



Home Retail Group

Corporate Responsibility 2007



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Welcome from our Chief Executive, Terry Duddy

I am very pleased to introduce Home Retail Group's first corporate responsibility report. As an independent company following the demerger from GUS plc, we have been able to refine and focus our approach to CR, making sure it reflects the world of retail and the stakeholders relevant to our business. In this report, we will show you how we have established new management structures and how we have listened to our stakeholders as well as explain the actions underway in the Group.



Terry Duddy Chief Executive

The Board has affirmed Home Retail Group's commitment to being a responsible retailer. We keep abreast of the changes around us, in society, in people's views and in the markets in which we operate. We are open to new ideas and comments from those who might think differently, and we carefully reflect on what we hear to build those ideas into the way we run the business. The challenges are vast, complex and ever-changing, but where we believe that change is for the better we respond actively and wholeheartedly.

Our strategy is to make CR an integral part of 'business as usual' and part of the fabric of how we work. We believe that this approach is the long-term route to a sustainable and profitable business. We are therefore fully committed to continued improvement, and looking through our report you will see what we are achieving as part of the day-to-day running of our business.

For example, you will see that the recycled paper content of the Argos catalogue increased from 8% to 13%, and all Argos stores are now part of a programme to make it easier for customers to recycle old copies of the catalogue. Of the waste that we generate as a business, 40% was recycled last year, up from 26% the year before. This is a significant step on our journey to being a 'zero waste to landfill' business. Over 85% of our overseas direct source suppliers have now been independently audited against our Supply Chain Principles and Code of Practice. In terms of community initiatives, last year we invested over £800,000. This figure is increased to over £2million when account is taken of the money raised through the fundraising efforts of our colleagues and the generosity of our customers.

Following the demerger, Home Retail Group was separately assessed and became listed on the Dow Jones Sustainability Index (which selects the top 10% from a universe of global companies) as well as the FTSE4Good Index in clear recognition of the progress we have made. We were also ranked as the 'highest new entrant' in the Business in The Community 2006 Corporate Responsibility and Environmental Indices.

As you will see from this report, Home Retail Group is making good progress in its approaches and results across the corporate responsibility agenda.

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About Home Retail Group



Home Retail Group is the UK's leading home and general merchandise retailer with pro forma annual sales of over £5.8 billion. It sells products under two distinctive and complementary retail brands, Argos and Homebase, which are both household names in the UK.



Argos is a unique retailer recognised for choice, value and convenience. It sells over 17,000 general merchandise products for the home, all of which are set out in its twice-yearly 1,700 page catalogue which is at the heart of its proposition. Customers can purchase products through its network of 680 stores, online and over the phone, with the option of picking up their purchases from a store or having them delivered direct. Argos' Internet site, www.argos.co.uk, is the second most visited Internet retail site in the UK. Argos serves over 130 million customers a year through its stores and takes 4 million customer orders a year either online or over the phone. On average, 17 million UK households, or around two-thirds of the population, have an Argos catalogue at home at any time.



Homebase is the UK's second largest home improvement retailer and is recognised for choice, style and customer service across the wider home enhancement market. It has 310 large, out-of-town stores, which sell over 30,000 products, as well as a growing Internet offering. Homebase also offers its customers the convenience of home delivery for bulky, high value items. Homebase serves over 70 million customers a year through its stores.

Argos and Homebase are supported by an in-house financial services business, which provides a range of credit and insurance products to their customers through all customer facing channels of stores, online and over the phone. Home Retail Group Financial Services is one of the largest store card providers in the UK, with over one million active store card customers.

Home Retail Group has a leading 10% share of the home and general merchandise market in the UK, giving it significant purchasing scale and the opportunity to further increase market share. This scale, combined with its global sourcing skills, ensures value for the customer whilst supporting profitability. The shared infrastructure in the Group provides support for Argos' and Homebase's customer propositions, reduces their overall operating costs and enables speedy development of profitable routes to growth. This has enabled the Group to increase its market share in a competitive retail market place.

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About this report

This report is the first CR report for Home Retail Group since our demerger from GUS in October 2006. It covers the period from 1st April 2006 to 3rd March 2007 – an approximate 11 month period reflecting the change of our year-end from the end of March. For the purposes of comparability with previous years, we have adjusted data to be equivalent to a full 12 month year throughout this report.

We have chosen to base this report on five important stakeholder groups, on whose continued support and trust we depend as one of the UK's largest retailers:

- [Customers](#) – those who buy our products and services
- [Colleagues](#) – those who work in our Group
- [City](#) – those who own shares and provide us with capital
- [Commercial Partners](#) – those who supply us with goods and services
- [Community](#) – those who live around our business locations and the wider society as a whole

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Verification statement - Acona

Acona Ltd has been asked by Home Retail Group to undertake an independent review of their 2007 Corporate Responsibility Report and provide assurance that:

- The quantitative data it contains is materially accurate, and
- The qualitative statements can be supported by evidence and properly represent activity across the Group.

Acona performed this review during May 2007.

Scope and process

The review covered operations in the UK and Republic of Ireland. In performing the review, we adopted the following approach:

- Desk-top evaluation and detailed analysis of the raw data used to construct the CR Report, including comparisons with prior year and third-party equivalent figures.
- Review of internal documents relating to CR management, including policies, procedures and stakeholder comments, particularly ensuring that evidence was made available to support significant claims in this Report.
- Detailed interviews with staff, managers and contractors involved in compiling the Report to test the data and processes.

Conclusions

The data included in this Report covers all of the principal locations and operations and is supported by more detailed evidence from within the Group. In all cases, when tested, the reported figures were found to be materially accurate and supported by internal (and external) evidence.

The year-on-year comparisons made in the data were tested to see if they correlate with known changes in the business. As this report covers the period from 1st April 2006 to 3rd March 2007 - an 11 month period reflecting the change of year end from the end of March - data has been adjusted to be equivalent to a full 12 month year throughout this report. In our view, this is a reasonable adjustment which does not significantly affect trends reported.

Where inaccuracies were found during the verification process these were relatively minor, generally confined to errors in collation and were easily rectified prior to publication. In cases where there was uncertainty in the information presented, it was challenged and either the uncertainties resolved or the data removed from the final Report. In addition, this Report has been subject to a staged process of review and approval by a range of staff in the Group, including the appropriate senior management. It is therefore our opinion that the Report succeeds in presenting an accurate picture of CR activity in the Home Retail Group.

We were pleased to see a number of improvements had been introduced over the course of the year to enhance the robustness of the data collection processes in place. In addition, it is our view that the introduction of new CR management structures within the business, including the CR working groups, means that the majority of information provided in this report will in future be subject to more regular internal review.

Acona Ltd

Acona Ltd is an independent consultancy, based in London but with staff all over the UK. We have broad expertise and advise large, mainly corporate clients on the full range of social, environmental and ethical matters. All of the team has extensive experience in the field.

Acona has continued to provide consultancy support to the Home Retail Group during the year under review. This support included advice on strategy and disclosure and assistance with the implementation of projects. Acona is independent from Home Retail Group, and is impartial from the organisation's major stakeholders.

Glynn Roberts
Senior Partner
Acona Ltd

May 2007

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Our approach to CR

Prior to the demerger of Home Retail Group from parent company GUS plc in October 2006, CR was governed by the GUS plc board and the policy frameworks that we followed generally applied to the whole of the GUS Group. The separation of Home Retail Group created an opportunity to ground our CR strategies more firmly within a retail context and we have spent the months since demerger reviewing and renewing our strategy and strengthening our commitment to being a responsible retailer.

We believe being a 'responsible retailer' means understanding and meeting the general expectations which mainstream stakeholders have of the retail sector which can often mean having to balance their competing demands.

For Home Retail Group, we believe our key responsibilities are:

- Serving customers to their complete satisfaction
- Providing a working environment that is conducive to the recruitment and retention of the widest possible range of talented staff
- Providing a safe and healthy place of work
- Providing products of the appropriate quality, including responsible product sourcing and retailing, product safety and reliability
- Encouraging responsible labour, environmental and social practices in the Group's supply chain
- Improving the Group's environmental performance, principally our use of energy, the impact of our transport fleet and materials use and waste management
- Developing strong community relationships in support of our business objectives

In our pursuit of achieving these responsibilities, we take a three step approach:

Step one: We embed CR practices throughout the Group so that they become 'Business as Usual'. Examples can be seen in our drive to reduce operating costs through energy and fuel efficiency and also in our employee training, development of future talent and health and safety management.

Step two: We understand and comply with stakeholder expectations to be a responsible retailer. We recognise that 'compliance' is more than just meeting the letter of the law, and so we plan to be always alert to public opinion in order to retain and develop trust in our brands. Examples of these practices can be seen in our product selection and stewardship policies.

Step three: Over and above our stakeholder expectations, we will develop specific CR initiatives that complement and contribute to our business strategy. In this way we can fully align our CR credentials with our brand values to achieve mutual commercial and social benefits.

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Managing CR in a changing retail landscape

The retail industry is a dynamic place to operate; it is impacted by an ever shifting landscape of technological development, social and cultural trends and changes in fashion. We must therefore concentrate on understanding the drivers of change so we can follow and understand their effect on the market. In this way we can prepare for change and develop successful business strategies, while protecting our brands and reputation, and the high level of trust we have worked hard to build with our customers.

We see three trends driving change that are particularly relevant for corporate responsibility:

Increasing consumer awareness: We know that our customers are increasingly interested in our Corporate Responsibility, often influenced by the media and Non Governmental Organisations. They want to know we operate in a way that respects the environment, and that the products we sell are sourced from ethical suppliers. For example, a survey from Mintel on ethical consumerism published in January 2007 suggested that 40% of consumers thought of themselves as 'green shoppers' while a further 23% were said to be 'confused but willing', pointing to a real market for green products provided they are accompanied by clear customer communication.

Changing policy: The Government frequently introduces new forms of legislation and levies that have an affect on the retail market and the way we operate. A range of recent government initiatives have focused on the environment e.g.

- the doubling of landfill tax by 2010
- the recovery and re-use of electrical waste under the new Waste Electrical and Electronic Equipment (WEEE) regulations
- current consultations for the Energy Performance Commitment proposal which may result in a mandatory CO2 cap for large, non-energy intensive businesses
- the development of new energy efficient standards and a product labelling scheme for energy using products

We have a responsibility to comply with the relevant laws and regulations that apply to us and these often have an impact on the way we operate. Therefore we are focused as a business on ensuring that we operate within the regulatory environment and also manage the cost and profit impact on our business.

More competition: Retailing is highly competitive, which results in pressure from within the industry as our peers launch new initiatives and services which 'raise the bar' and lift customers' expectations. As retailers make moves to stay ahead of legislation and capitalise on consumer demand for green products, more and more environmental initiatives are being launched onto the market and voluntary commitments signed. Recent examples for non food markets include carbon labelling; new product launches of wind turbines and solar panels for home use; and business commitments to be carbon neutral.

All three of these driving factors have the potential to affect the value of our business, through changing sales patterns, increasing costs or by impacting on our brand image. We therefore need clear and effective strategies to meet these changes. This report gives you an idea of how Home Retail Group is responding.

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Managing CR

Taking an integrated approach

The section above shows how we favour an approach that embeds CR into the functional roles of those colleagues responsible for particular operational areas, linking CR with the commercial needs and operations of the business.

This means that people with the right knowledge and expertise are in the front line when it comes to managing issues. For example, our paper buyer understands all about how paper is sourced, the manufacturing processes involved and the types of paper that we need to manufacture the Argos catalogue. It makes obvious sense to us that he should be the person to manage the environmental impacts of this process.

We have explained our CR strategy to our 53,000 employees in a way that is relevant to their everyday work, in language they understand, using our internal newsletters, intranet and management briefings, and we have listened to their feedback. We also produce specific, tailored communications to those that need to know; for example training buyers on our ethical trade policy.

CR management arrangements

The demerger from GUS plc has allowed us to rethink the way that we manage CR and the arrangements we have in place. Over the past year, we have streamlined the CR management processes and developed a much closer link between these and the mainstream management arrangements within our business.

