



GOOD STUFF!

ANOTHER YEAR SUPPORTING NEW ZEALAND'S
COMMUNITIES AND ENVIRONMENT

the warehouse //

2011 COMMUNITY AND ENVIRONMENT REPORT



WELCOME

Welcome to our 11th Community and Environment Report. The report illustrates our efforts to fulfil the community and environment commitments described in The Warehouse Core Purpose Statement and Sustainability Charter. This Community and Environment Report relates only to the operations of The Warehouse Limited and, unless otherwise stated, covers activities for the financial year 2 August 2010 to 31 July 2011. Throughout the report, the numbers 2011, 2010, etc. refer to our financial reporting years.

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SUSTAINABILITY AND THE WAREHOUSE

At The Warehouse, we recognise that choices we make today affect the future environment. We need to play our part in ensuring that growth today does not compromise opportunities for future generations. To be a sustainable business, we need to extend our conscience beyond immediate commercial objectives. We believe that this is good for business and for the long-term interests of our shareholders and other stakeholders.

Scientific knowledge about the scarcity of natural resources and man's impact on the environment impels us to take greater responsibility for the environmental characteristics of our operations and the products we sell.

In a world of open markets, The Warehouse and our customers have benefited from access to cheaper goods from developing economies. We have a responsibility to ensure that factories manufacturing for The Warehouse protect workers' rights and uphold basic labour and environmental standards.

Our customers have a right to know that not only can we provide great value but

their purchases will be fit for purpose and manufactured to appropriate quality and while adhering to ethical standards.

People in the communities surrounding our stores have needs that cannot always be met via their own resources or by government. We believe that the voluntary and charitable sectors of society are vitally important. The Warehouse will continue to actively support charitable and community causes both large and small.

We have a leadership role to play also in the wider retail and business community. By sharing our knowledge and vision and collaborating with government and industry, we'll work towards the betterment of New Zealand's society and environment.

We need the engagement of all Team Members to realise these goals. Our executive and managers have the responsibility to lead us into a more sustainable future and their actions must support our core purpose to **'Make a difference to people's lives by making the desirable affordable and supporting New Zealand's communities and environment'**.

Extracted from The Warehouse
Sustainability Charter 2009



Supporting New Zealand's
Communities and Environment



I am delighted to introduce my first, and The Warehouse's eleventh, Community and Environment Report. Supporting New Zealand's Communities and Environment and the wider sustainability agenda has long been embedded in The Warehouse's core purpose.

Nowhere has this been more evident than in our response to the devastating earthquakes in Canterbury. These had a dramatic impact on the lives of many Team Members and customers. I felt it important to chronicle in this report how we marshalled our resources to come to their aid.

Elsewhere in the report, we have updated our performance in various social and environmental areas, which will by now be familiar to our regular readers.

I would like to take the opportunity here to inform you how I intend to further strengthen our performance in these dimensions going forward. I have instituted a new monthly Community and Environment management forum which is already developing and implementing new strategies and initiatives. An example is the recently concluded (October 2011), very successful 'Great TV Takeback' event wherein we mobilised our customers to return over 28,000 old televisions for recycling. The recycling was funded by the Waste Minimisation Fund and the event personally opened by the Minister for the Environment, Dr Nick Smith. This was an excellent example of public/private environmental product stewardship and follows on the heels of our award-winning 'Bags for Good' programme featured in last year's report.

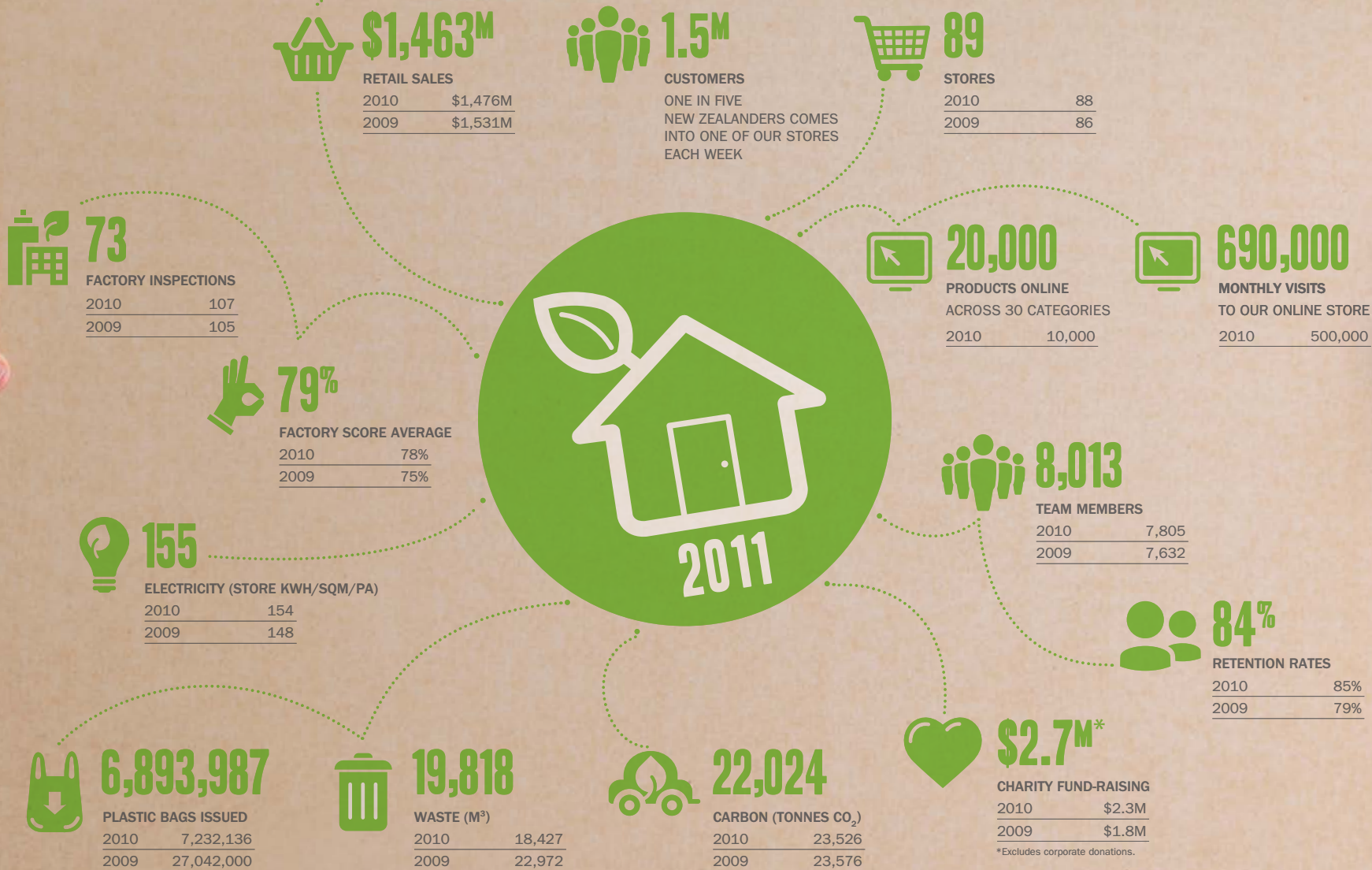
This report heralds a more visible association with our majority shareholders Sir Stephen Tindall and The Tindall Foundation. We are privileged to have had Sir Stephen in regular attendance at our Community and Environment management forum and provide a brief profile of The Tindall Foundation in this report.

The Warehouse Charitable Trust has been established to provide support to Team Members and selected community groups who require support in the medium-to-long term as a result of natural disasters that have directly affected them. The Trust has been established with an initial pledge of \$500,000 from The Tindall Foundation.

