















OUR ENVIRONMENT

OUR GOAL: Retain our carboNZero status and drive more responsible practices and resource efficiency into our business

		ACTUAL PROGRESS		
FOCUS AREA	PRIORITIES	FY18 (last year)	FY19 (this year)	FY19 Progress
Reduce	Reduce carbon emissions by 32% or 12,742 tonnes of CO ₂ by 2030 (from 2015 baseline)	 3.4% year on year increase	 4% year on year reduction ¹	<ul style="list-style-type: none"> On track to convert 30% of our light commercial fleet to Electric Vehicles by end of 2019 Our 24 Electric Vehicle chargers are available free to our customers.
	Divert 85% of our operational waste by 2022		 78% diverted this year	<ul style="list-style-type: none"> Disposed of 2,652 tonnes of waste to landfill, a reduction of 25% year on year, thanks to our waste diversion initiatives.
	Reduce our packaging materials	 Reduction plans commenced		<ul style="list-style-type: none"> Developing new sustainable packaging guidelines.
Offset ²	Regeneration of land to offset 65% of our carbon emissions by 2025			<ul style="list-style-type: none"> The programme is developing against announced change in the Government regulations of voluntary domestic emissions offset.
	Buying international Gold Standard carbon credits		 FY18 emissions 100% offset ³	<ul style="list-style-type: none"> Purchased 41,000 international Gold Standard carbon credits. Became the third retailer in the world and largest company in NZ to be certified carbon neutral.
Enhance	Reassess our raw materials			<ul style="list-style-type: none"> Developing an end to end sustainable sourcing roadmap to deliver measurable improvements to our product offering. We only sourced paper from sustainable wood sources, and from March 2019 all products we stock are either without Palm Oil or certified as containing sustainably sourced Palm Oil.
	Source responsibly			<ul style="list-style-type: none"> 100% of our private label manufacturing sites are required to meet our ethical sourcing standards⁴.

OUR RELATIONSHIPS

Key initiatives

Reduce

Across the Group, we have a mature programme of over 25 specific energy efficiency and emissions reduction initiatives. Some of these have been running for several years, for example, the replacement of fluorescent lighting in-store with energy-efficient LED lighting. Supporting these initiatives, we have incorporated energy efficiency principles into our procurement practices, and engage widely with stakeholders to share knowledge and adopt approaches that other industries and companies are having success with.

Offset

The offset element of our strategy is relatively recent, although we have been exploring options for effective offset for the past two years. Given the emergent nature of the Emissions Trading Scheme, Zero Carbon Bill legislation and uncertainty relating to the carbon credit trading, we have delayed the finalisation of our domestic offset strategy.

Consequently we are developing our own approach to offset 65% of our emissions by 2025 and provide other benefits such as native forest regeneration, biodiversity and local community benefits.

Enhance

We have made some good progress on specific programmes in this area, particularly the work around packaging that we generate as a business, such as online order fulfilment. We continue to improve in that area, and our next focus is on packaging that our upstream suppliers create, not only for shipping purposes but also product packaging. We are currently developing a sustainable packaging policy. Our other focus for FY20 will be on accelerating the development of product ranges with stronger environmental attributes so that the core product itself is more sustainably produced, consumed and ultimately recycled.

Materiality

Achieving tangible sustainability benefits for our stakeholders is important to us. Consequently, we are prepared to over-invest in reaching sustainable outcomes beyond those programmes that can be justified on purely economic grounds. We take a long-term view for considering such investments, albeit many of the underlying technologies and market structures are emergent, which gives rise to significant uncertainty in predicting project benefits. We recognise our opportunity in New Zealand to lead and role model behaviours in this area, and see our sustainability credentials as a material element of our reputational and brand assets. Achievement of our stated targets is a minimum performance threshold for us. Our KPIs against our stated strategies have been set with that in mind.

¹ New Zealand CEMARS® certification

² To offset our emissions, we have selected Clean Development Mechanism projects that generate Gold Standard carbon credits in regions where our business has operations – India, Bangladesh, China. These projects deliver social and community co-benefits satisfying eight of the United Nations' Sustainable Development Goals, (SGDs 1, 3, 5, 7, 8, 9, 13, 15).