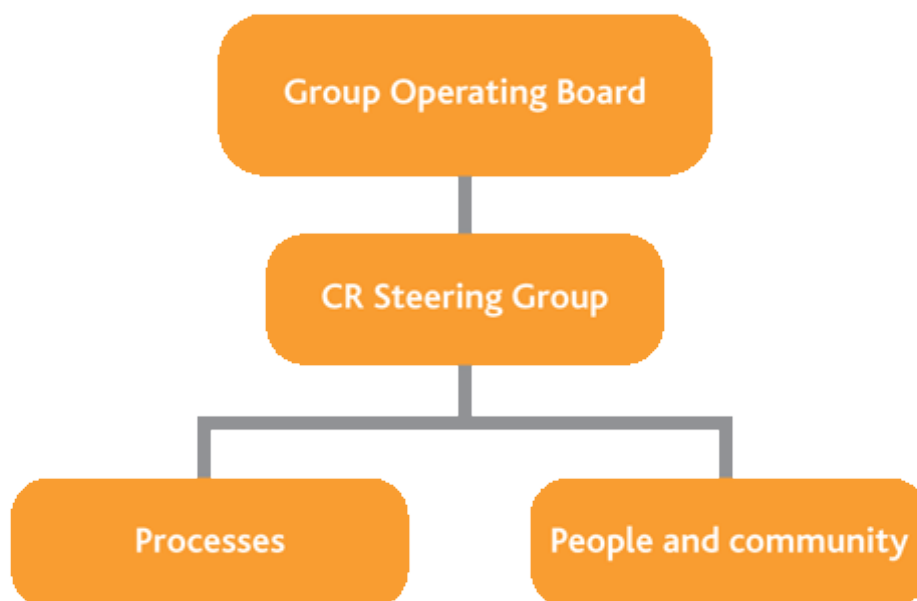
Our Group Company Secretary, Gordon Bentley has overall responsibility for CR, ensuring it is on the agenda at the highest level within the Group. This appointment also ensures a close link between CR and the governance and risk management processes within our business. Regular reports on CR issues are provided to the plc Board and Group Operating Board which plays an important role in policy approval and also in agreeing significant initiatives and investments.

Our Corporate Responsibility Manager is Laurence Singer. His main role is to co-ordinate CR activity around the Group and to make sure that the people that need to know about a particular issue facing the business do so and take the appropriate action. Laurence also takes the lead on external communication, stakeholder engagement and the development of CR strategy.

The Home Retail CR Steering Group comprises the Company Secretary (Chair), Group Commercial Director, Group HR Director and CR Manager. This group provides strategic direction for Home Retail on CR and reports directly to the Group Operating Board. It is also responsible for reviewing external developments and emerging best practice; monitoring the implementation of policies; recommending CR policies to the Group Operating Board; monitoring CR risks and overseeing external CR reporting. The Group Operating Board approves CR policies for Home Retail Group and, where appropriate, seeks plc Board approval on significant policy issues.

In addition, there are two working groups that provide input into the CR Steering Group. Both of these are chaired by Group Operating Board Directors and meet in advance of the CR steering group.

The first group is chaired by our Group Commercial Director, and manages issues relating to business processes such as energy, waste management and the supply chain. The second group is chaired by our Group HR Director, and oversees issues relating to people and community such as reward and health and safety.



Group policies

We have a number of policies that provide the foundations on which our CR performance rests. They also address issues on which our stakeholders want to know our position. These are:

- [Animal testing](#)
- [Conflict diamonds](#)
- [Environment](#)
- [Genetically modified organisms](#)
- [Guidelines on socially acceptable products](#)
- [Peat](#)
- [Sourcing from the wild](#)
- [Supply chain principles – code of practice](#)
- [Timber products](#)

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Performance benchmarks

We regularly participate in third-party benchmarking exercises conducted by professional CR analysts. These can provide us with a useful measure of progress and provide a helpful mechanism for us to communicate our performance in a very straightforward way to our stakeholders, in particular our colleagues.

The Group's CR policies and performance have been assessed by a number of independent third parties in the past year:



FTSE4Good Index Series

We are listed in the FTSE4Good Index, meeting all the relevant social and environmental criteria.

We are also listed in the Dow Jones Sustainability Index, which selects the top 10% from a universe of 3,000 global companies, based on comprehensive sustainability criteria.



The Group was one of only three retailers shortlisted for the 2007 Retail Week CSR Award.

Following our demerger from GUS plc in 2006, Home Retail received acclaim from BITC for being their 'Highest New Entrant' in their Corporate Responsibility and Environmental Indices, achieving an overall position in the Silver band.



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Stakeholder engagement

The market we operate in depends on customer perceptions, and we have set out how we aim to understand and meet their expectations of us. We welcome discussions with a variety of organisations which represent the interests of different segments of society. They can help us to anticipate future changes in consumer behaviour and are important contributors to regulatory change. We find listening to these groups to be a useful input into our CR strategy and the development of our CR initiatives, and we try to take a balanced approach that takes into account these opinions when we formulate our approach.

Specific examples of dialogue during the last year were as follows:

Organisation	Description
Waste and Resources Action Programme (WRAP)	WRAP dialogue included: the trial of a reusable sofa delivery bag; battery collection trials; carrier bag reduction initiatives; and the use of the recycle logo on catalogues, flyers and carrier bags.
Business in the Community (BITC)	Meeting and correspondence to commit to Home Retail Group membership and participation in the Index.
WWF	Homebase is a member of the WWF Global Forest Trade Network (GFTN) and submits annual data on timber sourcing.
Carbon Trust	Meeting to review carbon labelling schemes.
Help the Hospices	Argos charitable partner.
Marie Curie Cancer Care	Homebase charitable partner.
DTI	Discussions with officials on WEEE implementation.
British Retail Consortium (BRC)	Active member of BRC policy and working groups which cover issues on consumer, ethical and environmental issues.
Irish Business and Employers Confederation (IBEC) / Retail Ireland	Ongoing dialogue on employment, environment and consumer policy issues
DEFRA	Discussions with officials on carrier bags, batteries, and energy efficient labelling.
CAFOD	Meetings to discuss the campaign to promote ethical gold mining.
International Confederation of Toy Industries (ICTI)	Continued support of the ICTI code of practice on supplier standards in the toy industry.
Wildlife Trust	Donations made to three Wildlife Trusts to support environmental improvements.
Soil Association	Ongoing dialogue in respect of the Homebase FSC chain of custody for timber products.
Alliance for Digital Inclusion	Meeting to review the widening of customer inclusion.
Christian Aid	Correspondence on climate change issues.
Carbon Disclosure Project	Correspondence on disclosure of greenhouse gas emissions.

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Objectives and targets

In the year being reported upon we set ourselves 11 objectives. We are pleased to report that, despite the changes to the business through our demerger from GUS, all of these were either achieved or substantial progress made towards them. Our achievements are summarised in the table below together with a link to where further information can be found.

CR objectives FY 2007	Progress	Comments	Link
CR Management			
Establish CR strategy and management structure for the newly formed Home Retail Group	✓	New management structure has been developed and implemented.	CR management arrangements
Waste			
Reduce carrier bag consumption by 15% (fy 2006)	Ongoing	The number of bags used by the business has initially been reduced by 5%. The reduction initiative was introduced in our stores in November 2006 so has not yet produced a full year of results. It continues to be promoted with customers.	Minimising packaging
Attain ISO14001 status for two DCs per annum	✓	Three DC's have obtained ISO140001 accreditation.	Environment
Offer catalogue recycling facilities to customers	✓	Catalogue recycling facilities are available nationwide in Argos stores	Being a responsible catalogue retailer
Energy			
Save 2% in energy use (KWh/sq ft) in FY 2007	✓	A reduction in excess of the target was achieved of an over 8 % per sq ft saving during the first three quarters of the financial year. This was driven in part by the unseasonably warm weather during the winter.	Buildings
Achieve at least 10% green power in FY 2007	✓	28% of the electricity bought by Home Retail Group is from renewable sources.	Buildings
Community			
Argos aims to raise £1m over two years for Help the Hospices (05-07)	✓	Argos staff have raised more than £1 million for the hospice movement and this figure is forecasted to be £1.2m by the end of our partnership	Charitable partnerships
Homebase aims to raise £500,000 over two years for Marie Curie Cancer Care (06-08)	Ongoing	In the first five months the partnership has raised approximately £280,000	Charitable partnerships
Home Retail Group aims to raise payroll giving participation to over 10% and offers employees the opportunity to increase donations each year by 3%	Ongoing	Argos has achieved the target, with Homebase reaching 8% to date.	Other community investment
Workplace and HR			
Develop organisation structures and career pathways in the new Group to support the Group's strategy for growth	Ongoing	We are committed to developing management talent and currently run several major programmes for employees identified with high potential – including one being run in conjunction with Manchester Business School who run the Retail MBA programme in the UK.	Induction, training and developing management talent
Improve Health and Safety reporting mechanisms across the Group	✓	We have launched our 'Simply Safer' campaign to draw together best practice across the Group and developed straightforward, simple working procedures. This includes accident reporting.	Health & safety and Well being

We are currently in the process of finalising our objectives and targets for the current financial year and these will be published on this site over the coming months.

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Frequently asked questions

There are a number of questions that we get asked all the time. To make life easier we've listed them, and our answers here:

FAQ	Our answer
<i>Does Home Retail Group sell alcohol?</i>	No.
<i>Are your products tested on animals?</i>	No. We sell very few cosmetics or similar products. For the small amount that we do supply, we seek our suppliers' assurance that the products are not tested on animals.
<i>Does Home Retail Group sell fur?</i>	No.
<i>What is your commitment to reducing your carbon emissions and/or are you planning to carbon label your products?</i>	<p>We take climate change and our environmental performance very seriously. We are playing our part by setting annual targets to reduce energy consumption, transport impacts, material use and waste volumes. We have an overall aspiration towards zero landfill waste by 2010 which is supported by an extensive recycling programme in our stores and distribution centres, and the Group continues to make good progress in reducing energy consumption.</p> <p>We are looking at the impact our products have on the environment; for example by offering our customers energy efficient white goods and other efficient eco-friendly products at Homebase.</p> <p>We are also working with the BRC and with Government to address the implications of climate change in the most effective way.</p>
<i>A lot of your peers seem to be taking far more steps in their drive to be "greener" – when can we expect some major announcements from you on this?</i>	Many of the recent announcements from our peers openly acknowledge that they do not yet know how to achieve some of their targets. We refrain from making bold statements until we have all the facts in place to back up our claims. We continue to work on a number of in store initiatives on which we shall report in due course.
<i>Do you source your wood and timber from sustainable sources?</i>	The Group has a comprehensive policy on sourcing wood products, aiming to increase the amount we buy from independently certified well-managed sources and reducing the risk of illegal or undesirable materials anywhere within our supply chain .
<i>What is your position on "Dirty Gold" sourcing?</i>	Argos has applied to become a member of the Council for Responsible Jewellery Practice and is working with its jewellery suppliers to demonstrate supply chain scrutiny.
<i>I am a student – will Home Retail Group take part in my research project?</i>	The frequency with which we are asked to help with student research has unfortunately led to a policy where we can no longer respond to individual requests of this type. We aim to provide a very comprehensive website, which we hope will answer all of your questions.
<i>How do I make a complaint or comment about a product that I bought in one of your stores?</i>	You will find all the information you need on the Argos or Homebase websites – just follow the 'customer services' link from their home pages.
<i>How can I get more information than is on this website?</i>	You can email us using the 'contact us' facility on our website. Please bear in mind that we receive many enquiries from external stakeholders and, while we do our best to respond fully, we are not always able to answer every question in detail.

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Customers - "those who buy our products and services"

Overview

First and foremost, customers judge us on product range, shopping experience and our value proposition. But increasingly they use other criteria, such as where a product is sourced from and how it is made. The judgement customers make on these issues inevitably becomes part of how they see our brands and respond to the Group. There is also growing evidence that customers consider less tangible issues like ethics, integrity and responsibility in their overall view of a retailer and we aim to ensure these factors are positively associated with our brands.

Environmental and ethical shopping behaviour has hitherto been most noticeable in the food and consumable markets, but is spreading into non food markets via issues like sustainable timber sourcing and conflict diamonds. We expect this to continue in other product markets, for example electrical goods, as stakeholder concerns about climate change and energy consumption give rise to demand for energy saving and energy efficient products.

We believe that in order to grow as a retailing business, we need to understand our customers' requirements. We know that customers look for quality, price and service and their opinions on all three of these are carefully measured and benchmarked. With ethical issues joining this list in the minds of customers, it is important that we meet their expectations in order to develop and retain their brand trust and loyalty.

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Serving our customers

Customer Satisfaction

Customers' satisfaction – both the product and shopping experience - is one of the strongest drivers of our performance, and we have processes dedicated to understanding and responding to our customers' views. We have developed a range of policies and standards in response to customer issues and we offer a 30 day product returns policy, to ensure our customers are completely satisfied.

General complaints – including those relating to product safety and quality – are tracked centrally allowing the team to identify possible problems with particular manufacturers or product ranges. The lessons learned are then fed into product development and improvement for future years.

To track our performance we use a number of different indicators, which are commercially sensitive to our business and not for public disclosure. These indicators include:

- Exit and till prompt surveys: asking departing customers for their views.
- Customer listening groups: convening groups of customers to gain more in-depth information.
- Independent customer research: market research to measure public and customer perception of our businesses, now including social and environmental issues.
- Monitoring complaints: tracking and recording the number and nature of calls to customer help lines to give an indication of our service standards.
- Levels of product returns: (where measured) allowing us to identify poorly performing ranges or suppliers.
- In-store waiting times: carefully monitored in all Argos stores.
- Mystery shopping surveys: using secret market researchers to test out the quality of service and the environment in a particular store.

As an indicator of how well we are doing, over the last year we only had one complaint within our Argos stores for every 22,000 orders placed. Within Homebase, the corresponding figure was one complaint for every 8,000 orders placed. Additionally, a survey undertaken by Verdict Research, an independent and well respected market research organisation, ranked Argos second in their survey in customer satisfaction.