None of this is possible or relevant without the continued support of our customers. In our Annual Report, and in my communications to investors at the time of the release of our financial results, I outlined our far-reaching investment plan to refresh and rejuvenate our facilities and operations and prepare them for the dynamic and challenging times ahead. Our stores and merchandise are the embodiment of our efforts to serve our customers and you our readers. I welcome your consideration of the Community and Environmental activities described in this report but, most importantly, I invite you to visit our stores and tell us what you think of our efforts to 'Make the Desirable Affordable' and deliver fantastic bargains while continuing to fulfil our pledge to support New Zealand's communities and environment.

Mark Powell
Group Chief Executive Officer

SUPPORTING NEW ZEALAND'S COMMUNITIES AND ENVIRONMENT



COMPANY PROFILE

The Warehouse is New Zealand's largest general merchandise retailer with approximately 7.7% market share of the non-food retail sector and 39% of the department store sector. We are part of The Warehouse Group Limited, a publicly listed limited liability company.

Our Presence and Reach

The Warehouse now has 89 stores nationwide carrying general merchandise, apparel and grocery products. Around 95% of the country's population lives within a 30-minute drive of a Warehouse store. The chain serves 58 towns and cities, giving it unrivalled coverage in New Zealand non-food retailing. One in five New Zealanders comes into one of our stores each week.

Business and Financial Performance

In 2011, The Warehouse reported sales of \$1.463 billion compared to \$1.476 billion in 2010. Both total sales and same-store sales were down 0.9% for the year. Sales for the second half were \$654.9 million, flat on the comparable period last year with same-store sales up 1.4% for the half. The Warehouse delivered an operating profit of \$98.8 million for the year compared to \$112.7 million last year, down 12.3%.

We maintained positive momentum in all growth categories, with the 'Everyday Needs' category up 4.9% year on year. Our core 'Head to Toe' and 'Home' categories sales were flat on last year. The sector decline continued in entertainment and consumer electronics categories despite our market share increase. We held our trading margins despite a very promotionally driven market. Our online sales doubled.

More detailed information and commentary on The Warehouse's financial performance can be found in the 2011 Annual Report which is available on our website.



Financial Performance

	2011	2010	2009	CHANGE 2011-2010
Sales (\$m)	1,463	1,476	1,531	-0.9%
Operating Profit (\$m)	98.8	112.7	120.2	-12.3%
Stores	89	88	86	0.0%
Retail Space (m ²)	476,115	470,156	467,596	1.3%
Operating Assets (\$m)	340.8	326.6	347.7	4.3%
Return on Assets (%)	29.0	34.5	34.5	550 basis points

THE WAREHOUSE DOLLAR AND SOURCING PROFILE

The 'Warehouse Dollar' is a reporting tool we have developed to illustrate our economic impact and the way in which our revenue is distributed across some readily understood segments.

This year, 35.0 cents in every Warehouse sales 'Dollar' were spent on New Zealand goods and services; 39.4 cents went to overseas manufacturers and suppliers. Wages and salaries accounted for a further 11.0 cents, enabling us to employ 8,000 Team Members¹; 10.7 cents were passed to government as taxes and duties; and 3.2 cents in each sales Dollar were paid to shareholders by way of ordinary dividends – a significant local impact as most shareholders reside in New Zealand.

Sourcing Profile

As the table to the right illustrates, China is the largest country of origin for products sold in The Warehouse, especially for clothing and footwear which make up a significant share of our business. New Zealand's trading relationship with China has strengthened further in the wake of New Zealand's free trade agreement and the relatively high level of the value of the New Zealand dollar seen in recent years. Behind China, we still retain a significant volume of New Zealand-made merchandise

in categories that remain competitive. The Warehouse takes special steps to ensure the integrity and quality of imported merchandise including the maintenance of the Ethical Sourcing and Quality Assurance functions within our Shanghai representative office.

Country of Manufacture Share of Sales (%)

MANUFACTURING COUNTRY	2011	2010	2009
China	61.92	60.27	57.72
New Zealand made	11.27	12.36	13.87
Australia	7.61	7.88	7.70
United States of America	6.34	6.87	7.07
United Kingdom	1.52	1.28	1.42
Thailand	1.34	1.25	1.48
Pakistan	0.93	0.96	1.12
Malaysia	0.90	0.96	0.93
New Zealand assembled	0.87	0.94	1.35
Denmark	0.83	0.69	0.53

New Zealand-made Sales

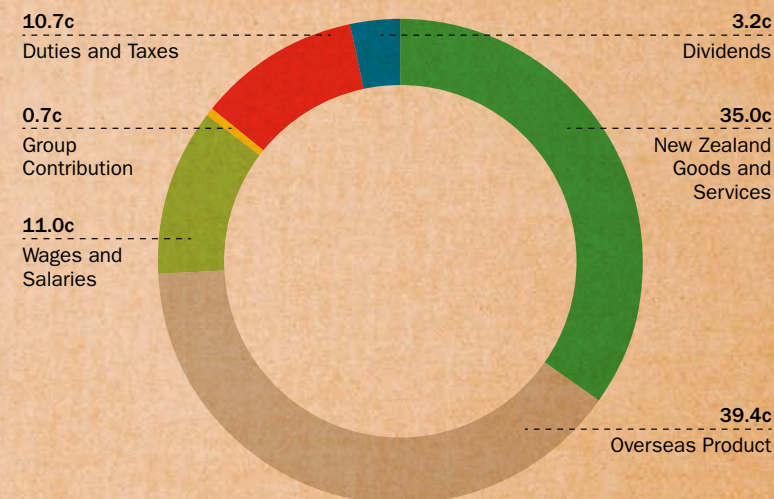
	\$ MILLION
2011	164.8
2010	182.6
2009	212.5

Products defined as New Zealand made within our database comply with the commonly understood definition:

- At least 50% of the ex-factory cost of the goods has been incurred in New Zealand;
- There must be an obvious transformation to any imported goods (excluding transformations to packaging); and
- A New Zealand-made description must meet the requirements of the Fair Trading Act.

¹ 4,709 full-time equivalents

THE WAREHOUSE DOLLAR



BASIS OF CALCULATION

- **New Zealand Goods and Services 35.0 cents** – The direct costs of local products sourced in New Zealand and resold through The Warehouse; the purchase of non-trade New Zealand goods and services; depreciation expense and the estimated value of locally retained margins in instances where we purchased an imported product through a New Zealand wholesaler. All costs include goods and services tax (GST).
- **Overseas Product 39.4 cents** – Comprises the cost of products manufactured outside of New Zealand including freight, commissions and royalties paid overseas. Includes an estimate of the money going offshore in instances where The Warehouse has purchased an imported product through a New Zealand wholesaler. All costs include GST and exclude New Zealand customs and duty.
- **Wages and Salaries 11.0 cents** – The direct cost of wages and salaries paid to Team Members of The Warehouse Limited (excluding related employer and employee taxes).
- **Group Contribution 0.7 cents** – The amount of residual profit retained and used to fund other group activities.
- **Taxes and Duties 10.7 cents** – Includes corporate taxation, GST, customs duties payable on direct overseas-sourced product, PAYE and ACC levies paid by The Warehouse.
- **Dividends 3.2 cents** – Represents the amounts of ordinary dividends paid to shareholders, excluding any special dividends.

SHAREHOLDERS

Who Owns The Warehouse?

The Warehouse was founded in 1982 by Stephen (now Sir Stephen) and Margaret Tindall with a very small store on the North Shore of Auckland, and was first listed on the New Zealand stock exchange in 1994. Sir Stephen remains a director of The Warehouse. Sir Stephen and Margaret always had a vision to share the profits and dividends arising from the success of The Warehouse with the wider New Zealand community. They have done this in two ways.

