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In September 2007, Homebase launched a new variety of daffodil in aid of Marie Curie Cancer Care. Named 'Bulb of Choice', the bulbs, which were sold exclusively in all Homebase UK stores for £1, generated £51,000 to help Marie Curie Cancer Care provide care for terminally ill patients.



Growing responsibly.


There has been a stronger awareness of corporate responsibility in the retail sector this year. We have been engaged on this topic for many years.


Our agenda is wide. It touches almost every aspect of our business, from our suppliers' factories to our customers' homes.

Doing things right takes time, energy and resources and the choices are not always easy. But by tackling the issues methodically and with resolve, we are making good progress.



Where can I find more information?

 Pg 50-51.
Principal risks and uncertainties.

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 Pg 64-68.
Corporate governance.

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 www.homeretailgroupcr.com
The online Corporate Responsibility Report.

How we think

We aim to understand what society expects from us – through research and discussion with our stakeholders – and reflect this in the way we manage our business.

Responsible retailing

In general, we prefer to integrate our handling of social and environmental issues into our day-to-day operations. In support of this approach, we have a corporate responsibility framework setting out how we will act:

- Actively seek ways to minimise our impact on the environment in the way we do business
- Help our customers be responsible consumers by giving them information and choices
- Be a good employer by providing a safe and healthy environment and enabling our colleagues to act responsibly in their jobs and develop rewarding careers
- Behave ethically and with integrity when sourcing products and dealing with our suppliers
- Support the local and national communities in which we operate.

We focus on topics where we think we can realise social/environmental and commercial benefits. For example, we are working on ideas to use our multi-channel platform, including catalogues and websites, to help our customers make their own responsible choices. We are also keen to extend our success in tackling waste throughout the business to other eco-efficiency measures.

Our work is directed towards meeting a number of objectives and targets and reported in detail online.

Effective governance

The Group company secretary has overall responsibility for corporate responsibility management, leading discussions and decision-making at Operating Board and plc Board level and chairing our corporate responsibility steering group. He is assisted by a small central team of corporate responsibility professionals.

The corporate responsibility steering group provides the Group with strategic direction on corporate responsibility matters, with input from two management groups. These address issues relating to waste, energy, products and the supply chain, and community affairs, the workplace and financial services; they are chaired by the Group commercial director and Group HR director respectively.

In addition, our management of corporate responsibility is effectively integrated with our management of business risks.

Consulting our stakeholders

Understanding the needs of our customers is vital, but we have other important stakeholders too. We try to work closely with all our stakeholders to understand their perspectives and take them into account in how we plan and run our business.

We place great emphasis on understanding and responding to the views of our colleagues, as they drive our business performance through their dedication, commitment and skills. We also talk and listen to a wide range of other stakeholders, including suppliers, shareholders, Government, the media and special interest groups representing particular social causes.

19%↓

Reduction in carbon footprint achieved.

What we've been doing

The following section provides a summary of our corporate responsibility activities during the past financial year. For a full report, please go to www.homeretailgroupcr.com.

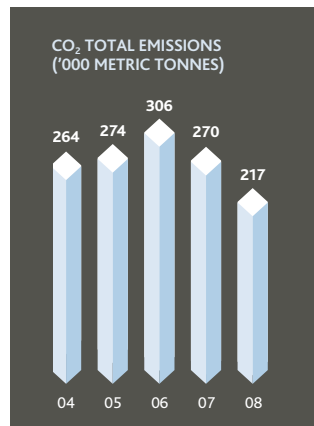
Environment

We have an active programme to reduce our environmental impact. This focuses on our carbon footprint, waste management and use of bulk materials.

Our carbon footprint has reduced by 19% this year, through reductions in emissions from our buildings and transport fleet and greater use of renewable energy:

- Energy use has remained constant despite opening more new stores this year (+48), as we have improved the efficiency of our stores and increased energy awareness amongst colleagues
- Electricity from renewable sources now accounts for 47% of the electricity we use
- Our fleet efficiency has improved, using 4% less fuel whilst travelling the same distance.

We have had notable success this year in reducing the amount of waste we send to landfill by 29%. We now recycle over half of all waste produced. Store waste is returned to distribution centres in the back of empty vehicles to be compacted and recycled.