Responsible marketing

We work hard to ensure that the way we market our products through in-store point of sale material and our advertising, via the Internet, press and TV campaigns, is fair and representative. Strict guidelines are placed upon us by the Advertising Standards Authority and Trading Standards, against which we have detailed sign-off procedures to ensure they are met.

Our customer communication is usually value-led and takes the form of product features and promotional pricing. For all retailers there is a balance to be struck between product advertising and stock management. In some cases where a promotion has proven to be hugely successful we can run out of stock before the end of a promotion and due to the nature of the advertising lead times, this can sometimes mean that customers become disappointed that a product offer is no longer available. We monitor this situation carefully and minimise occurrences through using carefully constructed sales forecasts based on past performance, as a basis for stock orders.

Responsible financial services

Our financial services business provides store cards to our customers, together with a range of other lending and insurance services. These services are by their nature subject to intense regulation which we are committed to complying with through a framework of robust controls. In addition, we have adopted a number of practices which take us beyond our regulatory obligations to ensure that we treat our customers fairly.

We are committed to acting as a responsible lender and through our store cards we provide access to affordable and transparent credit that enables our customers to budget effectively. If customers' circumstances change (e.g. through unemployment or hospitalisation) our collections team aims to work with customers to agree affordable payment plans. We employ credit assessment and fraud prevention techniques aimed at protecting customers from taking on commitments they are unable to keep and to provide protection against fraud such as identity theft. We provide and use data shared through the Experian credit reference agency and with the Credit and Insurance Fraud Avoidance Scheme (CIFAS). Use of this data is an essential element of decisions affecting initial account openings, credit limit setting and our continued acceptance of orders.

We continue to develop our programme of training to ensure appropriate levels of competence for all colleagues involved in the provision of our financial services and embedded quality controls aim to ensure that we meet regulatory requirements, internal standards and customer expectations. Over the last twelve months we have made significant improvements to our complaints database to enable us to undertake detailed root cause analysis which is used to support ongoing product and customer service improvements.

Product selection and safety

Product quality and safety are assured in a number of ways. Suppliers must demonstrate compliance to all relevant standards before

the product is accepted, and the business has a dedicated team of internal specialists to monitor product safety and quality, including commissioning our own tests if required. These initial checks are supplemented by our product safety hazard monitoring ('Haznot') system. In addition, we monitor customer feedback and returns data which alerts us to possible problems, enabling us to improve specifications or recall products if necessary.

During this year, we introduced eight new Intranet based training courses on consumer law for store managers and two general courses covering basic consumer law and age-restricted sales.

In addition, we have processes in place to guard against product selection which may cause offence to some of our customers. Home Retail Group's product buyers are supplied with a set of guidelines to use when selecting new products. These were developed to help our buyers identify potentially sensitive issues, such as products that may cause ethnic/religious offence, 'anti-social behaviour' (e.g. sale of toy guns), the use of fur, materials sourced from the wild and inappropriate products for children.

Accessibility for all our customers

Home Retail Group is committed to making our stores and services accessible to everyone. Information on access facilities at all Argos and Homebase stores is available on www.directenquiries.com. 'Minicom' facilities are provided for customers with hearing impairments who wish to seek help from our customer service call centres. We continue to collaborate with the charity Talking Newspapers Ltd to develop an audio catalogue service and produce 6,000 copies for customers each year.

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Demonstrating stewardship of the products we sell

Timber and wood sourcing

Illegal logging and de-forestation causes enormous damage to the environment and impoverishes local communities that depend on the forest for a living. We have a responsibility to ensure we understand properly the source of all the wood-based products that we sell and that we are not exacerbating the problem by purchasing materials from illegal or unknown sources. The Group has a comprehensive policy on sourcing wood products, aiming to increase the amount we buy from independently certified well-managed sources and reducing the risk of illegal or undesirable materials anywhere within our supply chain.

Homebase is a member of the WWF's Global Forest and Trade Network (GFTN), which publicly commits the business to eliminating illegal materials from its supply chain. Homebase reports annually on the source of all its wooden products and in the latest submission, which covered over 90% of Homebase's products, less than 9% was found to come from unknown sources or sources of concern.

Growing consumer awareness of the issues of illegal logging has prompted the development of certification schemes which prove to the consumer that products come from well-managed forests. Home Retail Group supports the Forest Stewardship Council (FSC), a standard that is awarded to forests that can be independently shown to meet the FSC's criteria for being well-managed. The FSC scheme includes all the principal social, environmental and economic issues related to forest management and has been subject to rigorous independent scrutiny by experts and NGOs. It is widely regarded as the most robust and rigorous forest management standard.

Homebase is pleased to have its own Chain of Custody certificate for own-brand products, allowing it to use the FSC logo on those originating from FSC-certified forests. We now stock a wide range of FSC products covering 160 product lines that have the FSC number SA-COC-8888 (our own certificate). These include garden furniture, wallpapers and a wide range of stick timber, treated timbers and mouldings and bark chips for beds and borders.

All wood used in the Home Retail garden furniture range is either certified to the Forest Stewardship Council (58% of the total range) or comes from suppliers who are members of the WWF Global Forest and Trade Network (42% of the total range).

[Download the policy PDF](#)

Conflict diamonds

We are committed to stamping out the trade in so-called 'conflict diamonds'. These are diamonds originating from parts of the world where there is rebellion against legitimate governments. The profits from these diamonds are often used to fund the conflict and particularly affect the countries of Angola, Cote d'Ivoire, the Democratic Republic of Congo and Sierra Leone.

We do not knowingly sell diamonds from conflict areas and have a policy that seeks written assurances from each diamond supplier that diamonds are sourced from non-conflict regions and that this is supported by an audit trail with confirmation of the country of origin of the diamonds supplied. We have contacted all our diamond suppliers setting out these requirements and they have assured us that all diamonds used in Argos' products are legitimately sourced.

[Download the policy PDF](#)

Dirty Gold

'Dirty Gold' is the term used to describe gold that is mined in such a way that it contributes to water shortages and polluted water supplies. In some cases it can lead to conflict in developing countries such as Ghana, the Democratic Republic of Congo, Philippines and Guatemala.

During 2006/07, Argos was approached by CAFOD to support their campaign to prevent the use of Dirty Gold and to adopt a set of 'Golden Rules'. CAFOD itself acknowledges that it is very difficult to trace where the gold in jewellery has been mined from and the extent to which any retailer is able to exert influence or identify country of origin (let alone a specific mine) may well be limited. Argos supports the aims of the campaign, recently applying to become a member of the Council for Responsible Jewellery Practice and is working with its jewellery suppliers to demonstrate supply chain scrutiny.

Animal testing and Genetically modified organisms

We do not sell many cosmetics or similar products. For the small amount that we do supply, we seek our suppliers' assurance that the products are not tested on animals.

Similarly, Home Retail Group stocks only a very small number of products that might potentially be the subject of genetic modification. The Group has a precautionary policy which means we do not stock GM products.

[Download the policy PDF](#)

Peat and growing media

We have a policy which ensures that none of the peat sold in Homebase comes from Sites of Special Scientific Interest (SSSIs) or their European equivalents. Homebase is reducing the amount of products containing peat and also offering clearly labelled peat-free alternatives. In partnership with our key supplier, we have reduced the amount of peat in our retail bags and have included a new material that dramatically improves the growing media's performance. This material comes from well managed FSC forests and is locally sourced.

[Download the policy PDF](#)

Paint

The manufacture, use and disposal of paint can affect the environment in a detrimental way. Therefore our policy is to continue to provide clear information about the volatile organic content (VOC) of own brand paint. We will strive to reduce the VOC of our paint, through product development, and make available water-based alternatives to traditional solvent-based products. In addition, we offer advice about the removal and safe disposal of old and leftover paint to our customers.

Sourcing from the wild

Uncontrolled sourcing of animal and plant species and minerals from the wild can have serious effects on local eco-systems which are increasingly under pressure from both trade and land development. Home Retail Group's policy on the use of wild plants, animals and minerals for use as products can be found here.

[Download the policy PDF](#)

Waste Electrical and Electronic Equipment Regulations (WEEE)

The WEEE regulations became UK law on 2 January 2007. Every year the UK throws away around two million tonnes of WEEE, mostly into landfill sites, and it is one of the fastest growing types of waste. This new law makes provision for WEEE to be taken out of existing waste streams and sent to approved treatment facilities for recycling and recovery by registered processors or exporters.

We have obligations under these regulations as both a distributor and retailer of electrical products and also a producer of electrical products for own-branded and goods imported by us.

As a Distributor of electrical products, Home Retail is obliged to offer customers a free disposal route for WEEE. Given the nature of the retailing model, where store space is optimised to carry stock for customer sales, we began working with the British Retail Consortium and other UK retailers in 2005 to find an appropriate way to fulfil our obligations. As a result of this collaboration the Distributor Take-back Scheme (DTS), solely operated by Valpak WEEE Services Ltd, has been established. It is the role of the DTS to act on behalf of its members to co-ordinate the take back of WEEE from customers via civic amenity collections. Retailers contribute to a fund to allow local authorities to upgrade their civic amenity sites for the receipt of customers' WEEE. Home Retail is now a member of the DTS and it is in this way we will ensure our Distributor obligations are met.

As a Producer of electrical products, Home Retail is obliged to pay for the recycling and treatment of WEEE collected from the DTS registered sites. To fulfil these obligations several Producer Compliance Schemes (PCS) have come into being and Home Retail has joined the scheme known as 'Transform' operated by Biffa.

WEEE laws have been in force in the Republic of Ireland for almost two years now and, after some initial teething problems, the country is collecting almost twice the EU target of 4kg pa per person. This is achieved via mandatory in store take back facilities and a collection service geared to recovering WEEE on a regular basis. Unlike the UK model, when Irish customers purchase a new electrical item, they make a contribution to the cost of collection and recycling of electrical products sold prior to the introduction of the legislation. Argos and Homebase have joined the producer compliance scheme 'WEEE Ireland' to ensure their obligations as producers are met.

Chemicals of concern

Many of our customers have concerns about the use of certain chemicals in products, the accumulation of these 'persistent' chemicals in the environment and the damage they may cause. To address this issue we have developed a policy on chemical use in our supply chain. This places over 150 chemicals into one of four groups:

- Remove: the chemical should not be used in any future Home Retail Group products
- Restrict: restrict the chemical from certain products only where we believe it may pose a greater risk to human health and the environment
- Notify: keep a watching brief on certain chemicals and request suppliers to notify Home Retail Group of their existence in own-brand products
- No immediate action: no further action until a policy review, unless there is some marked change in the prevailing scientific view

During the year, we hosted a workshop for 30 supplier representatives at which we presented our policy on chemicals in products, and asked our suppliers to look for alternatives. Our voluntary approach is being supplemented by the introduction of compulsory legislation in the form of the European REACH chemical regulations, which will oblige us to record and register chemicals used in our products. We will be working closely with suppliers to ensure that they understand and can comply with these changes.


Snippets



In October 2006, Argos and Homebase joined forces with other retailers to promote a Waste and Resources Action Programme (WRAP) trial to collect used batteries from customers' in-store. The trial is taking place in Swansea, Eastleigh and Perth & Kinross.

Argos and Homebase support directenquiries.com, a nationwide access register which provides a one-stop information centre for people with specific store access needs.



 Argos ensures that all the pulp used to make its paper for our catalogues and promotional leaflets comes from legal sources in Europe. In addition, in the last year, 13% or 12,000 tonnes of paper came from post-consumer recycled sources. We are continuing to look for ways to increase this.

We introduced our "WaterWise" awareness campaign at Homebase in response to the summer drought of 2006, which had real implications for DIY retailers as customers changed their use of water. This provided useful information on the water restrictions and clearly labelled products that made it easy for customers to adapt to the drought (e.g. drought tolerant plants and mulches).



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Colleagues - "those who work in our Group"

Overview

The quality of any business depends strongly on its people. To develop a good team it is essential to recruit the right people, keep them motivated and create the right environment for them to perform well. There are many contributors to attracting, motivating and retaining good employees such as financial reward, geographical location and offering interesting and empowering opportunities. Often what people do for a living is bound up in their personal identities; generally people want to feel good about the work they do and make a positive contribution to society and the environment. In a competitive environment for people, this kind of positive experience can make an important difference to business performance.

In this context, our CR strategy and operations are pivotal to developing a positive image of Home Retail in order to recruit and retain a strong and motivated work force.

We see the importance of CR to our employees in their response to our community programmes which show our staff embracing the challenge of fund raising each year to improve upon their previous fundraising totals (for example, raising £1.2 million last year for our charitable partners). We see the evidence in our distribution centre staff voluntarily taking on the challenge of accrediting our warehouses to the International Standard Organisation's environmental management system 14001.

This way of working is bound up in Home Retail's culture and is reflected in the values of both Argos and Homebase.