In 1994, they transferred ownership of 23% of their shares into The Tindall Foundation². The Tindall Foundation distributes the annual dividend from its shareholding in The Warehouse to various not-for-profit and charitable causes throughout New Zealand. Since its inception, The Tindall Foundation has distributed over \$100.0 million to various causes in New Zealand. In the past 12 months, it distributed just over \$13.0 million to recipient organisations across New Zealand.

Secondly, Sir Stephen is a very active investor in New Zealand enterprises. His investment philosophy is based on a belief that New Zealand can create a positive trade balance through the export of high technology products, services and intellectual property. Sir Stephen's investments include companies in the green

tech, biotech, software, hardware, medical devices, consumer products and services sectors. He is involved in the Pacific Fibre project which proposes to link New Zealand more closely to its export markets via a new super-fast broadband cable from Australia through New Zealand to the United States. His investments span over 100 New Zealand companies and he hopes that, one day, the value of their exports will exceed that of The Warehouse's imports today.

Other Large Shareholders

Following Sir Stephen and The Tindall Foundation, the next-largest shareholdings are those held by entities associated with Woolworths (Australia) Limited (10%) which owns the Countdown, Foodtown, and Dick Smith retail chains; and New Zealand's Foodstuffs Grocery Cooperatives (10%) who jointly own the PAK'nSAVE, New World, and Four Square grocery chains.

Other large institutions, such as New Zealand's Accident Compensation Corporation and the New Zealand Superannuation Fund, also hold shares in The Warehouse.

Small Shareholders

Around 10,233 shareholders, or 96% of The Warehouse Group shares, are based in New Zealand. Shares are held by 1,275 current Team Members; the shares are

purchased through a staff share purchase plan. From time to time, the company invites Team Members to participate in the purchase of shares.

Supporting New Zealand

The distribution of shareholder dividends within New Zealand viewed alongside the snapshot of our economic impact revealed in 'The Warehouse Dollar' (page 7), and our various streams of fund-raising activity illustrate the many ways in which The Warehouse contributes to the economic and social well-being of New Zealand in addition to our primary retail function.

² www.tindallfoundation.org.nz

³ www.livinglegends.co.nz

The Tindall Foundation (21% shareholding) deploys its Warehouse dividend to support numerous social and environmental causes throughout New Zealand, such as this Living Legends³ commemorative tree planting project on Motuihe Island.



Top 10 Shareholders as at 9 September 2011

	NUMBER OF ORDINARY SHARES	PERCENTAGE OF ORDINARY SHARES
Sir Stephen Tindall	83,058,283	26.69%
The Tindall Foundation	66,323,220	21.31%
General Distributors Limited	30,548,887	9.82%
Cash Wholesalers Limited	10,298,029	3.31%
Foodstuffs (Auckland) Nominees Limited	10,298,029	3.31%
Wardell Bros & Coy Limited	10,298,029	3.31%
National Nominees New Zealand Limited – NZCSD A/c	4,792,955	1.54%
Citicorp Nominees Pty Ltd	4,104,189	1.32%
Sir Stephen Tindall and K R Smith and J R Avery (as trustees)	3,389,844	1.09%
R G Tindall and G M Tindall and Sir Stephen Tindall (as trustees)	3,100,000	1.00%

THE WAREHOUSE PEOPLE – A CLEARER WAY OF WORKING

Continued investment in the capability of all our team, particularly our leaders, and ensuring we have the framework and tools that allow them to perform are crucial to our ongoing success. Behind every successful Store Manager is an engaged and dedicated team. Collectively, these teams combine to make a strong business.

We're working hard to ensure that all Team Members – whether they are buyers, marketers or those operating our check-outs – can see how they fit into the business and how their contribution helps the team pull together to succeed.

Our framework provides a compass for decision-making giving us confidence that our people will do the right thing for our customers and for our business. Alongside this, we are allowing them the freedom to run the stores so that they have the flexibility to see problems or opportunities and respond to them. Getting this right

underpins our entire strategy. Consistency of purpose is key to keeping our team focused on delivering improved performance for customers and shareholders.

A newly introduced 'Way of Working' framework and training has been rolled out focusing our teams on 'Working Smarter' and a customer-service programme has been driving an improved sales and service culture. This is a significant investment targeting consistency and smarter ways of working throughout the business. The first step in this process was to roll out the store model of 'Working Smarter' that builds sales capability and embeds our solutions-based sales philosophy. Over the next 12 to 18 months, we will embed the 'Working Smarter' model along with rolling out 'Selling Smarter' targeting areas of customer service improvement in store.

Programmes within our clear 'Way of Working' are being rolled out through other functions, such as Merchandising, in tandem with our Advanced Management, Category Management and Store Development programmes which build

strength in key areas of the business and excellence in current roles.

It has long been our way to support our people's development to realise their potential through a range of internal programmes focused on leadership, performance and commercial acumen, well-ness and health and safety. We have clearly defined career paths and offer learning and development opportunities to aid progress around the organisation.

Engaged employees are important to our business; they are more productive, more customer focused, safer and less likely to leave. We were pleased to maintain our high rate of retention of 84% while in our Distribution Centres retention was an exceptional 96%. We offer an extensive range of programmes to assist in workplace health and safety. We are pleased with the impact of these programmes and the outcomes continue to improve across a variety of measures including a significant reduction in our Lost Time Injury Frequency Rate. For the sixth year running, we have been audited by ACC and have retained our tertiary status.



THE WAREHOUSE PEOPLE

CONTINUED

External Recognition – EEO Work & Life Awards

The Warehouse won the Supreme Award for its parenting programmes in the EEO Trust Work & Life Awards in October 2010. More than 200 employees in our South Auckland Distribution Centre took part in the SKIP (Strategies for Kids – Information for Parents) programmes run by the Ministry of Social Development. SKIP provides parents with practical advice on how to teach children to be independent and socially responsible.

Our involvement in the programme was initially to build a stronger sense of community on site and to boost communication and understanding in our multicultural workforce through the common experience of parenthood. Pleasingly engagement and productivity also rose and absenteeism decreased.

The Warehouse also won the Work & Life/ Diversity Initiative Award, which celebrates initiatives that target opportunities for greater engagement and productivity.



The Warehouse Team Members, accompanied by Sir Stephen and Margaret Tindall, receive their award from the Ministry of Social Development's SKIP personnel.

EMPLOYMENT STATISTICS

	2011	2010	2009
Full-time equivalent Team Members	4,703	4,709	4,967
Number of Team Members	8,013	7,805	7,632
Retention Rates	84.2%	84.80%	78.80%
Lost Time Injury Frequency Rate (LTIFR)	10.72	12.75	18.44
Total Injury Rate	37.55	41.38	43.42
Working Days Lost to Illness	22,486	24,675	29,592
OSH Prosecutions	Nil	Nil	Nil
Workplace Fatalities	Nil	Nil	Nil
ACC Accreditation	Tertiary	Tertiary	Tertiary
Employee Assistance Programme – Users	225	191	202

WORKFORCE DIVERSITY	2011 MALE	2011 FEMALE	2010 MALE	2010 FEMALE
Store Managers	76%	24%	75%	25%
Assistant Store Managers	44%	56%	44%	56%
Senior Managers – Support Office	64%	36%	68%	32%
Middle Managers – Support Office	57%	43%	55%	45%



8,013

Team Members 2011

CANTERBURY EARTHQUAKES

The earthquake of 22 February 2011 unleashed immeasurable suffering on the people of Christchurch with the city centre's buildings crumbling, many homes destroyed and, tragically, many lives taken. The 6.3 'quake struck near Lyttelton, causing mass destruction. The region, its people, their homes and many businesses suffered huge losses – many having not recovered from the impact of the previous 'quake of September 2010.

We are grateful that all of our Team Members and customers were evacuated safely from our stores whilst only one customer received minor injuries from falling stock. The ongoing aftershocks and the 'quakes on 13 June 2011 continued to test the region and its people.

