

OUR ENVIRONMENT

Accelerate our delivery of sustainability proof points to respond to stakeholders' expectations of businesses driving positive outcomes for our planet and society

Key Initiatives

There are three important ways in which we are strengthening our sustainability governance and accelerating our progress to build New Zealand's most sustainable, convenient and customer-first company. We are embedding sustainability impacts in all business processes; we are developing reporting metrics so we can better link sustainability outcomes to all business activities; and we are educating our team members on sustainability matters to strengthen our 'Do Good' culture.

Reduce

The Group's Active Emissions Reduction Programme has been running for two years.

Our goal is to accelerate the transition to a zero-carbon future by deploying sustainability in every aspect of our business via a robust policy framework that sets sustainability standards and metrics including emissions reduction, energy efficiency, water conservation, waste reduction and community engagement. We continue to build technical expertise and market intelligence by working with leading industry organisations including the New Zealand Sustainable Business Council (SBC) and the Climate Leaders Coalition.

In early FY20, we launched our sustainable packaging guidelines and by year end over

1,000 products had undergone a change to remove non-recyclable plastics or reduce overall packaging mass. For example, removing the PVC plastic satchel around just one of the blankets in our Living & Co range and replacing it with a cardboard band will save 712kg of waste over the next year.

Offset

In February 2020, we celebrated the one-year anniversary of our Carbon Neutrality. Our approach to voluntary emissions offsets continues to be informed by domestic and international stakeholders' engagement and legislation including the Zero Carbon Bill and Article 6 of the Paris Agreement.

Actual Progress				
Focus Area	Priorities	FY19 (last year)	FY20 (this year)	FY20 Progress
Reduce	Reduce carbon emissions by 32% or 12,742 tonnes of CO ² by 2030 (from 2015 baseline)	 4% year-on-year reduction	 8% year-on-year reduction	<ul style="list-style-type: none"> Transitioned 30% of our light commercial vehicle fleet to Electric Vehicles Converted 5 stores to energy-efficient LED lighting - 20% of stores now feature LED lighting Signed a Collaboration Agreement with Energy Efficiency and Conservation Authority (EECA) to deliver energy efficiency across our portfolio.
	Divert 85% of our operational waste by 2022	 78% diverted this year	 77% diverted this year	<ul style="list-style-type: none"> Disposed of 2,741 tonnes of waste to landfill, an increase of 3% year on year due to COVID-19 hygiene practice, as well as the number of store renovations during the year.
	Reduce packaging waste			<ul style="list-style-type: none"> Launched Sustainable Packaging Guidelines to further increase sustainable packaged products Delivered packaging improvements across more than 1,000 products, decreasing the amount of consumer waste to landfill.
Offset	Regeneration of land to offset 65% of our carbon emissions by 2025			<ul style="list-style-type: none"> Delayed our domestic offsetting programme as we await clarity about regulations of the treatment of native forestry credits for voluntary non-Emissions Trading Scheme (ETS) offsetting.
	Continue to secure our carbonZero certification	 FY18 emissions 100% offset	 FY19 emissions 100% offset	<ul style="list-style-type: none"> On track to retain our carbon neutral certification by purchasing 36,030 international Gold Standard carbon credits (FY19: 41,000) and by investing in cleantech projects in countries where we operate.
Enhance	Reassess our raw materials			<ul style="list-style-type: none"> 6,000 stock keeping units (SKUs) products accounting for over \$100m annual sales carry a sustainability attribute or packaging Over 25% of cotton procurement sourced via the Better Cotton Initiative.
	Source ethically and responsibly			<ul style="list-style-type: none"> Invested in IT systems enabling us to track the performance of products with environmental attributes.

Our emissions reporting continues to follow the strictest standards (carbonZeroCert™) and auditing processes of our independent third party reporting partner, Toitū Envirocare. This certification ensures accurate and consistent carbon emissions measurement, reduction and neutrality claims. Our reduction targets are aligned with the Climate Leaders Coalition commitments, which reflect the Paris Agreement guidelines. Our organisation is certified in accordance with ISO 14064-1:2006 or PAS 2050:2011.

Enhance

Over the past 24 months, the Group has increased the sustainability of the products we sell in our stores. Our sourcing and merchandising teams have set specific goals in each of our categories while monitoring the capacity of our suppliers to deliver on these new requirements.

