I am very pleased to introduce our first environmental report. Although we are still in the early days of our programme, I welcome this opportunity to explain our approach to environmental issues. This report presents our policy and describes our progress so far. It demonstrates the scale of our major impacts and, most importantly, says what we plan to do next.

GUS is not a major polluter. We do not handle toxic substances or manage industrial processes. However, the size of our Group means that our overall impact is large and is something we need to manage carefully. Furthermore, our stakeholders are making it clear that they expect us to give careful consideration to managing environmental issues.

We’re in a good position. Most of the things that give rise to environmental damage also cost us money. If we control our waste, we improve our environmental performance and save money. For us, good environmental management is good business.

I hope this document demonstrates that the environment is firmly on our agenda and that we are taking these vital issues seriously.

“...I hope this document demonstrates that the environment is firmly on our agenda and that we are taking these vital issues seriously...”

John Peace
Group Chief Executive
Our Environmental Policy

GUS is one of the largest companies in the UK and has a responsibility to consider its impact upon the environment. We want to be a good corporate citizen. Our environmental policy provides the framework against which we will measure our performance and manage our activities.

We intend to:
• comply with all relevant environmental legislation;
• measure and continually improve our performance with respect to our main environmental impacts;
• report openly on our impacts and progress towards meeting our goals;
• encourage our suppliers to improve their own environmental performance;
• ask our customers for their perceptions on environmental issues relating to the company; and
• compare our environmental activities with those of others in our sectors to help us improve.

Key Environmental Impacts and Goals
We have undertaken a preliminary review of our environmental impacts and have set three priority areas. These are major impacts, where we believe we can make improvements:
• reducing waste;
• improving energy management;
• reducing our consumption of materials.

Implementation
We will implement this policy through an environmental management plan. Each of our businesses will develop its own local policy, based on this one. We will appoint local Environmental Committees to set targets in line with our corporate goals and to take action.

We are committed to receiving external guidance and support through this process. We intend to review the policy regularly to ensure that it reflects our impacts and activities.
Our company

GUS has three inter-related businesses: Experian (information services), Reality (web design, customer care and logistics) and Argos Retail Group (multi-channel retailing). GUS also owns Burberry, the international luxury brand. The Group is mainly located throughout the UK and North America, but has operations around the world. Data in this report comes only from our UK operations.

Our commitment

Our environmental ‘journey’ started in early 1999, when we undertook a full review of our Group’s activities. This identified our biggest impacts1 and illustrated their major operational causes. The review also helped us to set our environmental policy, which was adopted by the GUS Board in early 1999 and published in our most recent annual Report and Accounts. Above all, it identified a way forward for the Group.

1 We are using the word ‘impact’ to mean any way in which we affect the environment.

Our responsibilities

Overall environmental responsibility rests with David Morris, the Company Secretary, who raises both environmental and social issues with the Board and oversees the setting of targets and reporting for the Group.

Each of our businesses has its own approach to environmental management. For example, Argos and Burberry have Environmental Committees that meet regularly, whilst Experian has a project group and has appointed champions across the business areas to implement its environmental management objectives and targets, aiming to achieve ISO 14001 by Spring 2002.

Case study: Quick wins at Burberry

Burberry decided in May 2000 to undertake a detailed review of environmental issues. The company audited all of its major sites, producing a list of improvement projects for the Environmental Committee to implement. Some of the projects are quick wins. For instance, we have already changed the specification of our wooden display hangers to make them harder wearing. This saves cost and significantly reduces the number of damaged hangers thrown away each year.
Case study: Replacing solvents at White Arrow
Reality, our web design, customer care and logistics business, is the home of the White Arrow transport fleet. White Arrow has developed a brake-cleaning machine in partnership with one of its suppliers, which uses a soap and water mix instead of solvents. It may sound a small step, but when applied to a fleet of 6000 vehicles the benefits are considerable.

Our progress so far
Following our initial review, we have now developed a robust process for gathering environmental data. This data includes information on all of our main impacts for the last two years (1998/99 and 1999/2000).

We have established a network of committees and responsible individuals to drive improvement throughout the Group. Some of these teams have local targets, others are in the process of setting them. During the next four months we will use these local targets to set corporate performance targets, which we will publish. Local teams will then be responsible for delivering this performance.

Energy and greenhouse gases
We use electricity and gas to heat and operate our buildings. Our consumption is relatively low, as illustrated below.

Our total greenhouse gas emissions are approximately 255,000 tonnes of CO₂ per year, with emissions from buildings making up about half of this total and the rest coming from transport and waste.

Energy is one of our priority areas and we are already looking at reductions through alternative heating and energy management schemes at a number of sites.

Water
Water is used in sanitary systems and canteens in most of our buildings. At many of our locations we have installed water minimisation devices, but we are looking for further savings as our consumption has increased over the last two years. This is partly explained by the growth in the business: our information services company Experian for example, has doubled its usage since 1998.