Our Stores

Thirteen of our stores and our South Island Distribution Centre (SIDC) were closed immediately following the September 2010 and February 2011 earthquakes. Structural

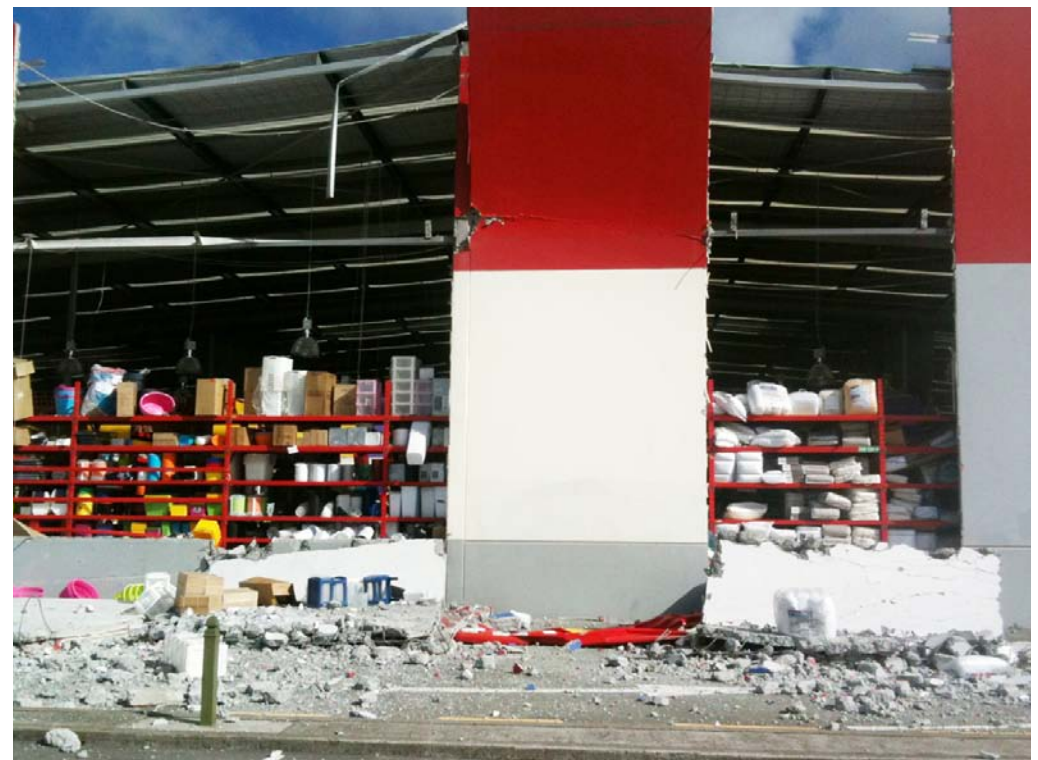
engineers assessed the impact to ensure each location was structurally sound before the decision was made to recommence trading on a store-by-store basis. Some store damage was suffered and rectified with trading recommencing speedily for all stores except for those located within the cordoned area – Eastgate and South City.

The Warehouse Eastgate store is situated in a mall; the store, mall and its carpark suffered major structural damage. The South City Warehouse store was extensively damaged and suffered liquefaction in the store. A new concrete floor needed to be poured and the store re-opened in mid-October 2011.

The SIDC suffered some damage but continued to function throughout remediation work. It played an integral part in supporting the region as we dispatched much-needed emergency supplies from the North Island to the SIDC for distribution to the community.

Transport and freight services in and out of Christchurch were disrupted so we restricted our use of the SIDC temporarily thereby relieving pressure on the main transport hubs and allowing other vital supplies to enter the region.

Damage to our Eastgate store after the second Canterbury earthquake in February 2011.



CANTERBURY EARTHQUAKES

CONTINUED

Our Response

The February 'quake struck at 1.51pm – by 2.00pm we had our store support office crisis-management team and Store Managers checking on the safety and well-being of all our 1,075 Team Members. Our priority is always the safety and well-being of our team and their families. We assessed what support our team required and requested that they not return to work until they had heard from their Store Managers and felt comfortable with their personal situations. At this point, the magnitude of the 'quake and its destruction was not known. As the severity of the crisis became apparent, we moved a team to Christchurch, including Property, Store Development, Structural Engineers, Operations and People Support, to assist our Team Members.

Many services were put in place including showering and laundering facilities along with other basic supplies in our lunch rooms, stores and South Island Distribution Centre. Our Store Managers catered for Team Members needing to take care of damage to homes and property and, where schools were closed for an extended period, some members

stayed home with their children. Advances were made available to Team Members unable to access cash. Through our Employee Assistance Programme (EAP), we had counsellors available on site and privately to all Team Members and their families.

Where we asked our Team Members to stay home, if they were scheduled to work, they were paid. Where stores were closed for long periods, we paid our people or offered roles at nearby locations. Whilst we provided this flexibility and stability – our team determinedly worked through this traumatic experience.

Crisis Communication via Facebook

Communicating with and tracking the safety and whereabouts of our Team Members in the initial hours of the emergency was critical. Our crisis-management team used all channels available to it including our intranet, our website, text messaging and Facebook. We continued to use these channels in the following weeks allowing two-way communication that was utilised by our Team Members, their families and customers alike.

We provided Civil Defence, EQC and other independent groups with emergency supplies such as wheelbarrows, shovels, gumboots, laundry bags for contamination units, water and water containers, basic clothes plus socks and underwear, air beds and pumps, foam mattresses, hand sanitiser, toothbrushes, toothpaste, petrol containers, buckets, mops, safety gear including high-visibility vests, toilet paper, chemical toilets and chemicals, gas bottles, gas cookers and butane canisters, rubber gloves, nappies, baby wipes, formula and bottles, deodorant, wipes and solar showers.

The plight of our Christchurch team was acutely felt by all staff including this group of well wishers at our Auckland support office.



CANTERBURY EARTHQUAKES

CONTINUED

Community Support

Supporting our community is simply part of The Warehouse DNA – it's what we do day in, day out throughout New Zealand. Following the September 2010 'quake, The Warehouse Group directly donated \$500,000 to the New Zealand Red Cross Canterbury Earthquake Appeal to help the devastated community. In addition, we had public coin donation boxes in store, donations could be made via our website and our teams nationwide initiated a number of their own fund-raising efforts. All donations collected, including our own corporate donation, were paid to the New Zealand Red Cross Canterbury Earthquake Appeal for distribution.

The Warehouse Charitable Trust has since been established with an initial pledge of \$500,000 from The Tindall Foundation to assist Team Members and selected community groups who require support in the medium-to-long term as a result of natural disasters. The immediate priority of the Trust will be to support Team Members and community groups who reside in the Christchurch area and who require assistance as a result of the 2010/11 Canterbury earthquakes.



"The Warehouse provided all of us in Canterbury with amazing support. A few actions really stood out at the time. Immediately, we had EAP counsellors available for us and for our families. As many systems were down in the city, access to money was difficult initially so the \$200 cash grant to each of us meant that we could get the basics such as water and food. For some of us, our own homes weren't impacted but we had friends and family who had to stay with us – so the fact we could pay for the basics was so appreciated. The Warehouse also ensured we all knew our jobs were secure so we had stability and did not have to worry. If our store was impacted, we had employment at another store. Also, through the crisis, it was great to see our senior leadership team in Christchurch talking to each of us individually. Our founder, Sir Stephen Tindall also came down to meet with us."

Angie Taylor
Barrington Store

PUTTING THE CUSTOMER FIRST

Quality Assurance

This year, we changed the structural alignment of our Quality Team which is now based in our Supply Chain Division. This decision aligns our Quality Team more closely with all our other supply chain functions at origin in China and elsewhere.

We opened a new and expanded Quality Control centre in Shanghai improving our ability to process all shipments out of Shanghai port for our Apparel, Footwear and some Soft Goods categories.