We see the main role of 'values' as helping shape employee behaviours while they are at work. Our values link explicitly to two of our seven corporate responsibilities:

- Serving customers to their complete satisfaction
- Providing a working environment that is conducive to the recruitment and retention of the widest possible range of talented staff

And indirectly support three others:

- Providing a safe and healthy place of work ('respect and support each other' reinforces our anti-bullying stance).
- Developing strong community relationships in support of business objectives ('taking ownership and making things happen' / 'making a difference'. Our community programme allows staff to really make a difference – for example by connecting with their local hospice, or by taking the lead in a fundraising challenge).
- Providing products of the appropriate quality, including responsible product sourcing and retailing, product safety and reliability (again, through putting the customer's needs first and by 'making it easy' – easy for customers to do the right thing by buying "WaterWise" products, or by recycling their catalogue).



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Description of our workforce

For the year to 3 March 2007, Home Retail Group employed 52,633 colleagues, 72% of whom work part time, equating to 29,498 full time equivalents (FTE). 51% of the people who work for the Group are women.

	Male	Female	Total
Headcount	25,567	27,066	52,633
Part-time	16,359	21,721	38,080
Full time	9,208	5,345	14,553
FTE	15,101	14,367	29,468

	Male	Female	Total
Under 25	13,012	10,671	47,556
25 – 39	6,556	7,212	13,766
40 – 55	3,634	7,423	11,058
Over 55	2,364	2,366	4,730
Total	25,567	27,066	52,633

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Key workplace policies and management

Large retail companies, who look after the shopping needs of millions of customers, employ thousands of people to work in stores, distribution centres and offices and require policies and procedures to ensure everyone is treated with fairness and equality. At Home Retail Group we have developed comprehensive policies for all our employees covering a broad range of employee needs; from 'ways of working' to ensuring a safe and fair working environment. These are shown in the table below:

Bribery and acceptance of gifts	Covered in Gifts, Hospitality and Entertainment policy and guides, the Home Retail Group Business Principles booklet and the employee handbook.
Community and charitable involvement	Covered on the Home Retail Group Intranet.
Data protection	Covered in data protection policy and financial services data protection policy (available on the Intranet and from HR). Also covered in the employee handbook, employee contracts, and department specific procedures.
Disaster/emergency recovery procedures	Procedures covering what to do if Head Office or store premises are unfit for use due to a disaster or emergency.
Disciplinary matters	Covered in the Argos / Homebase disciplinary and appeals procedures, employee handbook and employee contracts.
Equal opportunities	Covered in the Business Principles booklet and Equal Opportunities policy (both available on the Intranet) and in the employee handbook.
Misuse of company property	Covered in the employee handbook, employee contracts, and in the Business Principles booklet. These include the use of email and Internet policies.
Security of staff and property	Covered on the Home Retail Group Intranet.
Staff grievances	Covered in the Bullying and Harassment policy and Argos / Homebase grievance procedures, the employee handbook and employee contracts.
Staff safety	Covered in a staff handbook outlining safety advice whether at work, at home or travelling outside office hours abroad.
Training opportunities	Covered in staff handbooks under training and development and also on the Group's Intranet site.

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Health, safety and wellbeing

In December 2005, a full safety management review was conducted and in January 2006 the Argos and Homebase health and safety teams were merged together. The current team of 12 is led by our Health and Safety Manager, who is also chair of the British Retail Consortium's Risk and Safety Policy Action Group, which ensures we keep abreast of current thinking and policy in this area.

A key aspect of the review was to develop an approach to health and safety that drew on best practice within Argos and Homebase, and to develop a system that was straightforward and simple for our colleagues to understand and use. We call this programme 'Simply Safer'. We have taken a stepped approach to introducing this programme focusing our efforts on Argos first and then Homebase.

Key attributes were consultation with our health and safety champions, who were elected by employees at each of our locations and whose role is to represent the views of colleagues at regular health and safety meetings and during the implementation of our simply safer programme. We have also rationalised the number of risk assessments performed by our colleagues. For example, in Homebase we reduced the number of different assessments types from 180 down to 30 integrated templates, which can be tailored to suit individual site circumstances. The feedback from our colleagues on the introduction of this new way of working has been very positive.



We have a published health and safety policy statement declaring our responsibilities and our commitment to discharge these through our line management. This has been signed by the chief executive of Home Retail Group and the managing directors of Argos and Homebase.

In order to make our health and safety policy statement effective, we have established a health and safety management, control and support structure as a framework for activity that reaches every part of our Group.

The Group HR Director is responsible for implementing the health and safety policy and has established and chairs a health and safety risk management group comprising senior management representatives from all areas of the business. The committee's role is to keep under review the effective management of health and safety across the Group and to provide the executive directors with appropriate advice and guidance.

The health and safety management group meets quarterly and minutes of the meeting are produced and circulated across the business. We recognise that different areas of our business need to be actively involved in health and safety management so to facilitate this we have set up a number of committees that report into the health and safety risk management group. All health and safety committee members are provided with information, attend update meetings and consult over health and safety issues. The minutes from all health and safety meetings are disseminated to staff via the health and safety champions and posted on the health and safety Intranet sites

Each store or site manager is responsible for implementation of the Group's health and safety arrangements in their own store or site. In addition, it is our intention that every store and distribution centre will have an appointed health and safety champion (currently in place across Homebase and underway in Argos). They are responsible for representing the employees and promoting health and safety agenda in their location.

Each operational office and distribution centre also has a site health and safety committee chaired by an appropriate manager. We are currently in the process of rolling this into all stores and we expect this to be completed in 2007.

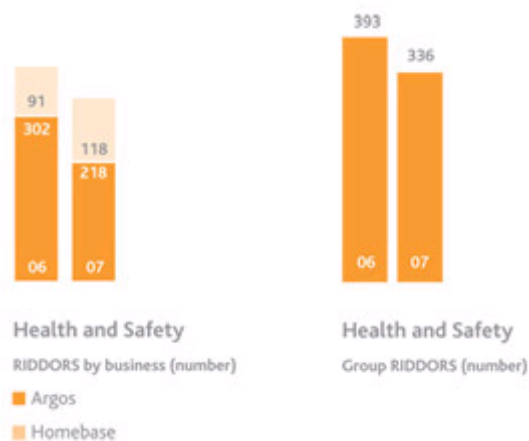
We provide health and safety training to all our new colleagues, mainly through the induction process. Specific health and safety training is also provided for those individuals required to manage and supervise others.

We regularly monitor our health and safety performance across the business. For example, stores undertake and record regular assessments, including all relevant fire safety checks. They also conduct a periodic checklist and there are various other checks based on the risk assessments and accident/incident experience (e.g. Ladder register, fire alarm checks etc.).

Every store conducts a formal self-audit on business critical issues which are collated and reviewed by line managers. Any failures can lead to disciplinary action. In addition, stores are regularly audited by the health and safety team. Action plans are produced for failing stores and the results are linked to bonuses. The health and safety champions are also involved in reviewing these and conducting re-audits on stores in their area.

We provide a bullying, harassment and stress help line which gives employees access to trained counsellors. In addition, all employees can be referred for face to face counselling through this service.

We track the safety performance of the business using the categories defined in the UK RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrence Regulations). Our recent performance is shown in the graph.



We are pleased to report that the number of RIDDOR reportable incidents has reduced by 15% during the year. This is driven by a significant reduction in the number of incidents at Argos, which has reduced by 28%, as our 'Simply Safer' message and the introduction of new working practices has begun to take hold. This reduction is offset by an increase in incidents at Homebase which we believe is due to better reporting.



Our accident rate (the number of RIDDORs per 100,000 colleagues) has also improved. This methodology, recognised by the Health and Safety Executive, takes into account changes in the size of the workforce when considering our safety performance. In 2007, the figure was 1,140 for the Group. This is a 12% improvement on the previous year.

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Equal opportunities and diversity

Home Retail Group is committed to promoting equal opportunities for all our employees, and to provide a working environment that is free from all forms of discrimination and harassment. As an example, people with disabilities have equal opportunities when applying for vacancies with due regard to their aptitudes and abilities. We have procedures to ensure that disabled employees are treated fairly and that their training and career development needs are carefully managed.

In October 2006, we introduced a new retirement procedure and updated our retirement policy to comply with the age discrimination regulations. We already allowed many employees to work beyond their planned retirement date and the introduction of the procedure served to formalise this process to ensure consistency and compliance with the new regulations.

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Rewards and Incentives

We offer all our salaried staff a competitive remuneration package together with a range of additional employee benefits. These include bonus payments depending upon individual and company performance. Additionally, employees have the opportunity to purchase shares in Home Retail Group over a three or five year period, through a Sharesave scheme and have access to a 20% discount using a tax-free savings account. We also offer colleagues an innovative childcare scheme that provides working parents the chance to enjoy savings on their childcare costs.

At the time of demerger, all eligible staff were offered £200 worth of Home Retail Group shares via a Share Incentive Plan (SIP).

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Induction, training and developing management talent

Home Retail Group takes an active stance in developing the skills of its people. In the last year, we provided over 236,000 days of training. The figure includes the number of training days allocated in stores for both off-job and on-job training and inductions.

Every new starter has a formal induction to orientate themselves within the Group. Additionally, every employee has access to a development training programme. Entry to the programme is agreed with an employee's line manager during bi-annual performance reviews where training needs are assessed and agreed. 40 different training programmes are offered to all managers across the Group and all head office staff and this offer is refreshed every quarter. Workshops are available for managers in order for them to develop the necessary skills to get the most out of the performance reviews with their teams and offer good support.

Both Argos and Homebase have an internal programme of developing management talent to enable employees to step up to senior management and future Board positions. Three different programmes are offered based on an individual's grade and in total five programmes are run every year, covering a period of approximately six months training.

The coming year sees the launch of a pilot graduate leadership programme for Argos, to employ six of the country's top university students to enter an intensive, fast track, 24 month programme designed to develop business leaders of the future. Should this pilot prove successful, we have plans to repeat the process and roll it out to Homebase also.

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Employee engagement

It is essential that we engage our employees as it is through their efforts that we can deliver our strategy. We do this by listening to feedback made in our annual employee surveys and through clear top down communication cascaded through team briefings, large employee events, our Intranet sites and our staff newsletters.

- We conduct regular employee opinion surveys across all areas of the Home Retail Group, to understand our colleagues' views and to identify ways in which we can continue to improve our working environment. The surveys calculate an 'engagement' score which comprises a number of different measures including pride and advocacy. Surveys were carried out in the summer of 2006 and in the early part of 2007. The 2007 results are now being used to facilitate discussions and develop action plans.
- Regular team briefings are held at Homebase and Argos to share key messages and create a cascade to all employees, where relevant. Store managers across both brands also brief their employees daily on key operational issues and new product launches.
- Employee events are held at offices, distribution centres and at Argos and Homebase conferences and these are used to communicate important changes within the Group, such as the recent demerger from GUS and the launch of new business initiatives, including Christmas and Easter trading plans to our staff. In addition, we hold a number of functional conferences on a regular basis.
- The Intranet is a key business tool which holds documents such as HR manuals, making it easy to provide up-to-date information. It has its own CR section which describes our policies and community relations to employees and is also used to communicate announcements, news and social events.
- Newsletters – 'Argos Post' and 'HOMEpage' are issued bi-monthly to all colleagues across both brands to update them about current company initiatives, employee achievements regarding fund raising, new store openings, and new product and service launches.

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Whistleblowing

Two years ago, Home Retail Group formalised a process allowing staff to report concerns over malpractice in a safe and controlled manner ('whistleblowing'). Every employee underwent training in the new process and each received a handbook explaining how to raise any concerns.

During the last 12 months we have conducted a review of our whistleblowing policy. This involved a survey of all employees and a survey of the senior managers named as whistleblowing contacts in the policy to gather their feedback. The feedback from these exercises resulted in a programme to raise the profile of whistleblowing and our business principles. This programme is already underway and will continue during 2007.

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Snippets

More than 900 Argos staff shared in a £13 million payout as the Sharesave scheme matured in May 2006. The scheme was first introduced in 2001, with members of staff being able to save between £5 and £250 a month for three or five years.



All colleagues across the Group can access the 'Discover' range of benefits and enjoy a wide range discounts on family activities.

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City - "those who own shares and provide us with capital"

Overview

Most investors do not want us to generate profits in the short term at the expense of damaging our reputation and long term prospects of growth. Such investors expect us to demonstrate that the business is well run and that we take proper account of all the risks and opportunities that may affect our performance. Increasingly this includes environmental, social and governance (ESG) factors commonly considered part of the CR agenda.

And this makes sense to us too. We know that our customers are increasingly interested in our Corporate Responsibility. They want to know we operate in a way that considers the environment and that the products we sell are sourced from ethical suppliers. If we fail to understand this or fail to respond in an appropriate way, we could damage our brands and reputation, and the high level of trust we have worked hard to build with our customers.

Moreover, if we can identify real shifts in social attitudes on certain issues, such as climate change, and respond quickly to them, we will be better placed to take advantage of new markets and opportunities as they arise. A company with a positive social reputation will benefit from increased customer and employee loyalty, leading in turn to advocacy on its behalf from these important groups.

Effective management of Corporate Responsibility can increase shareholder value. For example, in the area of eco-efficiency, rising prices for energy and waste disposal make efficiency savings increasingly attractive. We have annual targets to reduce energy consumption, transport impacts, materials use and waste volumes.