Significance

The COVID-19 disruption has intensified and accelerated the risks and opportunities presented by sustainability. While asking for great value and affordability, consumers are increasingly challenging the linear

resource-intensive consumption model and demanding more sustainable options available at a value price.

Some attributes such as plastic, packaging, and waste have become highly polarising and are driving fundamental changes in our industry. Our business values, our team culture, and the technical capacity, supported by the constant delivery of new sustainability proof points in our business, are preparing us positively for this consequential shift. We believe our focus on sustainability distinguishes us from many of our competitors.

Materiality

In New Zealand, the Government has passed the Zero Carbon Act, and New Zealanders are voicing increasing concern about our impact on the environment. As a retailer of fast-moving consumer goods, we see these trends as fundamentally shifting the way we engage with our markets, requiring a deep transformation of our value chain.

We believe our efforts in recent years to embed sustainability within our ways of working and especially in our sourcing

practice will position us strategically to benefit from these changes.

Having based our decisions and actions on 'Do Good', we now see we have a positive competitive advantage with retail and commercial customers. We are well positioned to respond to government procurement tenders that now include sustainability and impact metrics in their suppliers' selection criteria.

Future focus areas

- Keep building our sustainable sourcing capacity and deliver measurable improvements on ingredient certification, recyclability, and packaging reduction
- Continue to reduce our business carbon emissions throughout our operations
- Increase the sustainability fluency of our entire organisation
- Build a robust set of sustainability policies and standards to deliver consistent sustainability outcomes.

Roadmap to our goal		Key Risks	Mitigations
FY25 (5 years)	FY30 (10 years)		
20% reduction from 2015	32% reduction from 2015	<ul style="list-style-type: none"> • The cost of emissions reduction solutions becomes prohibitive and our carbon emissions grow as our business grows • Emissions generated by our logistics increase • Consumers wrongly attribute emissions generated by manufacturing the products we sell to the Group's footprint. 	<ul style="list-style-type: none"> • Focus on active emissions reduction initiatives • Ensure the cost of carbon emissions is considered in our cost of doing business • Participate in the Climate Leaders Coalition and other industry organisations.
85% diverted	Ongoing improvement	<ul style="list-style-type: none"> • Downstream recycling solutions are ineffective, too costly or unavailable • Limited buying power to influence suppliers re-tooling at point of manufacture. 	<ul style="list-style-type: none"> • Include waste diversion achievements in stores' performance reviews • Partner with business and government to encourage onshore recycling solutions.
Consumer packaging focus	100% recyclable packaging	<ul style="list-style-type: none"> • Mandatory product stewardship legislation across product categories sold by The Warehouse Group • Change in consumer shopping behaviours because of growing concerns about plastic pollution. 	<ul style="list-style-type: none"> • Make sustainable packaging a strategic priority for our business • Partner with international retailers and innovate with manufacturers • Monitor the impact of new sustainable packaging on our cost of goods sold.
Yield phase	65% of emissions offset this way	<ul style="list-style-type: none"> • Increase in the price of domestic native forestry credits • Change in voluntary ETS regulation complicates our capacity to retain our carbon neutral status. 	<ul style="list-style-type: none"> • Participate in key industry forums including the NZ Climate Leaders Coalition and the New Zealand delegation to the UN Climate Summit COP25 • Participate in key government consultations on carbon emissions legislation.
On plan	35% of emissions offset this way	<ul style="list-style-type: none"> • Pricing volatility for domestic and international carbon credits • Reputational risk of International Carbon Credits. 	<ul style="list-style-type: none"> • Delay long-term commitment in favour of a 12-month programme • Use Gold Standard carbon credits to satisfy the most rigorous certification process.
On plan	Sustainable sourcing programme in place	<ul style="list-style-type: none"> • Dependency on suppliers' ability to deliver new sustainability requirements without impacting price, quality and availability. 	<ul style="list-style-type: none"> • Develop detailed analytics that capture the total life-cycle cost in decision-making • Grow in-house design and test new price/value combinations for customers.
On plan	On plan	<ul style="list-style-type: none"> • International attestation of suppliers and availability of products from suppliers who meet our ethical sourcing standards. 	<ul style="list-style-type: none"> • 100% of our private label manufacturing sites are required to meet our ethical sourcing standard.