In our General Merchandise category, we have continued to strengthen our quality assurance on Electrical Goods and Children's and Infants' ranges.

We continue to work closely with the relevant government agencies and third-party experts to ensure we remain current with any regulatory changes.

Customer Satisfaction

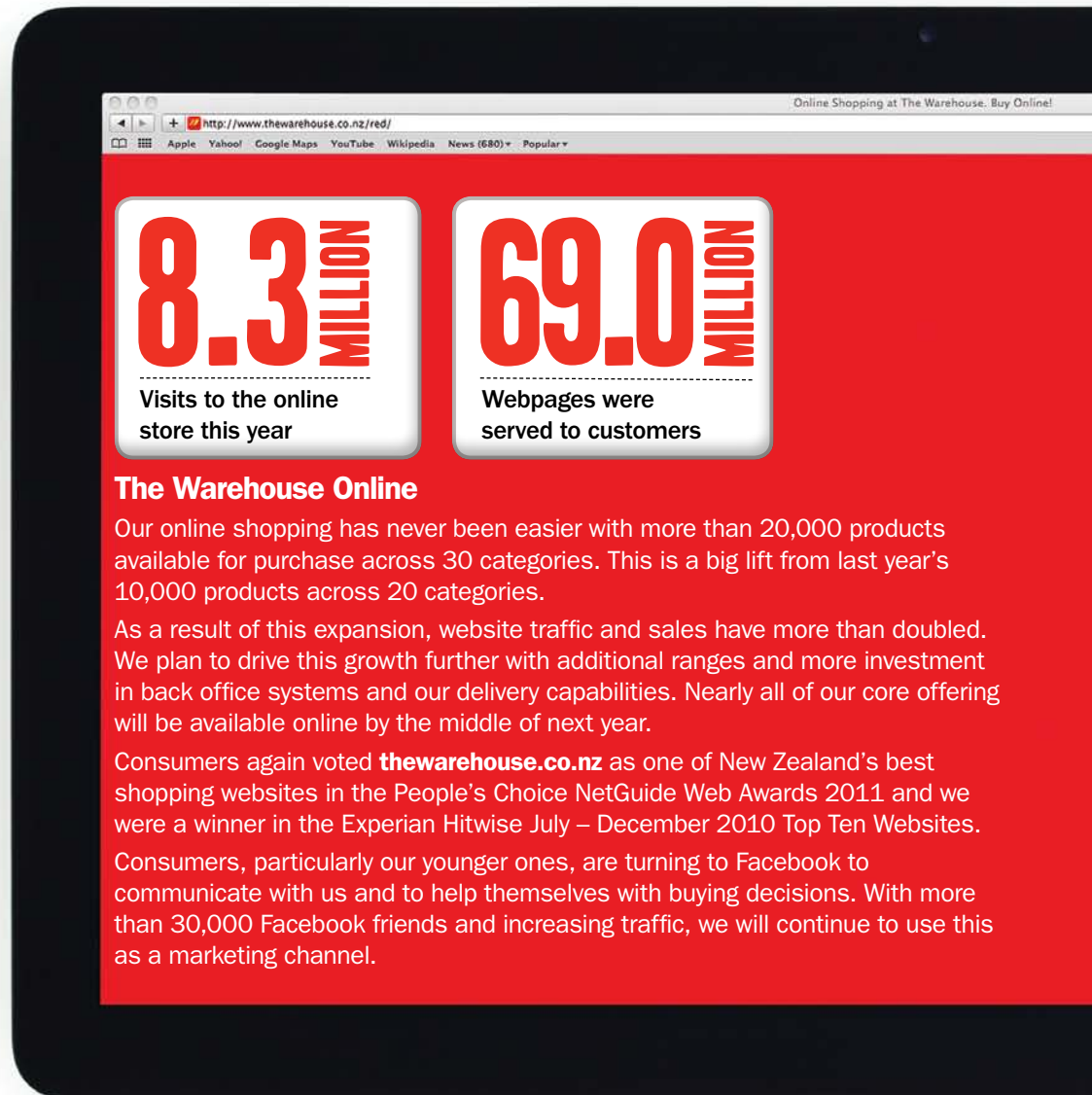
All customer returns relating to quality are analysed and scrutinised. Where a potential quality or safety issue is identified, a robust system is in place to withdraw goods from sale promptly. Any faulty goods' disposal requirements are met responsibly with accompanying certification.

In-store Experience

Our customers' experience in store is what really counts. We recognised this year that we needed to better resource stores to meet customer expectations so, in the latter half of the year, we boosted frontline team numbers, improved support systems and refreshed our customer-focused training. Objectively measured responses to these improvements have been very positive.

Rejuvenating Our Stores

The store is the physical embodiment of our brand and what it stands for. We are refreshing our brand and, over the next three to five years, we plan to invest nearly \$250.0 million to improve the internal and external presentation and layouts of our stores. We have analysed our network to determine the optimum format for each store so that we can be sure our investment best matches varying store formats and regional differences.



FUND-RAISING AND COMMUNITY SUPPORT

The Warehouse, along with the support of its customers and suppliers, gifted, raised and distributed over \$3.2 million to New Zealand community service groups and national charities during the year. Within this sum, The Warehouse Group itself made a special direct donation of \$500,000 towards the New Zealand Red Cross Canterbury Earthquake Appeal.

Fund-raising and Community Support 2011

Local Fund-raising	
Community barbecues	318,755
Coin boxes	67,344
Plastic bag donations	413,449
National Fund-raising	
KidsCan	171,072
New Zealand Breast Cancer Foundation	376,813
Starship Foundation	592,438
Variety – The Children's Charity	230,496
Youthline	157,989
Canterbury Earthquake Fund-raising	
Red Cross Earthquake Appeal	273,789
The Warehouse Group – Corporate Donation	500,000
Pike River Mine Disaster Relief	
Pike River Miners' Relief Fund	81,744
Greymouth Store Gift Card Donation	29,000
Total 2011	3,212,889

We are passionate about supporting as many people as possible through our store network with our philosophy of giving a 'hand up' rather than a 'hand out'. Individual stores support a variety of organisations within their local communities through donations from plastic bag sales, customer coin collection boxes, community barbecues and other fund-raising activities. This financial year, almost \$800,000 was raised and distributed locally. Whilst we have planned campaigns of support to many organisations, from time to time it's necessary to respond and reach out to communities in need. The tragedy at Pike River was just one example this year. Our Team Members in Greymouth presented each family who had lost loved ones in the mine blast with a \$1,000 gift voucher.

A significant and unexpected challenge this year was supporting our team and the community of Canterbury as a result of the devastating earthquakes. Detail of the impact on our operation, our response and our support to the community is outlined on pages 12–14.

Despite the unique demands of the Canterbury 'quakes, we have not reduced our other community commitments. This year, we continued to provide groups across the country the opportunity to use our community barbecues for fund-raising. Nearly every weekend of the year, customers can find community and sporting groups working hard to raise funds for their activities.

We continue to proudly support selected national charities that have wide appeal and reach, and the potential to significantly benefit a large number of people.

Our national fund-raising partners are chosen for their ability to provide wide benefit to as many New Zealand families as possible. We raised over \$1.5 million for our national charity partners in the past year.



FUND-RAISING AND COMMUNITY SUPPORT

CONTINUED

Bikes for Kids

The Warehouse's support for 'Variety' – The Children's Charity enabled 110 deserving children from Dunedin, Oamaru, Invercargill and Whangarei to receive brand-new bikes and helmets as part of the 'Variety' annual Bikes for Kids tour. They were among a wider group of 450 children from around New Zealand who benefited as part of the charity's 21st anniversary celebrations in November 2010.

Bike recipients were selected from peer nominations attesting to the reputation of each one as a young role model making a positive difference within their school or community environment through their helpfulness to others and the like.

