

How we performed in 2007/08

This section of the report details key highlights and summarises our performance against our published objectives. During the year we reviewed our performance against a number of industry benchmarks. We were also privileged to be nominated for a number of corporate responsibility awards, receiving top honours in several categories.

Highlights

Home Retail Group is a responsible retailer. This year we continued to make good progress on our corporate responsibility aims and commitments. Here is a summary of our key performance highlights.

Environment

Actively seek ways to minimise our impact on the environment in the way we do business

Key highlights:

- Increased recycling rate across the Group to 53%
- Reduced plastic bag consumption by 18% ahead of the sector average of 8%
- Two additional distribution centres achieved ISO14001, making a total of five for the Group
- Homebase launched backhauling of plastic from stores to distribution centres for recycling
- Reduced total CO₂ emissions by 19%
- Maintained building energy at 2006/07 levels despite opening 48 new stores
- Reduced fuel consumption by the Group commercial fleet by 4%

Customers

Help our customers be responsible consumers by giving them information and choices

Key highlights:

- Increased levels of customer satisfaction
- Extended the range of environmentally responsible products in both Argos and Homebase

Sourcing and supply chain

Behave ethically and with integrity when sourcing products and dealing with our suppliers

Key highlights:

- Audited 310 factories against our supply chain principles, representing 89% of our directly sourced products from Asia
- Argos received FSC chain of custody for the Group's printed materials
- Provided 60% of garden furniture lines from FSC sources

Our people

Be a good employer by providing a safe and healthy environment and enabling colleagues to act responsibly in their jobs and develop rewarding careers

Key highlights:

- Improved employee engagement across the Group
- Reduced customer RIDDORS by 28%
- Launched first Home Retail Group share scheme
- Commenced graduate trainee programme, with 12 new starters joining the Group

Communities

Support the local and national communities in which we operate

Key highlights:

- Invested £948,000 in community initiatives
- Raised over £1.6 million through Group fundraising activities
- Awarded 'Most Innovative Promotion' at the 2007 National Payroll Giving Awards

Performance against objectives

Management

For 2007/08 we set 19 corporate responsibility objectives. Here is a summary of our performance.

Objective	Progress	Comments
Carry out strategic review of corporate responsibility following first year since demerger	Completed	A full strategic review of corporate responsibility strategy completed in 2007/08. Output used to set the tone for this report.

Environment

Objective	Progress	Comments
Attain recycling rate of 50% across the Group	Completed	Achieved 53%, up from 40% last year
Reduce plastic bag consumption by 25% by end of 2008	Ongoing	Achieved reductions of 18% by the end of 2007, ahead of the sector average
Attain ISO 14001 status for five distribution centres	Completed	Barton and Faverdale Distribution Centres achieved ISO 14001 status, making a total of five for the Group
Achieve energy accreditation for Homebase and Argos from the Carbon Trust	Ongoing	Argos has been re-accredited; Homebase has applied for accreditation
Reduce energy consumption by 2% per kWh/sq ft	Completed	Achieved 7% reduction in energy consumption per sq ft
Purchase at least 30% green power	Completed	The Group purchased 49% of its electricity from renewable sources

Customers

Objective	Progress	Comments
Increase levels of customer satisfaction	Ongoing	We continue to measure customer satisfaction and have seen an improvement across most parts of the business

Sourcing and supply chain

Objective	Progress	Comments
Attain accreditation for sustainable paper sourcing	Completed	Argos has received FSC chain of custody for the Group's printed materials
Review current policy guidelines for product selection	Ongoing	These will be reviewed annually
Maintain existing recycled paper content of catalogue at 13%	Completed	The recycled paper tonnage of the catalogue remained the same as 2006/07, however as the catalogue pagination increased, the recycled paper content was 12%. Additionally, the total recycled content of all Group publications was 17%

Performance against objectives

Our people

Objective	Progress	Comments
Reduce average absence per employee	Ongoing	Continued efforts are being made to reduce employee absence by investment in systems and processes and through management training
Reduce RIDDORS by 10%	Missed	Work is ongoing to reduce the risk of incidents to colleagues and improve recording and monitoring of incident data
Improve take up of sharesave schemes	Ongoing	21% of colleagues participated in the latest sharesave scheme