Individual operating companies are taking the lead in this area. For example, our printing company, Ebenezer Baylis, has introduced more efficient printing processes, which have reduced its water consumption by over 40% in the last year alone.
Transport

White Arrow Express and Argos have between them a fleet of around 4900 cars and 2500 vans and trucks, which together travel an average of 180 million miles per year, consuming 47 million litres of fuel. This has been relatively stable over the past two years. Air mileage is a significant issue for Experian, with approximately five million air miles travelled last year alone. Although transport is a key area of environmental impact, contributing 48% of our total greenhouse gas emissions, it is also an essential part of our business process. Hence we are constantly examining ways to improve fuel efficiency.

Raw materials

Our businesses use a range of raw materials, particularly for packaging, of which we generate over 60,000 tonnes. We have therefore begun to measure and manage this as a corporate priority. Each item in our product range has been analysed to identify the packaging used at each stage in the supply chain. Several initiatives are already underway to minimise the amount of packaging required, particularly by shipping materials in bulk.

We are meeting our responsibilities under the Producer Responsibility Obligations (1997): most of our business is registered with the VALPAK compliance scheme, whilst Argos has registered separately with the Environment Agency.

Waste

We generate waste in the form of paper, card, plastic, organic materials from canteens and yarn from our Burberry manufacturing operation. Our annual production of waste is roughly 50,000 tonnes, with 40% sent for recycling.

Collecting data is difficult at the moment. The figures above are an estimate based on incomplete data. Over the past few years we have focused our waste management arrangements using a number of key suppliers, but we are investigating consolidating this further. We believe this will give us cost benefits, help us in the collection of data and increase the amount of waste we recycle.

Supplier management

We source our products from a wide range of suppliers throughout the world. Suppliers are currently managed on the grounds of quality, but include some environmental and social issues in our initial selection. In addition, we have questioned some key non-merchandise suppliers on their environmental activity. We intend to develop this in two ways:

- Strengthening the initial assessment of new suppliers to extend the range of environmental and social issues covered.
- Working with a targeted group of suppliers to improve their performance in these areas.
Benchmark results

For the past five years we have taken part in the Business in the Environment Index of Corporate Environmental Engagement. This ranks the environmental activity of over 150 of the UK’s largest companies and provides the most established environmental benchmark across sectors. Our performance up to 1998 was disappointing, but the actions we have taken since 1999 improved our score. In 2000 our percentage score improved by over 20% to 40%. In the most recent index (published in February 2001) we scored 55%, ranking GUS 60th out of the 78 FTSE100 companies taking part. This performance is comparable to many of our peers among the general retailers and we are pleased that the BiE score reflects our steady progress. We intend to improve further next year.

Continuing the journey

In our last Report and Accounts we included a number of actions for the year to 31 March 2001. The current status of these actions is:

<table>
<thead>
<tr>
<th>Action</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Setting improvement targets in each business</td>
<td>To be done</td>
</tr>
<tr>
<td>Establishing local environmental management arrangements in each of the businesses</td>
<td>Underway</td>
</tr>
<tr>
<td>Formalising an environmental improvement programme with targeted suppliers</td>
<td>Underway</td>
</tr>
<tr>
<td>Reviewing and validating impact data</td>
<td>Complete</td>
</tr>
<tr>
<td>Producing a simple environmental report</td>
<td>Complete</td>
</tr>
</tbody>
</table>

We are still working on three of these targets, and have set ourselves new objectives for the year ahead. Our future corporate objectives are therefore to:

- Extend the current Environmental Committee in Argos to cover the whole of the Argos Retail Group (by May 2001).
- Establish environmental management arrangements in Reality (by May 2001).
- Set local targets in each of the four main Group companies. These will include management objectives and performance targets for our priority impacts (July 2001).
- Strengthen our existing supplier management arrangements covering environmental and social issues (December 2001).
- Sign up to the Government’s Making a Corporate Commitment (MACC2) (February 2001).

We intend to publish another environmental report in Autumn 2001.

Case study: Argos wins energy award

Energy efficiency has been on the agenda at Argos for seven years, during which time it has cut energy consumption by over a quarter. Coupled with competitive purchasing, this has given rise to savings of £10 million over the same period. As a result, Argos has received a number of awards, including most recently the recognition of energy company npower for ‘outstanding energy efficiency’.

Data Validation

AEA Technology has assessed and validated the contents of this report. We focused this exercise on confirming that:

- There was good evidence for the statements and claims made in the text of the report.
- The processes used to collect the quantitative data are robust and that the data are materially accurate.

The assessment depended upon interviews with staff in the Group companies and examination of raw data on utility use, waste etc. We met regularly with GUS senior managers and worked closely with them to ensure that the targets and management arrangements are appropriate for the business. It is our opinion that the contents of this report represent a true and fair view of the state of environmental arrangements at GUS.

Simon Hodgson
Managing Partner