Other recipients were selected for charitable reasons such as adverse circumstances or the inability of their families to purchase bikes. Bikes were distributed at recognition

ceremonies by our teams at The Warehouse branches in Whangarei and South Dunedin.

For many of these children, these are their first bikes. The recognition benefits the child and provides an incentive for their peers to follow in their footsteps and become good school and community citizens.

The Variety Bikes for Kids programme, in its 11th year, provides deserving or disadvantaged children with the freedom and independence of having their very own bikes.

For 10 years, The Warehouse has been a charity partner of Variety and is also a principal sponsor of the Bikes for Kids programme. All proceeds from the August 2010 in-store scratch 'n' win campaign went to this programme.

Variety has distributed over \$12 million to help sick, disabled and disadvantaged Kiwi kids reach their full potential since its inception in 1989.



Chief Executive Officer, Mark Powell, and other Team Members participate in a 'Variety – Bikes for Kids' presentation at Pukekohe.

COMMUNITY SUPPORT

CONTINUED

Success for Red Shirts in Schools

The Warehouse has been a supporter of Red Shirts in Schools since 2002. This is a retail training and workplace experience programme for secondary school students, which can be linked to the government's Gateway programme. The programme provides students with the opportunity to complete the Customer Service Award programme in stores, gaining credits toward Level 2 of the National Certificate of Educational Achievement (NCEA).

The programme enhances the school curriculum through workplace experience and training, and provides a safe and managed introduction into the workplace, positive learning experiences for both students and Team Members, and offers the students the choice of a career in retail.

For The Warehouse, the programme provides access to a pool of pre-qualified employees and forges positive connections between Team Members and local secondary schools. In the last year, 758 students went through the programme. The benefits flow both ways with the students individually working 78 hours each in store, all-up delivering a combined 59,124 hours at The Warehouse; in turn, they achieve their credits and valuable workplace experience.

Many graduating participants have gone on to paid part-time or full-time employment within The Warehouse or have been encouraged by their experiences to pursue further studies.



Krystal and Tamara from Papatoetoe High School gave up their holidays to join a 12-day Red Shirts school-holiday programme, gaining 25 Level 2 credits toward their NCEA qualifications. In a recent fund-raising campaign they sold over 1,000 Breast Cancer Pens at the Manukau Store. The school-holiday programme is a very popular with students who do not want to miss out on schoolwork by working at The Warehouse during the term.

ETHICAL SOURCING

This year, we focused our Ethical Sourcing efforts on improving our systems in preparation for future growth in the scope of our programme. We introduced and began piloting a new innovation in the electronic purchase-order systems used by our buyers. For the first time, our buyers are able to associate orders directly with the factories at the origin of production. This is important as it means that all the work we do, to select factories that meet our ethical standards, is visible to buyers as they place orders on a daily basis. They no longer need to access a separate database or department to gather information about a factory's status.

To date, we have loaded 150 factories into this system and plan to increase this significantly over the next year. To support this, we have stepped up our enforcement of our factory-registration programme. Traditionally, traders and wholesalers tend to view information identifying the origin of the products they sell to The Warehouse and other retailers as their own intellectual property and have been reluctant to share this with retailers. However, our view is that, especially in the case of products

carrying one of our own brands, we should have visibility of the factory of origin so that we can secure assurance over the quality, labour and environmental standards in that factory. We achieve this by reviewing various reports provided to us by the factory or, in cases where there is no report or the report is insufficient, we then carry out our own inspection⁴.

Nearly 500 of our suppliers have now registered their factories with us – a substantial improvement from the situation six years ago when we had little visibility of offshore factories. In some cases, there are multiple factories associated with one supplier or trading house. We completed 73 factory inspections in the past year and were able to allow inspection waivers for a further 20 new factories. We plan to increase the numbers of inspections again in the coming year and have increased the administrative resource required to enable this. The average score for inspections undertaken in the past year was 79%.

⁴ See the 2010 report for a description of the factory inspection process



ETHICAL SOURCING

CONTINUED

Securing transparent disclosure from factories in China continues to be a challenge to the competency and motivation of auditing professionals. Factory managers face a bewildering array of conflicting pressures from brand buyers and local government. Local laws, particularly in regard to working hours, are not aligned to factories' productivity requirements nor the income expectations of migrant workers. Unfortunately, many brands, under duress in their own markets from labour NGOs and consumer advocates, set their standards at unattainable levels thereby thwarting the very transparency they are seeking. Competitive pressures on pricing in both the retail and sourcing environments constrain factories' margins which are under additional pressure from rising wage rates and raw-material price increases. As we have discussed in previous reports, our approach to these tensions is to seek collaboration and transparency via a more tolerant and flexible stance on working hours while maintaining a strong focus on health and safety and adequate overtime hour compensation.

Despite the shortcomings and liabilities in international efforts to support and lift worker welfare in developing economies, there is no doubt that, viewed over a decade or longer time frame, working conditions and remuneration continue to improve.

Our ethical sourcing efforts over recent years mean that our supply chain is increasingly transparent and more visible to our buyers. In addition to the inspection work undertaken by our specially trained external auditors, our Sustainability Manager regularly travels within our supply chain to provide supervision to our auditors, meet with industry peers and visit sites that may carry unique labour or environmental hazards.

For example, in the past year, he personally inspected two fireworks' factories in Hunan Province, China, and a jewellery factory in Shunde South China. In the coming months, he will also personally inspect the factories producing our new range of 'Veon' televisions and, at the other end of the supply chain, the factories processing the increasing volumes of materials arising from our television recycling initiatives.



Jewellery carvers at work in Shunde, Guangdong Province, China.



THE ENVIRONMENT



Waste Total (M³)

19,818

2010	18,427
2009	22,962

Store Ave Waste (M³/\$1M)

9.6

2010	7.4
2009	9.5



Electricity (KWH)

80,419,337

2010	79,264,541
2009	77,806,871

Electricity Store Ave (KWH/MONTH/M²)

12.90

2010	12.80
2009	12.52

Carbon (Tonnes CO₂)

22,024

2010	23,526
2009	23,376



Plastic Bags Issued

6,893,987

2010	7,232,136
2009	27,167,333



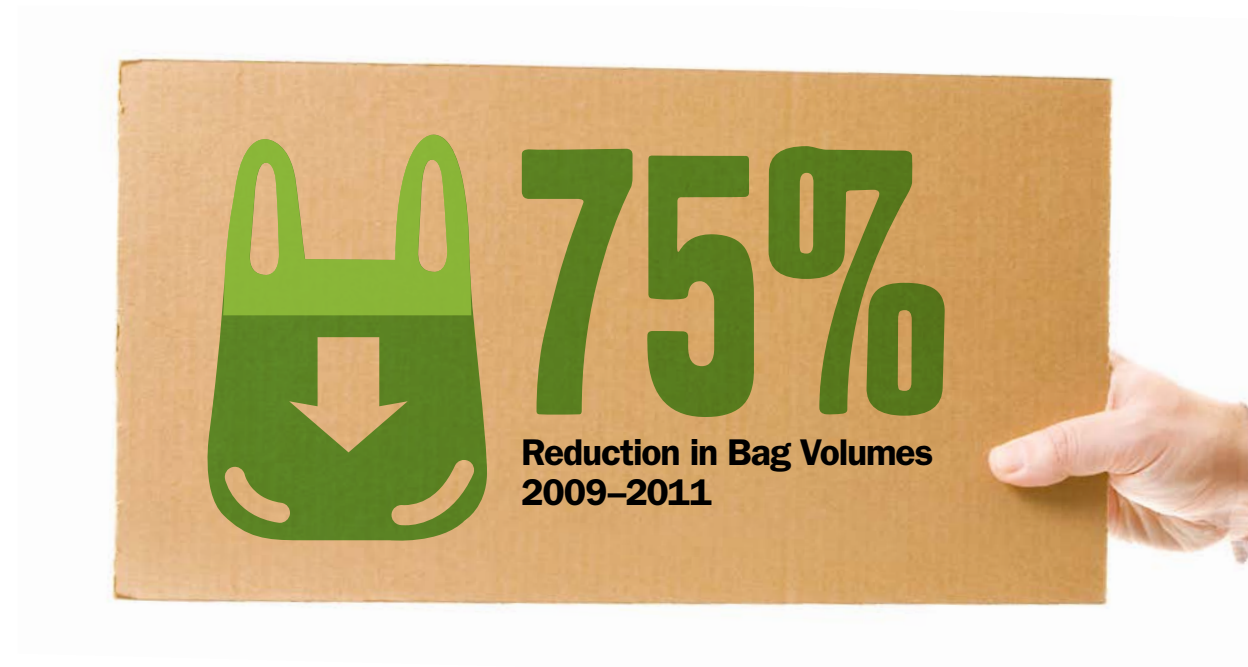
The Warehouse tracks its environmental performance via a series of key performance measures.