Communities

Objective	Progress	Comments
Raise at least £1.6m for charity partnerships	Completed	Raised £1.6m through Group fundraising activities
Achieve gold status for payroll giving (at least 10% of workforce)	Completed	12% of colleagues give in this way
Establish arrangements for community investment	Completed	This has been achieved through the formation of the Home Retail Partnership Fund
Establish Group volunteering policy	Ongoing	A new Group-wide employee volunteering programme was researched during 2007/08 and will be piloted in 2008/09

Industry benchmarks

FTSE4Good: we have met the published social and environmental criteria required for investable companies.

Dow Jones Global Sustainability Index: Dow Jones calculates these indices by assessing the top 10% of companies against a proprietary framework to judge their sustainability. We have been awarded a silver class, placing us in the top four general retailers.

BITC Index: we were pleased to progress to the gold band from silver in 2007.

Insight Investment's CDP5 benchmark: this survey assesses the performance of FTSE 100 companies in response to climate change. We scored 49% based on our published information for 2006/07; the average score was 46%.

Carbon Disclosure Project (CDP5): we disclosed our carbon emissions as part of the Carbon Disclosure Project and are quoted in its final report.

Sustainable Investment Research International's draft profile: we have been rated by independent analysts PIRC using their SiRi methodology.

Ethibel Index: we have been included in the proprietary Ethibel Index, assessed by French analysts Vigeo.

London Benchmarking Group: this index benchmarks national community investment across different business sectors, including retail. In 2007, Home Retail Group led the retail sector in donations generated from others as a proportion of our community investment.



FTSE4Good



Dow Jones
Sustainability Indexes

Business

Community



CARBON DISCLOSURE PROJECT



Awards

We submit applications for selected corporate responsibility awards. The comments of judges can be a useful external benchmark of how we are doing. Winning awards and being shortlisted can also be very motivational for our team, who work very hard to achieve real corporate responsibility improvements right across our business.

We have received several notable corporate responsibility awards during the last 12 months.

General

- DJSI Silver award
- BitC Gold award
- Retail Week CSR award finalist 2007

Environment

Homebase won in the 'Supply Chain Innovation' category at the 2008 European Supply Chain Excellence Awards for its work in smoothing stock flow with Far Eastern suppliers.

Argos was a finalist in the 'High Street Recycling Champion' category at the 2007 Letsrecycle.com Awards for Excellence.

Our people

Home Retail Group received a Gold Award from the Institute of Fundraising for our payroll giving scheme. The Gold Award is a symbol of excellence and is awarded to employers that have succeeded in generating sustainable incomes sources for UK charities through Payroll Giving. Gold is awarded to those organisations with 10% or more donors within their workforce. At 12% Home Retail Group is one of the leaders for payroll giving within the retail sector.

Paul Hill, the new manager of the Homebase store at Weston-super-Mare, won the prestigious Retail Week 'Store Manager of the Year' award for 2008 in recognition of his all-round management skills. The judges commended Paul for his commitment to people development and for being a dedicated, popular and inspirational store manager.

Highlighting the quality of store managers across the Group, Homebase was successful at all of the major competitions in 2007/08:

- Rob Dent at Banbury was joint winner of Retail Week's 'Rising Stars Store Manager of the Year' award for 2008 for the Midlands, Wales and South West
- Adrian Page at Huntingdon was named Retail Bulletin's 'Store Manager of the Year (South)'
- Alan McCourt of Edinburgh Straiton was named 'Britain's Best DIY Superstore Manager'.

Community

Home Retail Group was awarded 'Most Innovative Promotion' at the National Payroll Giving Awards in 2007. The judges commented:

"Home Retail Group came up with the brilliant idea of inflation-proofing donations with their 'Xtra Factor'. The 'Xtra Factor' allowed employees, on joining the scheme, to choose to add 3% annually to donations - a very innovative and effective approach towards a fundamental issue for payroll giving. The judges felt that this will significantly boost donations in future and ought to be considered by other employers."

Homebase received a Royal Horticultural Society Gold Medal at the Hampton Court Palace Flower Show in 2007. A team of 120 Homebase colleagues from across the UK and Ireland worked tirelessly to complete the garden, which was donated to Marie Curie Cancer Care after the event.