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Managing our risk on behalf of our shareholders

We believe that if we are to make the most out of our approach to CR then it must be firmly based in our approach to managing risk and opportunity, and we believe this is what our investors expect too. Our business is facing different risks, some of which are 'business critical' and some that are not. Getting our approach to CR right depends on our ability to identify which of these is most important to our stakeholders and the business now and in the future. This is described in more detail in the [Approach section of this report](#).



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Climate Change

Climate change is now a mainstream issue for business. We are not a manufacturing company nor do we have any industrial processes that emit greenhouse gases into the atmosphere, but our activities do have an impact on climate change. We generate emissions from our use of energy in our buildings and from the fuel used by our commercial fleet and company cars. This is what we term our 'operational carbon'. We aim to minimise these emissions where we can through improved efficiency and the use of alternative, low carbon fuels. This not only benefits the environment, but helps us to avoid increasing costs from rising energy prices. The prospect of significant changes to the UK's climate and the resulting Government policy initiatives to reduce energy consumption is likely to continue this price trend. Climate change also brings other risks to be considered such as changes to consumer demand patterns and increases to other costs such as insurance premiums.

A large proportion of the products we sell use energy and so we have a responsibility to consider the energy they consume. We must make sure that we offer our customers a range and choice of products, including those that are energy efficient, and to make this clear to them. We also acknowledge that energy is used to manufacture these products in the first place. The indirect emissions from the use and manufacture of the products is what we term 'product carbon'.

More general changes in the way that our customers shop and the type of products they buy could significantly impact on our business. For example, changing weather patterns could impact on the seasonality of the home improvement and DIY area, and rising awareness of environmental issues generated by climate change could drive demand for new 'green' products. During the coming financial year, we plan to review and determine our policies in this area.

Carbon offset

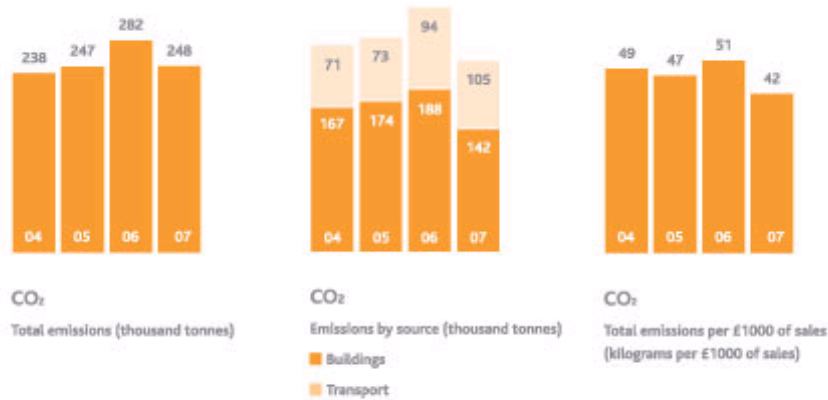
Carbon offsetting and schemes offering 'carbon neutrality' have received widespread attention in the media, and many companies are incorporating carbon offset into their climate change strategy. We do not believe that merely offsetting our CO₂ emissions as a single strategy is a satisfactory response although we acknowledge that it has a part to play. Instead, strategies to reduce CO₂ should have greater priority. If carbon offset is to have a place in the business strategy then it is likely to be considered only for offsetting projects which promote renewable and non fossil fuel energy sources.

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Managing our operational carbon

In the year being reported upon, we generated 248,000 tonnes of carbon dioxide (CO₂) through the use of energy in our buildings and the fuel used by our fleet of commercial vehicles. This equates to 42 kilograms per £1000 of sales.

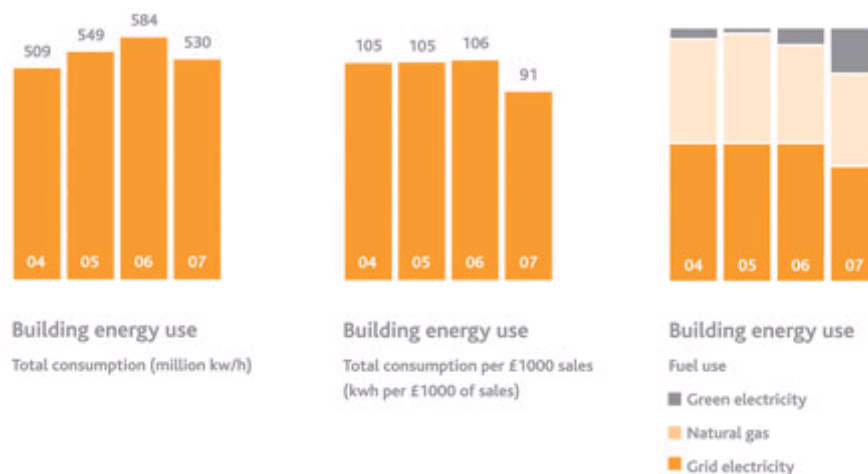
Our CO₂ emissions have reduced by over 12% over the past year, and by 17% per £1000 of sales. Whilst we have been more efficient with the way we use energy in our buildings, and a greater proportion of the energy we use now comes from renewable sources, the unseasonably warm weather during the year has also been a contributing factor.



Buildings

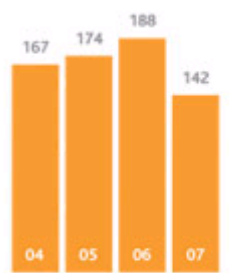
We use energy in our building to provide heat, power and lighting in our stores, distribution centres and offices. This year we used 530 million KWh of energy, which is a reduction of 9% from the previous year, partly as a result of energy efficiency initiatives across the business helping to drive down our usage. For example, we now use only energy efficient bulbs in our lighting display canopies thereby significantly reducing our energy consumption. In addition, the unusually warm weather during the year (with the Met office describing 2006 as “the highest average temperature recorded since the Central England Temperature series began in 1659”¹) has meant that we have used less energy to heat our buildings.

¹ <http://www.metoffice.gov.uk/corporate/pressoffice/2006/pr20061214.html>

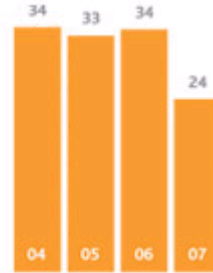


28% of the electricity we use comes from renewable sources, such as solar or wind power. This represents 18% of the total energy consumed by the business. Our purchasing policy is that we will always purchase CHP or green electricity if available from our suppliers, as long as this represents no additional cost to the business once we have taken into account the Climate Change Levy. We are committed to increasing this proportion where we can. For example, since October 2006, 90% of the electricity used by Homebase was from renewable or low-carbon sources.

The improvement in energy efficiency, the use of electricity from renewable sources and the warm weather means our CO₂ from building energy use has reduced by 24% compared to last year (29% reduction per unit of sales) to 142,000 tonnes (24 kilograms per £1000 of sales).



Building energy use
CO₂ emissions (thousand tonnes)



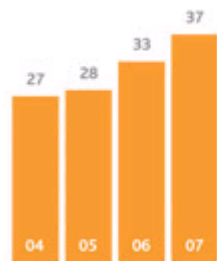
Building energy use
CO₂ emissions per £1000 sales (kilograms per £1000 of sales)

Commercial fleet

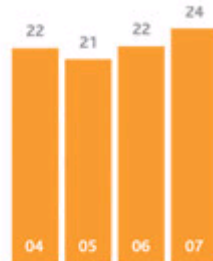
We have a commercial fleet of over 1,000 vehicles that distribute our products between our Distribution Centres (DCs), to our stores and to our customers through home deliveries. It is important to us that this fleet works as efficiently as possible to ensure that the products we transport are in the right place at the right time, whilst minimising the amount of fuel that we use.

The fleet comprises vehicles owned by Home Retail Group and those provided by a third party. It is our responsibility to ensure the efficiency of all these vehicles. However, we have greater control over our own vehicles rather than on those used by our third party providers.

In the last year, our commercial fleet used 37 million litres of fuel. This compares to 33 million litres in the previous year. This is an increase of 14%. However, our efficiency has remained broadly constant as we have travelled over 15% more kilometres compared to the same period. This extra distance is because we have opened new stores and undertaken more home deliveries. The fuel used per £1,000 of sales has increased by 7%, these changes being driven largely by home delivery becoming a larger element in our business mix.

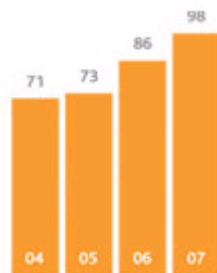


Commercial Fleet
Total fuel consumption (million litres)

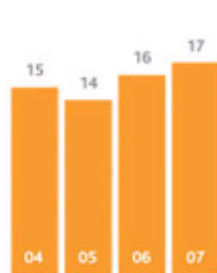


Commercial Fleet
Total fuel consumption per £1000 of sales (litres per £1000 of sales)

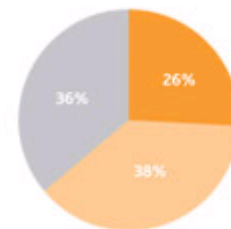
The fuel used by our fleet generated 98,000 tonnes of CO₂, equating to 17 kilograms tonnes per £1,000 of sales. The emissions generated are roughly split equally between our internal product movements between our DCs, deliveries to our stores and deliveries to customers at their homes.



Commercial Fleet
CO₂ emissions (thousand tonnes)



Commercial Fleet
CO₂ emissions per £1000 of sales (kilograms per £1000 of sales)



Commercial Fleet
CO₂ emissions by delivery type

- Between distribution centres (DCs)
- Store deliveries
- Customer deliveries

This year we have improved the way we schedule our journeys and the way we pack our vehicles. We continue to monitor the fuel performance of our fleets on a weekly basis. This ensures we are able to identify any inefficient vehicle quickly and rectify any **Page 38**

problems they may have. This is supported by driver training and regular vehicle replacements to more efficient models.

Increasingly, we are looking to partner with other organisations in order to reduce the number of kilometres we drive. For example, if we know that a haulier is making a delivery to a location near to one of our distribution centres, then it is sensible for us to see if they can carry our products rather than undertake its return journey empty. We have been running a trial at Argos with Christian Salvesen to test this principle between our DCs in Kettering and Castleford. So far this has saved us over 233,000 kilometres, even though it has only been operational for half the year.

Over recent years we have seen significant growth in the number of home deliveries we are making, particularly through the increased use of the Internet. Emissions from home deliveries are now more or less equal to emissions from our store deliveries. Better scheduling and monitoring of our home delivery fleet for large products has meant that its efficiency has improved significantly and the average number of deliveries made by each 'two man' delivery vehicle each day has increased substantially from 31 to 34.

We have also investigated other ways to transport our products rather than all by road. For example, we have piloted the use of rail to distribute Homebase products to Scotland.

We are also aware that the different ways that our customers shop with us may have differing impacts on climate change. For example, does a customer that travels to an Argos store on the high street emit more carbon than a customer that orders online and whose products are delivered to them? We are a long way off having definitive answers on such issues but these are questions we are looking to address over the long term.

Company cars

Home Retail Group also operates a fleet of 1,254 cars. The fuel used by these cars generated 7,600 tonnes of CO₂, equating to 1.3 kilograms per £1,000 of sales in 2006/07. This represents just over 7% of the total emissions from transport.

Currently the fleet is 85% diesel with CO₂ emissions generally below 165 gms/km. We are working on opportunities to develop a 'greener' emphasis to our flexible car policy. The primary objective is to introduce innovative ways of promoting the reduction of the carbon footprint within the Group's flexible benefits framework.

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Managing product carbon

We sell a lot of products that use energy. Large and small, the range and choice we offer our customers is substantial - from LCD televisions, to fridge freezers to hair dryers and mobile phones. We recognise that when our customers use these products that they are indirectly contributing to climate change through the use of energy.

Whilst we do not believe that it is our place as a retailer to tell our customers what to do, we do acknowledge that we have a role to play in providing information and enabling them to make an informed choice about the products they buy. We have already seen a variety of 'carbon labelling' schemes come onto the market and increasing pressure from the Government on this issue. We support Government moves to encourage better information and greater transparency across the industry.

However, we will not implement any scheme until we fully understand the needs of our customers and the implications of changes we may need to make to our product ranges. A natural place to start on this journey is to highlight to our customers products that are energy efficient. For example, we have provided simple labelling and guidance in the Argos catalogue.