BAGS FOR GOOD!

We are now in the second full year of our bag programme. The measures associated with this have remained stable. Total numbers of bags issued declined slightly from 2010. The percentage of customers purchasing one or more 10-cent bags per transaction remained stable at about 14%. Donations again exceeded \$400,000.

Reusable bag sales have declined significantly since their peak in 2009 reflecting the relative maturity of this market and the widespread availability and use of these bags throughout the retail environment.

We are continuing to appraise the significance of this programme to our customers. We want to be sure that a significant majority still understand and support our policy. We plan to survey customers again soon and will review how we can best incentivise this waste-reduction initiative at that time.



MEASURE	F10 / F11 % VAR	YTD F11	YTD F10	YTD F9	YTD F8
Number of check-out bags issued	-4.7%	6,893,987	7,232,136	27,167,333	43,370,500
Total kg issued @ 7.27kg/1,000 bags	-6.9%	48,968	52,578	197,507	384,618
Reuseable bags sold	-40.9%	242,616	410,614	566,987	85,741
Percentage of customers purchasing plastic bag	-2.6%	14.1%	14.5%	n/a	n/a
10c bag donation	-4.2%	\$413,448.88	\$431,614	\$130,924	n/a

ENERGY EFFICIENCY 2011

Following last year's trial of more energy-efficient 'T5' fluorescent lighting, we installed a further 3,000 fittings across eight more facilities in the 2011 year.

In the cases where we retrofitted the T5 lighting in existing stores or distribution centres, we achieved an average reduction in consumption of 25% compared with the previous year. Most of this can be attributed to more-efficient T5 fixtures along with a smaller reduction attributed to improved lighting controls.

Where new stores were opened during the year, complete with T5 lighting, we are achieving energy savings of around 18.5% when compared with legacy stores of a similar size fitted with old equipment. These comparative savings continually improve in the months following opening as we progressively fine-tune the lighting and air-conditioning controls in store.

In addition to these hardware improvements, we undertook some external energy audits. One was the EECA⁵ 'Energy Achiever' audit which reviewed our energy-management policies and

management structures. In addition, we undertook three operational audits which closely examined our energy management systems, practices and outcomes in three representative stores over the course of a normal week's trading.

These reports identified opportunities to further improve our operational energy efficiency and also highlighted some weaknesses in our strategic approach to energy management. The recommended actions arising from the audit findings are projected to self-fund in the short-term and form the basis of a new energy-management structure and strategy in development.

As the T5 project has already demonstrated, we believe we still have significant energy-efficiency opportunities ahead of us through a combination of the introduction of new technologies, processes and better management structures.



25%

Improvement
in efficiency
– T5 lighting

⁵ Energy Efficiency and Conservation Authority

GREENHOUSE GAS EMISSIONS 2011

Our carbon footprint decreased by 6% this year, largely as a result of more-favourable climatic conditions for renewable hydroelectric power.

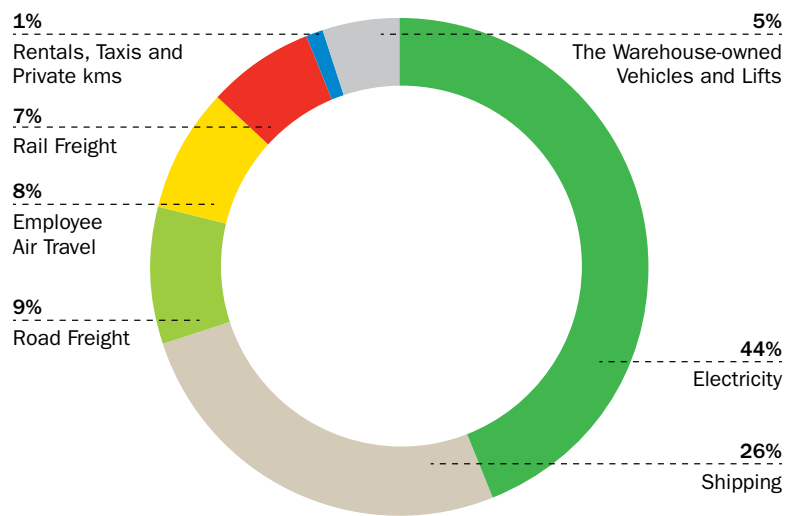
This meant that the carbon footprint associated with our electricity use fell, despite a slight growth in consumption. Electricity use retains the largest share of our overall carbon footprint at 44%. We have continued our energy-efficiency focus with the further rollout of energy-efficient lighting and a close examination of our performance via a series of energy audits.

The Canterbury earthquakes and the associated temporary closure of our South Island Distribution Centre drove an increase in our internal freight volume. Our inward shipping volume also grew, further increasing the overall carbon footprint associated with freight and distribution. Some large international brands have begun to require their large manufacturing

suppliers in China to provide carbon-management data and are assisting them to develop and improve their energy efficiency. We consider this to be outside the capability of our supply chain at present but will continue to assess this opportunity. In last year's report, we stated that we hoped to be able to expand the boundary of the Scope 3 emissions on which we report,

to include those associated with our use of courier services. Unfortunately, our primary service-provider in this area was unable to complete the required modelling in time for the publication of this report. The information regarding those emissions will be captured in next year's report.

2011 Emissions Profile – 22,024 tonnes CO₂



Emission Source

	SCOPE	2011	2010	% CHANGE
The Warehouse-owned Vehicles and Lifts	1	1,046	986	6.1%
Electricity	2	9,520	11,823	-19.5%
Shipping	3	5,781	5,237	10.4%
Road Freight	3	2,030	1,895	7.1%
Employee Air Travel	3	1,869	2,044	-8.6%
Rail Freight	3	1,514	1,233	22.7%
Rentals, Taxis, and Private kms claims	3	264	308	-14.3%
Total Tonnes CO ₂ Equivalent		22,024	23,526	-6.4%

How we calculate our emissions

The Warehouse calculates GHG emissions using e-Manage, a web-based GHG calculation tool developed by Landcare Research. Raw data, either provided to us by our transport and energy providers or extracted from our own financial and freight-management systems, is entered into the e-Manage tool, which calculates the CO₂ equivalents according to an internationally and nationally agreed set of protocols and factors. We apply a materiality principle to the completeness, accuracy and consistency of the raw data we collect.

We set reporting boundaries for our greenhouse gas (GHG) emissions in accordance with the standards set out in the Greenhouse Gas Protocol. The organisational boundary consists of The Warehouse Limited – emissions are therefore not reported for subsidiary or associate companies of The Warehouse Group Limited. We adopt the operational control approach to consolidating emissions data with the operational boundary consisting of emissions categorised into three 'scopes' or groupings. Scope 1 emissions consist of all significant emissions from activities directly controlled by The Warehouse Limited. Scope 2 emissions are those arising from electricity consumption. Scope 3 emissions are generated from sources that are not directly owned by The Warehouse Limited but which we consider are relevant to the operations of our business such as domestic freight and the inward shipping of The Warehouse's direct imports from China. We do not calculate emissions from biologically sequestered carbon (e.g. emissions from burning biomass/biofuels).