³ CarboNZeroCert™

⁴ The Warehouse Group Ethical Sourcing Policy 2019



ROADMAP TO OUR GOAL			KEY RISKS	MITIGATIONS
FY20 (next year)	FY25 (five years)	FY30 (ten years)		
 Programme still developing	 20% reduction from 2015	 32% reduction from 2015	<ul style="list-style-type: none"> Carbon emissions increase due to business growth or efficiency limits Financial costs of reduction become prohibitive Ability to control emissions from logistics networks. 	<ul style="list-style-type: none"> Focus on active emission and reduction initiatives Make the financial impact of emissions visible in our cost of doing business (CODB) Influence our logistics partners.
 80% diverted	 85% diverted	 ongoing improvement	<ul style="list-style-type: none"> Reduction offset by business growth Downstream recycling ineffective or unavailable (e.g. soft plastics). 	<ul style="list-style-type: none"> Maintain a focus on improvements Partner with business and government to take a long-term New Zealand recycling view.
 Internal supply chain focus	 Consumer packaging focus	 100% recyclable packaging	<ul style="list-style-type: none"> Limited buying power to influence factory re-tooling at point of manufacture. 	<ul style="list-style-type: none"> Partner with international retailers and innovate with manufacturers Review the impact of non-sustainable packaging on our cost of goods sold.
 Investment phase	 Yield phase	 65% of emissions offset this way	<ul style="list-style-type: none"> Insufficient land available for domestic offset regeneration activity Misalignment with emerging legislative, regulatory frameworks. 	<ul style="list-style-type: none"> Consider alternative domestic strategies for emission offset Liaise with stakeholders to influence policy direction.
 FY19 emissions 100% offset	 100% offset	 35% of emissions offset this way	<ul style="list-style-type: none"> Market volatility for international Gold Standard carbon credits driven by global forces Provenance of credits undermined. 	<ul style="list-style-type: none"> Keep abreast of hedging/risk management developments Ensure Gold Standard accreditation has valid third-party attestation.
 Programme is still developing	 100% offset	 Sustainable sourcing programme in place	<ul style="list-style-type: none"> Incompatible messages to suppliers, better quality, lower price. Volume of available products insufficient for consumer demand 	<ul style="list-style-type: none"> Accept the total life-cycle cost in decision making, not just product preparation costs, to assist decision making. Take more design in-house and open up different price/value combinations for customers
 100% offset	 100% offset	 100% offset	<ul style="list-style-type: none"> International attestation and transparency up the supply chain. 	<ul style="list-style-type: none"> Continue to elevate our ethical auditing practice.

Significance

Sustainability to The Warehouse Group is not just a buzzword or a compliance activity, it is a central part of our values as a business and is embedded into our business strategies, and has been for many years (the Group began sustainability reporting in 2001).

As a reputable New Zealand business

From a social licence to operate perspective, stakeholders are demanding more transparency from business. The impacts of doing business on the immediate environment, both upstream and downstream, are important to be able to clearly communicate on.

The Group has a comprehensive programme spanning long standing activities such as energy efficiency, plastic reduction and recycling, through to new initiatives across our Reduce, Offset and Enhance framework.

We take this seriously. Our emissions reporting follows the CarboNZeroCert™ and CEMARS (Certified Emissions Measurement And Reduction Scheme) programmes. These two certifications ensure accurate and consistent carbon measurement, reduction and neutrality claims. Our reduction targets are aligned with the Climate Leaders Coalition commitments, which follow the current Paris Agreement reduction guidelines, and are consistent with keeping temperature increase to no more than two degrees Celsius based on pre-industrial times. The Group's emissions baseline year is 2015. As emerging international standards develop we will look to align our reporting and audit activities with best practice. Our organisation is certified in accordance with ISO 14064-1:2006 or PAS 2050:2011.

Future focus areas

Our sustainability strategies continue to evolve. Key focus areas continue to include:

- Accelerating the deployment of our Electric Vehicle fleet
- Reducing carbon emissions throughout our operations
- Minimising the plastic packaging and plastic waste generated by our private label offering
- Developing a robust sustainable sourcing capability with measurable improvements on ingredients certification and recyclability
- Helping our customers live more sustainable lives by offering them new post consumer waste recycling solutions and price valued sustainable product choices.

For our customers

Making positive environmental choices should not be only available to the economically privileged. It is a reality that these choices today often come with a premium price tag for consumers – be they Electric Vehicles, sustainably generated produce, or clothing and general merchandise.

Our aspiration and responsibility is to enable all customers, including those who are value conscious or economically disadvantaged, to still be able to make sustainable choices.