

Strategy Delivery

Marketplace: Operate a responsible supply chain and develop ethical trade

| CHALLENGES | RISKS | OPPORTUNITIES |
|--|---|--|
| <p>Supply Chain Partnerships: 80% of UK shoppers expect businesses to constantly check their suppliers are acting responsibly towards the environment.¹</p> <p>Developing a sustainable business requires the full involvement of all our suppliers of branded products and goods not for resale.</p> | <ul style="list-style-type: none"> - Reputational risk of partnering with suppliers who do not share our values and principles, e.g. not adhering to the Bribery Act - Unable to fulfil our Corporate Responsibility objectives if our suppliers are not committed to implementing more sustainable practices | <ul style="list-style-type: none"> - Make a positive contribution towards securing the long-term sustainability of our suppliers - Enable us to meet our medium and long-term Corporate Responsibility objectives |
| <p>Encourage Sustainable Behaviour: The economic downturn has not dented customers' desire to minimise their impact on the environment and their spend on ethical products.²</p> | <ul style="list-style-type: none"> - Reputational risk through perceived lack of interest or understanding of customers' environmental concerns and needs - Difficult to fulfil our Corporate Responsibility objectives if our customers are not willing to adopt more environmentally sustainable lifestyles | <ul style="list-style-type: none"> - Make a positive impact in our communities by helping them to adopt more sustainable lifestyles and save money - Build customer loyalty - Increase our sales of environmentally friendly products |
| <p>Local Sourcing: Customer demand for locally sourced products is growing - it supports local economies and reduces transport miles.³</p> | <ul style="list-style-type: none"> - Not meeting customer expectations regarding availability of locally sourced products in our stores - Commercial pressure to sell cheaper imported products will supersede the Corporate Responsibility commitment | <ul style="list-style-type: none"> - Enhance reputation as a business which supports local suppliers and the local economy in which it trades - Reduce transport miles |

Strategy Delivery

Environment: Reduce our negative and increase our positive impact on the environment

| CHALLENGES | RISKS | OPPORTUNITIES |
|--|--|---|
| <p>Carbon Reduction: An increasing need to monitor and reduce carbon emissions due to regulation, media and public scrutiny and increasing energy prices.</p> | <ul style="list-style-type: none"> - Reputational risk through perceived lack of intent and / or action leading to a potential loss of sales - Increased operational costs due to climate change levies - Increased operational costs due to increasing energy prices | <ul style="list-style-type: none"> - Improve the energy efficiency of our properties - Focus on reducing direct emissions as well as seeking ways to tackle indirect emissions via suppliers - Reduce operational costs |
| <p>Waste Prevention: 2% of UK business profits are lost through the inefficient use of resources.¹ The concept of waste as a valuable resource to be reused means we need to move beyond waste reduction to actively eliminating waste from the supply chain.</p> | <ul style="list-style-type: none"> - Rising general business costs - Negative customer and other stakeholder perception if no targets are set | <ul style="list-style-type: none"> - Work collaboratively across the supply chain to rethink waste, reducing and designing it out of our business - Embed our waste prevention plan throughout the business - Reduce operational costs |
| <p>Preserve Natural Resources: The world population is consuming 50% more natural resources globally than the planet can sustainably produce.²</p> | <ul style="list-style-type: none"> - Rising raw material costs - Reputational risk through perceived lack of engagement with addressing the issue of finite resources - Scarcity of supply | <ul style="list-style-type: none"> - Help to ensure security of supply for the long term - Encourage innovative and creative approaches to reducing our dependency on and use of natural resources - Reduce operational costs |

¹ The Department for Environment, Food & Rural Affairs ² WWF's Living Planet Report 2012

Strategy Delivery

Community: Work with our communities to help them to improve their sustainability and wellbeing

| CHALLENGES | RISKS | OPPORTUNITIES |
|--|---|---|
| <p>Employability and Business Skills for Young People: 1.9m young people are growing up in households where no one works.¹</p> <p>One in six 16-24yr olds in England are NEET's ² and at 11.5% the West Midlands has the second highest share of this group.¹</p> | <ul style="list-style-type: none"> - The economic prospects of young people will impact upon our future profitability - A lack of young talent in our business - Ethical responsibility to engage with the NEET's ² agenda for the good of the Society and future prosperity of our communities | <ul style="list-style-type: none"> - Increase our young talent at entry and graduate level - Help young people gain employability skills = grow our own talent and improve the employability prospects of our future customer base - Create and grow our Apprenticeship programmes |
| <p>Obesity: 33% of UK children, our future workforce and customers, are overweight or obese.³</p> <p>Obesity costs UK businesses over £2.1bn per year in employee sick days and premature deaths.⁴</p> | <ul style="list-style-type: none"> - Reputational risk of not engaging with this issue - Commercial pressure to sell less healthy food & drink will supersede the Corporate Responsibility commitment | <ul style="list-style-type: none"> - Make a positive impact by committing to be directly involved in this issue - PR & Marketing to take the message to a wide audience - Engage our employees through volunteering |
| <p>Food Poverty: 128,000 people in the UK visited food banks in 2012.⁵</p> <p>It's predicted that 500,000 people in the UK will need help from a food bank by 2016.⁵</p> | <ul style="list-style-type: none"> - Reputational risk of not engaging with this issue - Shoplifting / theft - Health and well being of our local community | <ul style="list-style-type: none"> - Make a positive impact within our communities - Engage our employees through volunteering - Reduction in crime |

¹ Department for Education Feb 2012 ² NEET's: 16 – 24 year olds Not in Education, Employment or Training ³ National Child Measurement Programme Sept 2012 ⁴ National Audit Office 2001 ⁵ Trussell Trust April 2012

Strategy Delivery

Workplace: Engage and develop our employees while rewarding their efforts and achievements justly and fairly

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| <p>Health & Wellbeing: 131m working days were lost to sickness in 2011 with the majority due to musculoskeletal disorders and work related stress.¹ The cost to industry equates to £3.1bn per year.¹</p> | <ul style="list-style-type: none"> - Business: reputation and non compliance re Corporate Manslaughter legislation, cost of claims and lost time - Employees: loss of trust in and engagement with the business, loss of work time and pay, trauma of incidents, ability to work | <ul style="list-style-type: none"> - Reductions in sick days and associated costs - More engaged and productive employees - Higher employee retention - Help towards becoming an Employer of Choice |
| <p>Attract & Retain Talent: More than a third of employees plan to leave their current employment once the recession ends resulting in recruitment and lost productivity costs of £63bn for UK organisations.²</p> | <ul style="list-style-type: none"> - If we fail to attract and retain talent we will find it harder to serve our customers well and achieve our vision - Costs of recruitment and lost productivity | <ul style="list-style-type: none"> - Retaining talent makes sound financial sense - Build employee engagement, commitment, morale and productivity - Enhance creativity and innovation |
| <p>Diversity & Inclusion: Operating successfully and for the long term in areas with socially diverse customers requires a workforce that reflects the communities it serves.³</p> | <ul style="list-style-type: none"> - Reputational risk of not engaging with or promoting diversity and inclusion - Failure to attract and retain the best people - Our diverse customer base will feel alienated from us | <ul style="list-style-type: none"> - Attract and retain the best people from a wide "talent" pool - Broad skills and knowledge base - More adaptable business - Better understanding of our customers' needs |

¹ Office for National Statistics May 2012

² Chartered Institute of Personnel Development Research (CIPD) 2012 ³ CIPD