GOVERNANCE AND COMMUNITY AND ENVIRONMENT

The Warehouse is committed to sound corporate governance that will ensure the company operates as efficiently as possible while providing for the appropriate level of accountability and transparency. The primary objective of the Board is to build long-term shareholder value with due regard to other stakeholder interests, including those in the social and environmental spheres. It does this by guiding strategic direction and context and by focusing on issues critical for their successful execution.

The Board delegates management of the day-to-day affairs of the company to the Executive team under the leadership of the Group Chief Executive Officer to deliver the strategic direction and goals determined by the Board.

We seek to follow the best-practice recommendations for listed companies to the extent that they are appropriate to the size and nature of The Warehouse's operations. The Warehouse Group's key corporate governance documents are available online from the company website.

The organisation has long recognised the importance of its role as a responsible corporate citizen and is well known for its work in the areas of environment, ethical sourcing and the community.

Leadership within the community and environment is one of the areas of strategic focus captured in The Warehouse's core purpose statement and elaborated in more detail in the company's Sustainability Charter. We seek to keep our stakeholders informed about our performance and policies through reports such as this and information available in the Communities and Environment section of our website.

Looking forward under the leadership of new Group Chief Executive Officer, Mark Powell, there have been several changes to our internal structure and ways of working including some in the community and environment area. A new Community and Environment forum attended by our CEO along with Founder and Director

Sir Stephen Tindall, meets monthly to review progress against our community and environment objectives.

Two new roles have been allocated to support our community and environment activities.

Key measures are included in formal quarterly management reporting and our performance is communicated more broadly within the organisation at regular intervals at our monthly Support Office meetings, in strategy updates and at training events.

Community and environment and sustainability performance is co-ordinated centrally but, in the main, these results are the responsibility of line managers.



Graham Evans

Keith Smith

Sir Stephen Tindall

Robert Challinor

James Ogden

Janine Smith

Eduard (Ted) van Arkel

REPORT SCOPE AND BOUNDARIES

This Community and Environment Report relates only to the operations of The Warehouse Limited and, unless otherwise stated, covers activities for the financial year 2 August 2010 to 31 July 2011.

The Warehouse Limited is the largest subsidiary of The Warehouse Group Limited. The Warehouse Limited's sales comprise 88% of the Group's sales. For convenience and clarity, the convention used throughout this report is to describe The Warehouse Limited as 'The Warehouse'.

Community and environment reporting is not provided for other subsidiary companies of The Warehouse Group, Warehouse Stationery Limited, Eldamos Investments Limited or our partly owned associates: Waikato Valley Chocolates Limited (50%), The Warehouse Financial Services Limited (49%) and Pharmacy at The Warehouse (49%).

In developing this report, we have taken account of social and environmental factors of interest to our stakeholders and, in part, the G3 Global Reporting Initiative (GRI) Guidelines. Our adherence to the GRI guidelines is limited and we have therefore not declared an application level for the GRI.

The information in this report itself is derived from a variety of sources, including our

data warehouse, and sales and inventory, financial reporting, payroll and energy-management systems. Specialist third parties, such as our waste and recycling providers and our social auditors, provided information used in this report also. More information about our commercial strategies and financial performance may be found in The Warehouse 2011 Annual Report.

Where relevant, we have provided footnotes explaining how some calculations have been derived.

Trevor Johnston, Sustainability Manager at The Warehouse, managed authoring and production of this report with copywriting assistance provided by Debbie Teale. The report has been reviewed and approved by the Audit Committee and Board of The Warehouse Group.

Our 2011 Greenhouse Gas Emissions Report carries a limited external assurance statement from our auditors PricewaterhouseCoopers.

Previous Community and Environment or Triple Bottom Line Reports can be found in the Investor Relations section of www.thewarehouse.co.nz. The specialised Community & Environment section of the website also contains summary information about our community and environment policies and performance.

GRI PERFORMANCE INDICATOR INDEX

Global Reporting Initiative (G3) Performance Indicator Index

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INDEPENDENT ASSURANCE REPORT

To the Directors of The Warehouse Limited

We have been engaged to perform a limited assurance engagement over aspects of The Warehouse Limited's ("the Company") Greenhouse Gas Inventory ("the Inventory") for the year ended 31 July 2011.

Management's Responsibility for the Report

Management is responsible for the preparation and presentation of the Inventory that presents fairly the total quantified emissions and removals stated in tonnes of carbon dioxide equivalent of the Company for the year ended 31 July 2011. This responsibility included designing, implementing and maintaining a system of internal controls to maintain the reliability of the emissions and removals data, and making estimates that are reasonable in the circumstances.

Our responsibility

Our responsibility is to review the Inventory presented by the Company and to express a conclusion on the Inventory as to whether, based on our work performed, anything has come to our attention that would indicate that the Inventory does not present fairly the matters to which it relates.

Scope and criteria

Our review was carried out in accordance with the criteria stated in the World Resources Institute/World Business Council for Sustainable Development The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.

The Inventory has been reviewed for completeness and accuracy of the extraction of relevant data used to calculate total tonnes of CO₂.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements other than audits or reviews of historical financial information*. This Standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance whether any matters come to our attention that causes us to believe that the Inventory does not comply in all material respects with the criteria.

Summary of work performed

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

The procedures selected depend on our judgment, including the assessment of the risks of material incompliance of the Inventory with the criteria. Our limited scope review is limited primarily to:

- Enquiries of the Company's personnel; and
- Analytical review procedures and inquiries over the specified areas of the Inventory, supported by detailed testing to a level less than that required to support a limited assurance opinion.

We have no relationship with or interests in The Warehouse Group Limited or any of its subsidiaries other than in our capacities as external auditors and providers of other assurance and advisory services.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the subject matter is materially misstated in accordance with the criteria underlying the basis of assurance procedures performed. Further, nothing has come to our attention, which would lead us to believe that the Inventory does not comply in all material respects with the criteria as set out in The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.

Emphasis of matter

Without qualifying our conclusion we draw attention to the fact that the reporting criteria include certain inherent limitations that can influence the reliability of the information. Greenhouse gas data are subject to more inherent limitations than financial data, given both their nature and the methods used for determining, calculating and estimating such data.

Restriction on Use and Distribution

The accompanying report has been prepared for the sole purpose of expressing an opinion on the Inventory and may not be suitable for another purpose.

Our report is intended solely for the use of the Directors for the purpose described above and should not be distributed to or used by other parties.

Our review was completed on 28 October 2011 and our review opinion is expressed as at that date.

PricewaterhouseCoopers
28 October 2011
Auckland



MEMBERSHIPS

Memberships:



New Zealand Business Council
for Sustainable Development



World Business Council
for Sustainable Development



Recognition:



**Acca New Zealand Sustainability
Reporting Awards 2011:
Commendation For Best Ethical
Sourcing Reporting**

*The Warehouse Group – 2010
Community and Environment Report*

FTSE4Good Index Series:



FTSE4Good

The Warehouse is a constituent company in the FTSE4Good Index Series.

The FTSE4Good Index Series has been designed to objectively measure the performance of companies that meet globally recognised corporate responsibility standards.

More Information:

For more information on our social and environmental policies and previous reports, visit:

www.thewarehouse.co.nz

- Suppliers
- Communities and Environment
- Investors

Or contact:

community.environment@thewarehouse.co.nz

Sustainability Manager
The Warehouse Limited
PO Box 33470
Takapuna
North Shore City 0740
New Zealand