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Eco-efficiency

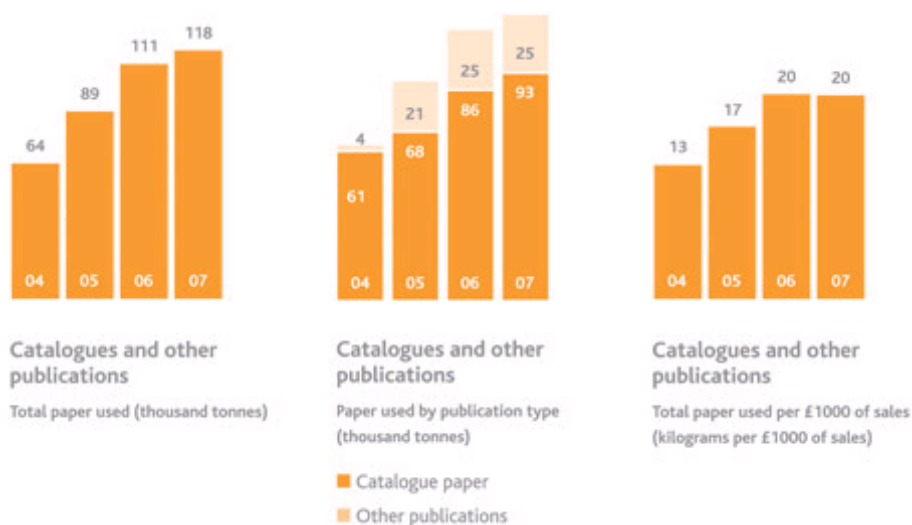
The term eco-efficiency is based on the concept of creating more goods and services while using fewer resources and creating less waste and pollution. This is a concept that appeals to us on both a commercial and environmental level. If we can operate our business using less resource then this not only minimises the impact we have on the environment but also reduces our costs, enabling us to be more competitive.

Being a responsible catalogue retailer

One of the main ways that Home Retail Group markets its products to its customers is through the Argos catalogue. Last year, Argos produced 46 million catalogues. This equates to 93,000 tonnes of paper. This has increased since last year (86,000 tonnes) as we have increased the number and variety of catalogues we offer our customers. For example, we launched a version of the main Argos catalogue which is slightly smaller than the original catalogue. We also launched our 'Home' catalogue which is dedicated to our expanding home furnishing ranges.

In response to our customers' needs and the market, we also produce a significant number of promotional materials such as flyers. In the year being reported upon, we used over 25,000 tonnes of paper for this.

In overall terms, we used 118,000 tonnes of paper – a 6% increase on the previous year. However, this growth is directly in proportion with growth in sales, indicating the important role that these publications play in generating sales.



As the catalogue is such an important marketing tool for Argos, the potential to reduce the number we produce or the size or scope is limited. Our approach has been to find ways to make sure the environmental impact associated with its production, and ultimate disposal is understood and well managed. Despite changes to the way our customers are able to access our products, particularly through the Internet, there has been no reduction in the demand for catalogues. This illustrates how much our customers value being able to browse their Argos catalogue at home and we take this as an indication that reducing the size or number of catalogues we produce would pose a significant business risk.

We have continued to use recycled paper in sections of the catalogue where the clarity of images is not so crucial to the presentation of the products, such as for toys, compared to other areas, such as jewellery where our customers need to be able to see the product in a high level of detail. We are pleased to report that this has increased from 8% last year to 13% in the latest catalogue. In total, we used 12,000 tonnes of recycled paper during 2006/07.

Environmental credentials are a key part of the selection of paper for Home Retail Group. All raw materials for paper procured must be traceable to known and legal sources of origin. We also require that the paper mills we use be accredited to a recognised environmental standard (such as ISO14001) and we require them to provide us with regular quantified information about their environmental impacts. In addition, we are now implementing an eight point environmental initiative, analysing the impact of our paper, print and catalogue manufacture.

An Argos catalogue is 100% recyclable and this year we have launched a programme in our Argos stores nationwide so that customers can return their old catalogues to stores to be recycled. 'Point of Sale' material helps to generate awareness of the importance of recycling. Argos has established a relationship with one of the UK's largest recycling plants, working with them to help them get access via local authorities to catalogues and buying paper from the Group to help 'close the recycling loop'.

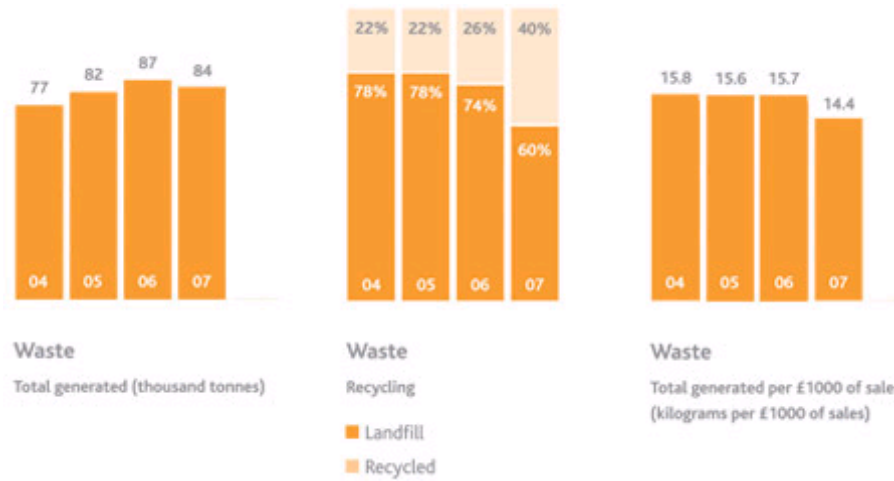
Aspiring to be a zero landfill business

We are a big business and we generate a significant amount of waste. The majority of waste we produce is associated with packaging on products as they come into our warehouse or stores. In 2005, we decided that we needed to do something about it, particularly the amount we were sending to landfill. Regardless of the obvious environmental impact, waste management and disposal represented a sizeable financial cost to the business. Consequently, we adopted an aspirational goal of sending zero waste to landfill by 2010, which

was endorsed by senior managers within the business.

Last year, Home Retail Group generated 84,000 tonnes of waste from our operations (excluding paper as discussed above). This compares to 87,000 tonnes in the previous year. This is a 3% reduction and demonstrates our commitment to reducing waste and the successful implementation of a number of initiatives in this area. When compared against sales, the reduction is even greater at 8% (14.4 kilograms per £1000 of sales).

However, our most significant achievement this year is the large fall in the proportion of waste that goes to landfill. This is a significant step on our journey to becoming a zero waste to landfill business. Last year, we recycled over 40% of the waste we generated (mainly cardboard packaging). This compares to 26% in the previous year.



To achieve the improved levels of recycling, we have made a significant investment particularly at our Argos Distribution Centres (DCs). This major initiative included three main features:

- The establishment of ‘Recycling Centres’ at each DC. Warehouse staff were trained to segregate waste and dispose of it in the right way in material-specific bins. Balers were installed to compact the waste to make recycling easier and reduce the volume of storage required for waste prior to its collection.
- Extra recycling capacity built in at each DC meant it was also possible to take most of the waste from stores. Argos store employees now separate and collect cardboard and plastic into empty roll cages. As each Argos store has almost daily deliveries of new stock, we were able to take advantage of the existing distribution reverse flow process to collect these roll cages and return the waste to the DC for recycling.
- The introduction of a reusable plastic tote system at Argos’ new state-of-the-art DC at Barton for the distribution of small electrical items has significantly reduced, and continues to reduce, the amount of transit packaging used and, ultimately, disposed of.

Recycling, particularly cardboard, has now become standard practice at Argos with this activity demonstrating how environmental improvements and business efficiency can go ‘hand in hand’. At our Argos DCs the recycling rate is now approaching 80% of the waste produced. The practice in Homebase is different: waste is disposed of at stores making it much harder to implement successful recycling, but this is under review for improvement in future years and possible transference of good practice developed at Argos DCs.

Working with stores



In 2007, we launched the Argos Recycling & Environmental Scheme (Cares programme) to look at ways that Argos store teams can be more environmentally friendly by recycling, re-using and becoming more energy efficient. This includes the appointment of an environmental representative at each store. Argos stores can apply for the prestigious Green Store Accreditation Status, given only to those stores who are actively promoting and using the scheme’s guidelines.

We are also launching the ‘Green Stores Challenge’ across our network of over 300 Homebase stores to promote environmental awareness and contribute to our environmental objectives. Colleagues are set a series of environmental challenges and the winning store is awarded with an acre of new woodland for their local community.

Stores are also affected by the European Directive on Waste Electrical and Electronic Equipment. The Group has been preparing for the implementation of the directive for a number of years, working closely with the BRC and other retailers in developing its response. [More information](#).

Almost everything sold in Argos or Homebase comes in packaging to protect the product during transport and distribution, to make it attractive to customers and to hold all the components together. Ultimately all of this material ends up as waste, and so we seek to minimise the total amount, consistent with providing proper protection and presentation.

Minimising packaging used has been a particular area of focus for us during the last year. We have established a high level working group, led by our Group Commercial Director to look at this issue and find ways that we can minimise the amount of packaging we use and pass onto our customers. Of course, there is a financial angle to this too; the materials cost money and compliance with the UK Packaging Regulations adds a significant cost each year.

In 2006/7 the products sold by Home Retail Group were accompanied by 114,000 tonnes of packaging, which equates to 19.5 kg per £1,000. This second figure has now remained fairly consistent over the past three years as the amount of packaging we pass onto our customers has followed growth in sales.



We require our suppliers to meet minimum packaging specifications, which are constantly reviewed to try and make packaging more efficient and reduce the weight and volume of materials. However, this is often difficult as product packaging plays a significant role in terms of product presentation as well as protection. Given this, we have focused our efforts of minimising the packaging that we use – so called transit packaging.

For example, we have worked closely with our suppliers and WRAP, the Government’s Waste and Resources Action Programme, to develop and trial a reusable packaging system that can be used for the delivery of upholstered furniture. Further information on this project can be found on WRAP’s website at www.wrap.org.uk.

We have also introduced other packaging saving measures, for example, pallet shippers that allow us to pack products from overseas suppliers in a much more efficient and space saving way. Similarly, we have introduced vacuum packing on some soft furnishing lines, such as for sleeping bags, which minimise packaging whilst reducing the overall volume of the product for easier transporting.



We also supply 138 million disposable carrier bags to our customers every year. We have implemented a programme in our stores to encourage our colleagues to ask customers whether they need a carrier bag. It is early days for this scheme which started part way through the year but has already lead to a reduction of 5% in the number of bags we provided compared to the previous year.

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Snippets



Our Bridgwater, Basildon and Corby distribution centres have all achieved accreditation to the ISO14001 environmental standard. In addition, Bridgwater was short listed for 'Retailing Recycling Champion' in Recycling and Waste Management 'Awards for Excellence' 2006.

Argos is accredited to the Carbon Trust's Energy Efficiency Accreditation Scheme, an independent award recognising achievements in reducing energy use awarded by the Energy Institute.



Argos offers customers the opportunity to ensure that catalogues are not sent to landfill sites but to local recycling points or via our in-store take back scheme. 'Point of Sale' material helps to generate awareness of the importance of recycling. In July 2006, we made it possible for every store to receive old catalogues back from customers when they come in to pick up their new one.

In February 2007, Argos and Homebase pledged to support a Government campaign to reduce carrier bag usage in the UK by 25% by the end of 2008.



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Commercial Partners - "those who supply us with goods and services"

Overview

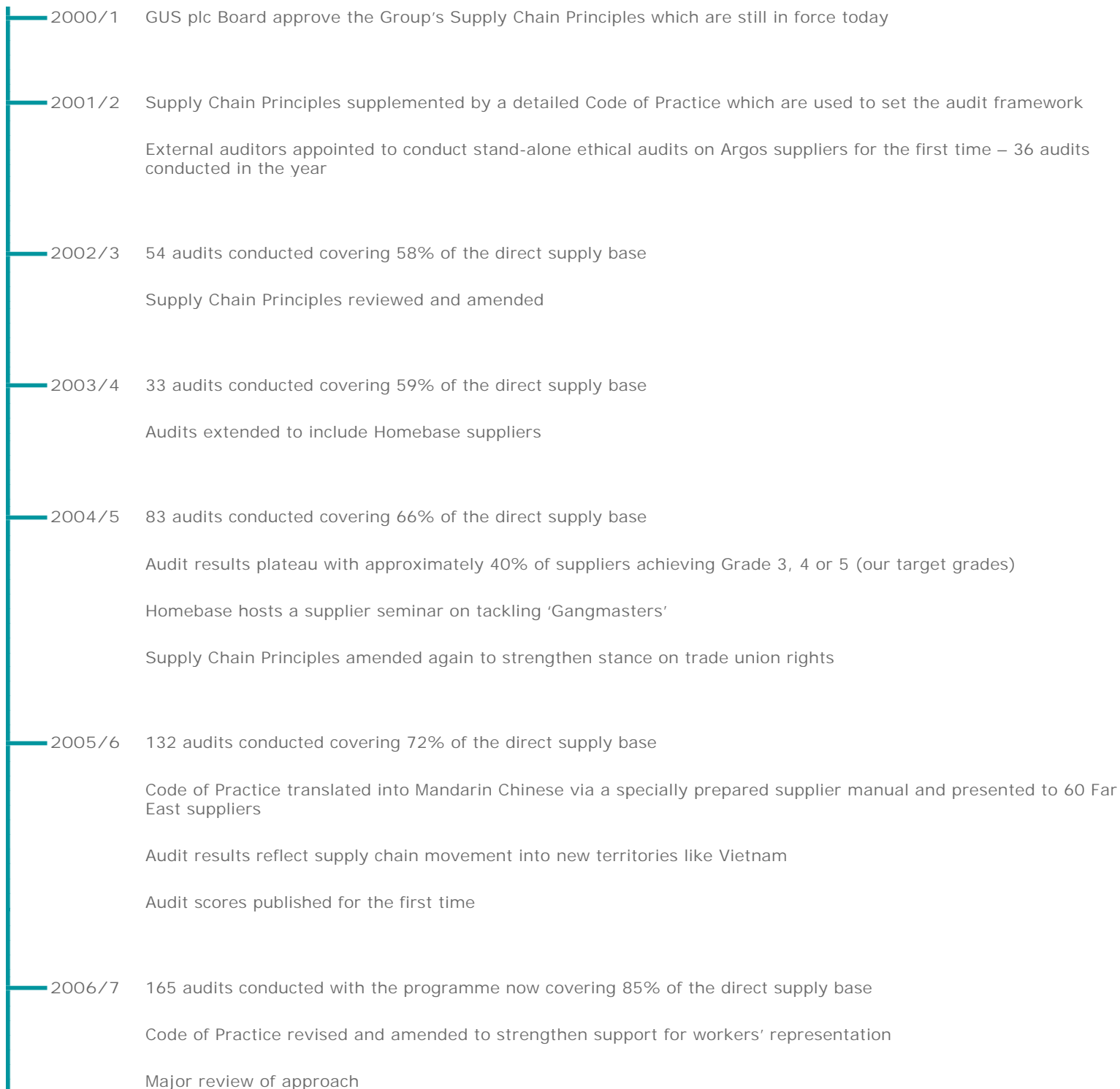
Labour standards and human rights within the supply chain are widely held to be one of the most important responsibilities for a retailer. Home Retail Group's network of suppliers and agents is very extensive and includes a number of regions where these issues may present a problem. We are responsible firstly for understanding our supply chain and the conditions within it, secondly for dealing with active or conspicuous abuses and thirdly for engaging with suppliers to communicate our customers' concerns on these matters and to support them as they improve standards.