Case studies

We have made notable progress in key areas of our corporate responsibility commitments during the year. Here are a few examples in more detail.

Understanding the 21st century

Homebase is supporting the Eden Project on a pioneering year-long study of contemporary living habits in England. The 21st Century Living Project aims to investigate and understand the key drivers of consumer behaviour with regard to domestic energy use, water consumption and waste generation.

While other studies have tended to focus primarily on one of these categories, this is the first study in the UK to combine all three elements.

In conjunction with project partners the Energy Savings Trust, WRAP and Waterwise, the project aims to understand the barriers to sustainable living amongst householders and identify techniques and solutions to overcome them. The findings and recommendations will be shared with producer groups, environmental non-governmental organisations, Government and our peers to help advance product efficiencies and create industry-wide best practice for sustainable product development.

"At the Eden Project we attract around 1.2 million visitors every year and they often ask us what actions they can personally take to make a difference, so we are working with Home Retail Group to explore some of the ways forward for 21st Century Living. It's an extremely positive project that aims to identify what works and what doesn't when it comes to greening up the household. The outcomes will fit perfectly with Eden's mission to explore our relationship with the environment and educate others so we can all enjoy a prosperous and sustainable future."

Tim Smit, CEO, The Eden Project

Putting waste in its place

In February 2008 Homebase launched a major programme to reduce landfill waste across all its stores. This was made possible by the introduction of waste backhauling from stores to distribution centres for onwards recycling.

The programme is supported by colleague training, comprehensive waste guides and a dedicated team of waste managers providing advice and support to stores.

"The putting waste in its place is going very well in stores, stores are now a lot more focused on what they can do with their waste streams in store, and have had to engage all colleagues at store level to help reduce our landfill targets, it requires everyone to play their part and change attitudes to waste from a corporate view and an ecological view. Some stores have already reduced their skips by a significant amount already and have a real "buy in" to what we are doing, all feed back is very positive and we are now looking for more ways to get even better at our challenge."

Russell Berger, waste and recycling advisor for the northern regions

Argos kindly drives huge charity donation

Argos has supported In Kind Direct with one of the largest donations it has received since being founded in 1996. In Kind Direct is a charity that co-ordinates and encourages manufacturers and retailers to donate high quality goods for use by good causes.

In April 2008, 20,000 items of Argos stock - from MP3 players to coffee tables - were transported to the charity in an operation that lasted four days and took eight separate deliveries.

One of the first organisations to benefit from the scheme is Darnall Community Nursery in Sheffield.

"We are very grateful for the staunch support of Argos. What makes your donations particularly fantastic is the huge range they give us. Since In Kind works with every size and type of charity all over the UK, the impact a company like Argos makes is truly smiles all around for hundreds of people."

Robin Boles, CEO, In Kind Direct

"We are a community group providing childcare, family support and training to our local community and have found the equipment and resources from In Kind Direct an enormous support to our work."

**Linda Edwards, Community Co-ordinator,
Darnall Community Nursery**

Graduate Recruitment

In February 2007, 5 new graduates began working for Argos on a 2 year graduate leadership development programme. The aim of the programme is to specifically develop Argos' business leaders of the future such that these recruits will be playing a key role in leading the business by 2017.

The graduates are supported by a training programme based on the Argos leadership model, which sets out the skills they require to become a business leader. Their development is mapped periodically using 360 degree feedback to check they are on track. All the graduates are sponsored by a member of the Argos executive board and are mentored by senior leaders within the business.

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The 2007 graduate in-take has proven to be very successful, such that Argos is recruiting for another round of graduates to join in 2008, for more details visit:

<http://www.argoscareers.com/graduates>

"The Graduate Leadership Programme has been created specifically to develop our leaders of the future. The programme is designed to nurture talented graduates in to future leaders, providing them with key skills and experience gained across a variety of business areas in order to prepare them for their future careers. The number of places available on the programme reflects the level of investment and support each graduate has during the programme and its bespoke nature ensures we provide each graduate with the stretch and challenge they seek to achieve their career aspirations"

Lisa Bradley, Argos 'HR Manager - Talent'