further emissions and energy related GRI reporting metrics please refer to The Warehouse Group [Emissions Inventory Report](#) on our website.

#### Significance

We believe that transitioning to a decarbonised, circular economy can spur innovation and deliver significant economic value to New Zealand and our business. Given our size and footprint, we can play a critical role in providing leadership and driving this transition. The urgency of this effort was highlighted in the latest Intergovernmental Panel on Climate Change (IPCC) report<sup>1</sup> calling for immediate action for the world to stay within 1.5°C of warming against the pre-industrial age.

We see growing market demand, shifting consumer behaviours, and looming regulations requiring business to take action and embrace sustainability practices through their entire value chain. These requirements are having an increasingly material impact on the retail sector, with a wider number of customers looking for both sustainable and affordable options. This trend is also crystallising in large procurement contracts, where commercial customers and government agencies are increasingly selecting suppliers based on sustainability performance. We believe our leadership and in-house expertise is positioning us well to benefit from these shifts.

For example, the Group was recently selected as a new supplier to the Government Office Supplies Panel run by the Ministry of Business, Innovation and Employment (MBIE). Our curated range is designed to encourage the purchasing of more sustainable products by government agencies in support of MBIE's broader outcomes and objectives, including low carbon, sustainable packaging, certified ingredients, products and recycling solutions.

#### Materiality

A survey by Colmar Brunton in April 2021 commissioned by Retail New Zealand looked at Kiwi shopping habits and asked consumers to spontaneously identify retailers taking the lead in sustainability. The Warehouse was ranked first with 26% of respondents choosing us ahead of our competitors, collecting between 10% and 14% of respondents' votes. This survey also shows that 85% of Kiwis are prepared to change the retailers they buy from or the products they buy, in order to be more sustainable, a move from which The Warehouse Group is positioned to benefit.

Given our size and footprint, we believe the Group can play a critical role in driving the early uptake of emerging sustainable solutions. We will continue to take a leadership position in driving change as we have done with the move to our Sustainable & Affordable platform, the electrification of our corporate fleet, the expansion of our fast-charging EV stations at our stores to support the development of a national grid, our participation in defining a low emissions heavy transportation pathway, and the ongoing development of new post-consumer recycling solutions.

#### Future focus areas

We recognise sustainability as a strategic priority that involves significant business risks and opportunities and requires increased governance, employees' fluency, and technical capabilities. Over the next 12 months, we intend to further improve our performance in the following future focus areas:

- Build our sustainable sourcing capacity and provide more sustainable options to our customers to deliver 50% of our private label sales from products with sustainable features and packaging
- Develop further waste diversion and circular economy solutions to minimise the impact of key consumer waste streams on our environment
- Deliver against our Scope 1 and 2 emissions, Science Based Targets and update our 2030 reduction pathway
- Work with Toll, Hiringa and other freight partners to trial renewable fuels, including hydrogen
- Develop a programme of work to understand, measure and reduce our Scope 3 carbon emissions
- Continue to build and update a robust set of sustainability policies and standards to deliver consistent sustainability outcomes for our business.

1. <https://www.ipcc.ch/sr15/>

# Our impact on the environment

Our goal is to accelerate the transition to a zero-carbon future by embedding sustainability in every aspect of our business