Our approach in this area has followed a well-established pattern of good practice. We have set out our acceptable standards for workers' rights and safety (basing these on internationally agreed norms) and we commission independent audits of our suppliers to test whether they meet them. If not, we agree together a set of improvements that the supplier should make before they are audited again to check progress.

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Time line – progress to date

The graphic shows how we have developed this approach over a period of seven years.



As the graphic shows, the past seven years have seen regular steps to review and improve our standards, and consistent application of independent auditing to test and improve compliance. Over this period, our auditors have undertaken more than 450 separate factory audits.

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Our standards

Supply Chain Principles

The Group's Supply Chain Principles are based on and aligned with many international human rights codes and standards, including the OECD Guidelines on Multinational Enterprises; the ILO Declaration on Fundamental Principles and Rights at Work; the ILO Tripartite Declaration of Principles on Multinational Enterprises and Social Policy and the published base code of the Ethical Trading Initiative.

Our Principles are as follows:

Principle 1: We do not employ any person below the age of 14 or 15 (depending on the country) or below the legal minimum age (where this is higher) in the countries in which we operate.

Principle 2: We do not use forced labour in any form (prison, indentured, bonded or otherwise) and staff are not required to lodge papers or deposits on starting work.

Principle 3: We comply with all applicable local environmental, safety and health regulations. We provide a safe and healthy workplace, presenting no immediate hazards to our staff.

Principle 4: Within the customs and practices of the countries in which we operate*, we do not discriminate against any worker on any grounds (including race, religion, disability, or gender).

Principle 5: We do not engage in or support the use of corporal punishment or mental, physical, sexual or verbal abuse.

Principle 6: We provide each employee with at least the minimum wage or the prevailing industry wage (whichever is higher) and provide each employee with all legally mandated benefits.

Principle 7: We comply with the laws on working hours in the countries in which we operate.

Principle 8: We comply with all relevant environmental legislation in the regions in which we operate. We have identified all the hazardous or toxic waste we produce and are confident that it is disposed of by competent bodies via authorised disposal routes.

Principle 9: We support the right of workers to form and join trade unions which are free to meet without hindrance.

** We recognise that there are some communities in the world where a mixed workforce is not practicable. However, we expect our suppliers to justify their practices and to treat all employees equally.*

Code of Practice

The Supply Chain Principles are supported by a detailed Code of Practice which explains and illustrates in more detail the standards we expect. The full Code of Practice is publicly available on our [The full Code of Practice is publicly available on our 'Group Policies' page](#). We made a number of small changes in 2007 including revisions to our terms on workers' freedom of association to encourage better consultation mechanisms and support the right to collective bargaining.

The Supplier Manual

The Code of Practice had been developed further into a Supplier Manual which provides practical examples of our standards, illustrated with clear 'do and don't' photographs. Each of the Supplier Principles is explained and put into context. There are checklists for the Factory Management team to work through to ensure that they have understood and acted on each of the important elements. The manual has been translated into Chinese and presented face-to-face to key overseas suppliers. Here are two example pages from the English version:

ARG Standards: Putting them into practice on the factory floor

Standard 1: Child Labour

We do not employ any person below the legal minimum age in the countries in which we operate.

The Code of practice also states that 'specifically we ask that the company shall establish documented policies for remediation of children below the age of 16 who are found to be in the workplace'.



What is the Law?

The legal minimum age for employment in China is 16 years.

Workers below 16 years old are classified as juvenile workers by the State and are afforded special protection:

- Juvenile workers are forbidden from poisonous or harmful work, and labour Grade IV physical labour intensity as stipulated by the State.
- Employers must provide regular physical examinations for juvenile workers
- Juvenile workers must be registered with the local labour department

You should understand and be able to explain the law relating to child and juvenile workers in the work place.

What the standard means in practice and how can the factory meet the standard

What follows is a ✓ check list to help you understand what this standard means in practice and how you can ensure that your factory meets the standard

Child Labour:

1. Documentation ✓
2. Terms and conditions ✓
3. Working conditions ✓
4. Welfare ✓
5. Worker interviews ✓

Rev: 001

Approved by: M.Hazell

Date: 19/10/05

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ARG Standards

What does the juvenile worker standard mean on the factory floor?

1. Documentation:

You should keep a separate personnel record for each employee ✓

- Records should be available for inspection.

Employee records should specify the date of birth of each worker ✓

- A photo copy of their ID card should be attached to each record.



Juvenile workers should be registered with the local labour department ✓

- All juvenile workers should have a Registration Certificate a copy of which should be kept with the employee's record.

You should have personnel records for any subcontracted worker ✓

2. Terms and conditions:

Juvenile workers should receive equal pay for equal work ✓

- Payroll records for juvenile workers should reflect this.

- Juvenile workers should be subject to the same probation terms, rights & conditions.

Apprenticeship schemes should be clearly documented ✓

- If any juvenile workers are employed under an apprenticeship scheme the terms of the scheme should clearly display:

- Pay and hours
- Length of the apprenticeship
- If it is a recognised national or internal scheme
- The scheme should work towards work towards a certificate that can be used outside of the company.

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Auditing

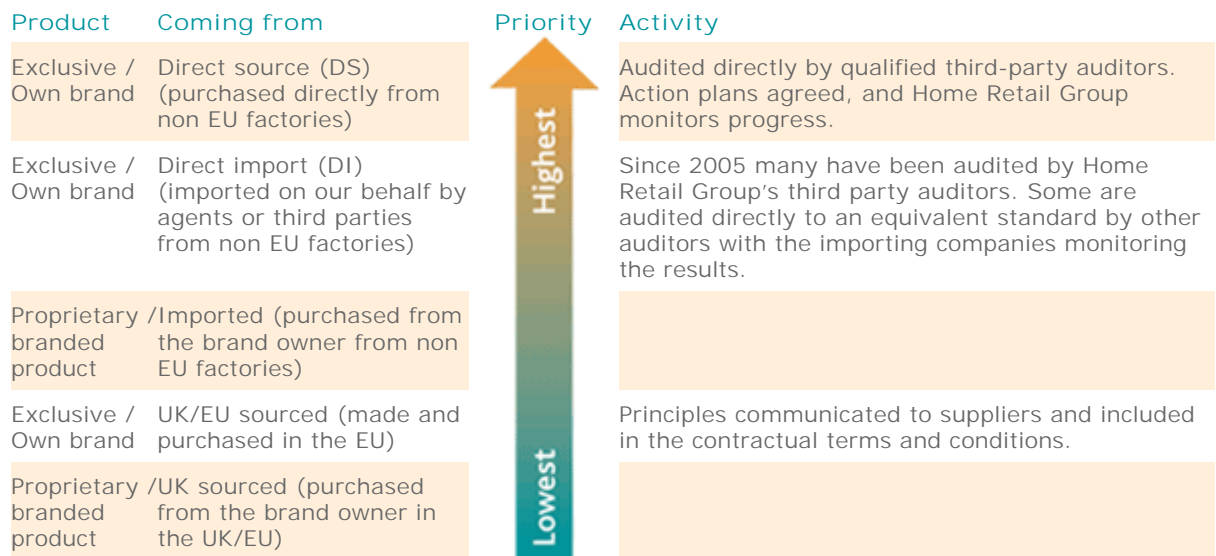
Who we audit and how

Our audit programme is based on the use of recognised third-party ethical auditors (a company called CSCC) to approve all significant new overseas direct suppliers, and to follow up these audits where they reveal any concerns. Auditors visit each major factory, examining records, speaking privately with workers and examining conditions. They test whether the factory is complying with the Supply Chain Principles and the Code of Practice.

The results of the audits are recorded and used in four ways:

1. The audit results in a numerical score reflecting the number of non-compliances that the auditors find, the higher the score the better the results.
2. The supplier is given an overall Grade (1 to 5) reflecting whether there are major shortcomings (Grade 1) or whether the supplier shows best practice (Grade 5). Our objective is that all suppliers reach Grade 3, but historically less than half have done so, even after repeated re-audit. The reasons for this are explained in Section 6.5 below.
3. The findings are discussed with and given to the supplier's management team who agree a set of improvements that they will carry out.
4. All of the information, including photographs of the factory is placed on a web-hosted computer system to allow Home Retail Group's buying and technical teams to read and review it.

The most important suppliers for us to consider are those where we are buying directly from overseas, and where the product is our own brand, or exclusive to our stores. The graphic illustrates this.



Historically this audit programme has included all direct suppliers supplying more than \$500,000 of goods in a year and the number of suppliers we audit has continued to grow, with over 85% of Direct Source suppliers (by value) now 'live' in the programme having been audited at least once in the past three years.

Year	No of DS vendors audited	% of DS turnover
2003	46	58%
2004	33	59%
2005	83	66%
2006	132	72%
2007	165	85%

The Audit results

We have seen a rise again this year in the number of suppliers receiving a Grade 1 score which, when coupled with the roughly static proportion of suppliers graded as 2, results in only a minority reaching our preferred standard of Grade 3.



There are a number of factors behind these changes. Firstly, we audited many more suppliers this year in an effort to reflect the wider supplier base, not just our larger suppliers. For many of these suppliers, this would have been the first time they had been audited by us and we know, from experience, that such suppliers frequently receive a Grade 1 result on their first audit. Our audit rating is quite stringent in that a Grade 1 rating for any criteria results in a Grade 1 rating overall. This has the benefit of ensuring that we can work with suppliers to address issues at the earliest point in time and, as outlined earlier, we can take remedial action.

Suppliers with a Grade 1 rating are re-audited within a fairly short time frame and these re-audit results are also included in the figures above. Again we believe this is good and thorough practice, but it may have the unintended consequence of increasing the overall numbers of Grade 1 and 2 even as we work with these suppliers to improve their situation.

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What have we learned?

Our audit scoring system (where suppliers overall grade is linked to their single lowest score on any one Principle) is therefore masking some genuine improvements in performance, and is de-motivating for supplier companies that are sincerely attempting to improve. In last year's CR report we showed an analysis based on the use of the Grade combined with the overall audit score, which allows us to track progress much more accurately. We have recently completed a pilot with 13 suppliers to trial this new audit scoring system and we plan to use this approach in future.

We also intend to shift the emphasis in our use of audit to focus on its strengths, which we see as identifying and rectifying abuses, and being particularly useful early in our relationship with new suppliers. We plan to simplify and streamline our audits accordingly. The labour standard audits will be combined with our quality and technical visit, meaning that suppliers will only have to deal once with our audit company. The audit scope will be changed to focus on the issues where we know we can make a difference: health and safety, forced or bonded labour, and worker abuse.

On other issues, such as working hours, wage rates and access to independent worker representation, we are increasingly concluding that our scope to influence the background culture through the process of audit and re-audit is limited. We are therefore seeking new approaches based on closer relationships with our suppliers and engagement with non-governmental organisations and other interested parties.

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Snippets

On one of her visits to China last year our Group Commercial Director took part directly in two full-day supplier audits, helping her to get a deeper understanding of the process and its limitations.

We organised a workshop for our UK suppliers with speakers and content supplied by the Government's Envirowise programme. Over 30 supplier representatives attended, and were encouraged to look again at their own environmental standards. Speakers emphasised the cost savings and environmental benefits of cutting waste and energy consumption, and practical workshop sessions helped suppliers to plan their own improvement campaigns for their own factories. For our part, we believe that efficient, productive suppliers are good for our business, and – of course – that environmental improvements shouldn't begin and end at the gates of our stores and warehouses.



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Community - "those who live around our sites and wider society as a whole"

Overview

Our community and charity work addresses a number of risks and opportunities. At the most basic level, healthy communities make for healthy businesses so we aim to play our part in them. There are also clear benefits from improvements to our public profile and reputation. But perhaps the strongest motivator is internal; taking part in community activities is popular with our staff. In a competitive environment for recruitment and retention, this kind of positive experience can make an important difference to our performance.

Last year, we invested over £800,000 in community initiatives (including £336,000 from the GUS Charitable Trust), but this is increased to over £2m when account is taken of the money raised through the fundraising efforts of our colleagues and the generosity of our customers. Details are shown in the table below.

Giving	Value (£k)
Cash donations	264
GUS Trust	336
Volunteering	64
Gifts in Kind	37
Management resources	100
Company donations	801
Monies raised by colleagues	1,204
Tick to Give	119
Leverage donations	1,323
Total company and leverage donations	2,124

Our community work is focused on two Charity Partnerships: one working with Argos and one with Homebase. Each is selected for a period of two years: Argos is just reaching the end of a very successful two-year partnership with Help the Hospices whilst Homebase is half way through a two year partnership with Marie Curie Cancer Care. Each charity partner is selected from a shortlist by a staff vote, and then becomes the focus for fundraising and giving for stores.

In recognition of the importance community giving plays in Home Retail Group, we were short listed for the prestigious Retail Week Corporate Social Responsibility Award in early 2007. While the shortlist place was for our CR practices as a whole, the judges made special mention of our community giving programme as being a leader in this field. For us, this is a reflection of the importance to our colleagues of community giving and how successful they have been at engaging with and fundraising for our charitable partners.



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Working with the GUS Trust

One of the big changes this year has been the closing to new applications of the GUS Charitable Trust, which was the principal vehicle for cash giving in GUS plc. The Trust was funded via an annual donation from GUS, the amount being based on the Group's profits and paid effectively a year in arrears, so the donation from 2005/06 funded projects in this financial year.

The effect of this change has been a fall in recorded levels of charitable giving for Home Retail Group between 2006 and 2007, as the Trust monies have been used up and no new donations made.

In the year to 3 March 2007, the GUS Trust made awards totaling £336,000 for projects sponsored by Home Retail Group. Major awards and highlights were as follows:

Project description	Value
Help the Hospices Information Service	£65,000
World Wildlife Fund (WWF), support to research, design and publish a software cost model application for forest managers	£50,000
The National Library for the Blind to research the development of a website for visually impaired children	£30,000
Marie Curie Cancer Care, in support of Homebase's 25th anniversary celebrations	£25,000
Marie Curie Cancer Care education initiative: 'mini pots of care'	£25,000
The installation of two wind turbines to provide energy from renewable sources at: <ul style="list-style-type: none">• The Eden Project in Cornwall• Dunseverick Primary School, N Ireland (winners of an eco-schools competition organized in conjunction with the environment charity, Encams)	£16,000
The Retail Trust, in support of their work within the retail field	£10,000
In support of a colleague who visited Kashmir to help re-build a village where his family lived, which had been devastated by landslides.	£2,000

The community programme in future years will be financed through direct contributions from Home Retail Group recorded and spent in the relevant year.

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Charitable partnerships

Argos and Help the Hospices/Irish Hospice Foundation



Argos and Help the Hospices (www.helpthehospices.org.uk) and the Irish Hospice Foundation (www.hospice-foundation.ie) formed a charitable partnership in July 2005 and since that date Argos staff have helped raise more than £1 million for the hospice movement and this figure is forecast to be over £1.2m by the end of our partnership. The money has benefited 215 hospices in the UK and the Republic of Ireland.

Argos and their employees have shown the most tremendous support for the hospice movement, embracing the cause with passion and commitment at every level of the company. Their genuine desire to make a difference to the hospice in their local communities, and to Help the Hospices' work nationally, has made the partnership not only a fantastic success but a real pleasure to be part of. Moreover, with our fundraising goal for this year more than doubled and with such a significant opportunity to raise awareness about hospice care, the legacy of our work together will continue well beyond the two years of our partnership.

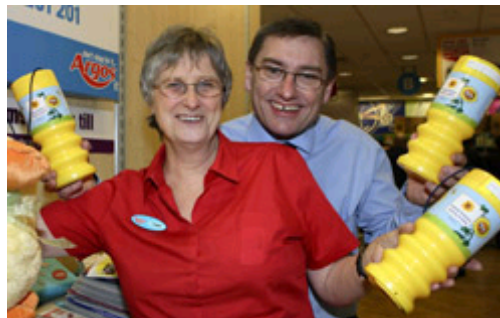
David Prail, Help the Hospices, Chief Executive



In November 2005 we launched an innovative new fund raising tool called 'Tick to Give'. This initiative enables customers to give 20p to Help the Hospices by ticking a box on their selection slips when choosing items in store. By the scheme's first anniversary in 2006 it had generated over £100,000 and today the figure stands at £175,000 with contributions made from nearly 900,000 customers.

The money raised through 'Tick to Give' (together with the GUS Trust donation) will be used to help fund Hospice Information, a multi-media information service provided by Help the Hospices and St Christopher's Hospice. This is a telephone and web-based service supporting hospices, patients and their families, providing many thousands of people with the information they need to make informed choices about the care available for them and their loved ones. It also offers healthcare professionals access to the most up-to-date information about training and hospice and palliative care service information, helping them to deliver the best possible care and therapies to people with a life-threatening condition.

From July 2007, Argos is proud to be supporting Leukaemia Research (www.lrf.org.uk) as its charitable partner until July 2008, the charity having been chosen by UK Argos employees from a shortlist. Leukaemia Research is the only national charity devoted exclusively to research into Leukaemia, Hodgkin's, Lymphoma and Myeloma and blood-related cancers. Staff in the Republic of Ireland will support children's cancer charity Barretstown, which offers fun and challenging activity programmes designed to help children deal with the trauma of serious illness.



Homebase and Marie Curie Cancer Care/Irish Cancer Society



In August 2006 Homebase launched its first two year partnership with Marie Curie Cancer Care (www.mariecurie.org.uk) and the Irish Cancer Society in the Republic of Ireland (www.cancer.ie), under the banner of 'There's no place like home'. The object of the partnership is to raise £500,000 to pay for 25,000 hours of home nursing. The charities were chosen in a company-wide staff ballot where 39% of Homebase staff voted to support them.

Staff at Homebase have shown terrific enthusiasm and commitment to fundraising for Marie Curie Cancer Care, raising more than £500,000 in just nine months. That is a fantastic achievement. Thanks to their efforts, we will be able to provide more nursing care for terminally ill patients in their homes across the UK and, with our partners at the Irish Cancer Society in the Irish Republic. That means that more people will have the choice of staying in their own familiar surroundings, with their families, their friends and their pets, until the end of their lives. We look forward to another great year of fundraising in partnership with our friends at Homebase.

Tom Hughes-Hallett, Chief Executive of Marie Curie Cancer Care



Other community investment

The 'Community Cashback' scheme enables individual employees to receive top-up funding for their own chosen cause. Colleagues who raise money for the charities that they support can apply to the scheme for a top-up donation from Home Retail Group. Charities which have benefited from this scheme include: Macmillan, Whizz-Kidz, Breakthrough Breast Cancer Care and the Alzheimer's Society.

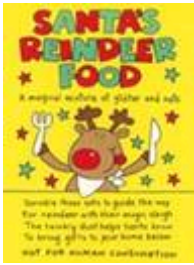
Home Retail Group also promotes and supports payroll giving. Of Argos's 34,000 employees, 10% give through payroll, donating over £16,000 to their chosen charities each month, while 8% of Homebase's employees have given over £6,000 through their payroll. Argos pays the administration charge and the GUS Trust has match-funded one month's donations. Since March 2007, Homebase has paid the administration and has match-funded one month's donations through the support of the GUS Trust. In recognition of the calibre of this scheme, Argos was awarded a Gold Standard Payroll Giving Quality Mark, a scheme funded by the Government and promoted by the Institute of Fundraising and Business in the Community.



Home Retail Group was the first corporate to sign up to the Charities Trusts initiative 'The Xtra Factor'. This facility allows colleagues to increase their donations by a nominal amount of 3% once a year. Many payroll giving relationships are long standing, and once set up are often not amended. By signing up to 'The Xtra Factor' colleagues are ensuring their donations increase regularly, meaning causes they support can cover their own annual cost increases.

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Snippets



Packets of 'reindeer food' were sold through Argos stores on behalf of Help the Hospices in the run up to Christmas, as special treats for children to leave out for Santa's reindeer. Every year, hundreds of millions of pounds are spent on novelty Christmas gifts in the UK. Our objective was to channel some of this money into the hospice movement. Little packs of 'reindeer food' consisting of oats and glitter went on sale at the suggested retail price of £1. The promotion raised over £114,000 in six weeks.

In June 2006 thanks to funding from Argos (via the GUS Trust), Kidscape was able to produce a new 16 page booklet for primary school children, which was sent out free to all 24,000 schools in the UK. "Don't Bully Me!" gives information and advice to children aged 5 to 11 on what bullying is, what to do if it happens to them and how to help if they know somebody who is being bullied.



Argos, via the GUS Trust, is also funding a new project assistant on a two-year contract to assist their team with fundraising and donor administration, project management and general office administration.



Argos and Easyfone Group teamed up in early 2006 in a new mobile phone initiative called 'envirofone', allowing customers to turn their old mobile phones into cash or rewards and make a donation to Help the Hospices. The campaign raised £38,000 in one year.

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Accessibility

Introduction

Home Retail Group recognise the importance of providing a website that is inclusive and available for all user groups. This page explains:

- our approach to making this website accessible, including what we have done and will do in the future;
- the facilities that we have provided for different disability groups;
- guidance on how to use particular features;
- what to do if you have any questions or feedback for us.

Approach

The Home Retail Group website is being developed to support Internet users who have disabilities. We believe the web pages on the site are in line with RNIB's 'See it Right' accessibility criteria, and meet all of the priority 1 and level 2 criteria of W3C's Web Content Accessibility Guidelines. Any new information added to the site will be compliant with RNIB's 'See it Right' accessibility criteria.

The more recent PDF documents used in this website have been made in a form in which they are accessible to screen readers and voice browsers. Some of the older documents are not in this format. However, Adobe has a service which enables PDF files to be converted into HTML or text files. You can access this service from the [accessibility section of the Adobe website](#).

Select the following links to access specific details for:

- [Screen reader/voice browser/screen magnifier users](#)
- [Partially sighted users – changing the font size](#)
- [Colour-blind users](#)
- [Keyboard-only users](#)
- [Changing the style sheet](#)
- [Standards compliance](#)
- [Questions and feedback](#)

Screen reader/voice browser/screen magnifier users

Our navigation mechanisms are accessible by screen readers and voice browsers. In addition, skip links allow the user to bypass the navigation to the main content and also go directly to the site tools.

Text equivalents of all images have been provided and the relevant page and table header tags inserted.

Alternative mechanisms have been provided where JavaScript is used within the site.

Partially sighted users – changing the font size

We have provided the facility to change the font size of the text used on our web pages. If you are using Internet Explorer, select 'View' from the menu bar, then 'Text Size' and select from 'Smallest' to 'Largest'. In Netscape, select 'View' from the menu bar, then 'Text Size' and select from 'Smaller', 'Larger', '% values' or 'Other'.

Colour-blind users

We have checked the site font and background colour combinations for the different colour-blindness conditions and ensured that items are not referenced by colour alone.

Should you wish to change the colour of text and background by introducing your own style sheet, please follow the instructions in changing the style sheet.

Keyboard-only users

The web pages on the site have been tested for use in keyboard-only operation. When using the forms or controls for the tools, the keys to use are as follows:

- To select from drop down boxes, use up and down arrow keys
- To select/unselect a check box, use the space bar
- To move forward between links, use the tab key

To move back between links, use the Shift + tab keys

- To initiate an action button, use the Enter key when the action button is selected.

Changing the style sheet

Users may import their own style sheet into the website. In Internet Explorer, select Tools, then Internet Options and then Accessibility. Next select any or all of three checkboxes to ignore colours, font styles or font sizes. In the same window, you can change the style sheet by selecting the checkbox that says 'Format document using my style sheet', then simply browse to your preferred style sheet and select OK. In Netscape, select Edit, then Preferences and then Appearance. You will then be given a choice of colours and fonts.

Standards compliance

We have aimed to conform to Level AA compliance as specified by the Web Content Accessibility Guidelines.

As a part of the functionality of our search engine we currently employ a proprietary tag in order to provide more useful search results; while this is rightly flagged as non-compliant XHTML, its use greatly increases usability of the search engine and should be the only compromise to XHTML validation on the site.

Questions and feedback

email: [email address](#)

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