This 'backhauling' technique has been used in Argos for several years and has now been introduced at Homebase.

This year, two more distribution centres achieved accreditation to the recognised environmental standard ISO14001, making five in total; more centres are ready to achieve accreditation in the coming year.

We have embarked on a major exercise to review and reduce the amount of packaging we use on around a fifth of our range. We have also taken action to reduce our carrier bag consumption, leading to an 18% like-for-like reduction since 2005, well above the sector average.

Customers

Customer satisfaction is one of the strongest drivers of our performance. We have extensive processes dedicated to understanding and responding to our customers' views, including:

- Exit and till prompt surveys
- Customer listening groups
- Independent market research
- Mystery shopping surveys.

We consult our customers regularly on issues including our product offer, pricing and shopping experience. As there is growing evidence that customers consider issues such as supplier ethics and impact on the environment in their shopping choices, we have extended our research to cover these areas as well.

The most recent results highlighted customers' needs for:

- Information to help make them the right choice
- Convenient eco-friendly products that fit into their lifestyles
- Energy-efficient products that can help them reduce home energy bills
- Less product packaging to help them reduce home waste.

52%

Amount of all Group waste that is now **recycled**.

Our formal research in this area is being supplemented by the detailed insights from the innovative 21st Century Living Project (see below).

21st Century Living Project

With our support, the Eden Project is conducting a year-long study of a cross-section of homeowners in England to understand 21st century living. We are challenging and supporting 100 homes to reduce their energy use, water consumption and waste. We will be tracking the households for a year to understand which technologies and incentives worked best. We hope to use the findings to offer our customers practical solutions to improve their environmental footprints.

We offer our customers a wide choice of energy-efficient and environmentally responsible products. During the last financial year, we have run customer information campaigns promoting our water-saving, energy-efficient and sustainably-sourced products. We plan to increase these ranges in the future. We are also exploring new low-carbon alternatives to gas patio heaters, which we plan to phase out of sale.

Product safety is a key priority for our business. We monitor safety through our own team of specialists, who produce factory audits and product safety reports. Factory audits are conducted by accredited organisations and we only accept product safety certification from laboratories with recognised UK accreditation or equivalent.

In our Financial Services business we are committed to acting responsibly, particularly ensuring customers can afford to repay their borrowing. Clear operating procedures, including strict lending criteria, and robust controls ensure high standards in this area. We endeavour to treat customers fairly and provide clear and straightforward messages about our financial products. During the year

we strengthened this approach by enhancing our complaints reporting procedures and introducing a new performance scheme that sets stringent quality and compliance benchmarks for advisers.

Our people

A good working environment is essential to recruit and retain a strong and motivated workforce. We want our people to feel great about our company and the work they do and to see that we make a positive contribution to our society and the environment. This kind of engagement can make an important difference to business performance.

During the year the average number of Home Retail Group employees was 53,197. As approximately 74% work part-time, this equates to 29,846 full-time equivalents. Just over half (52%) of colleagues are women.

We focus on engaging everyone so that they understand our business strategy and the part they can play in its success. We also provide incentives and benefits to motivate and reward performance. We train and develop our people so that they can continuously improve and in so doing, increase the depth of talent in the business, helping to identify future leaders.

Disabled persons have equal opportunities when applying for vacancies, with due regard to their aptitudes and abilities. We have further procedures to ensure that disabled colleagues are fairly treated and that their training and career development needs are carefully managed.

We have a range of policies to ensure that our colleagues work in safe conditions and to contribute as far as possible to their health and well-being. We provide basic safety training to all new colleagues and further role-specific training where appropriate – for example, fork-lift truck drivers and managers/supervisors in stores and distribution centres.



Charles Drewe, *Group Sustainability Manager*

Charles was instrumental in getting FSC certification for Argos and Homebase, helping customers get the sustainably sourced products they want.



Lili Papadimitriou, *Graduate*

As a new graduate, Lili is getting the inside track on what it takes to build and maintain a market-leading retail business.



Rita Hyde,
*Customer Service Assistant,
Homebase Stratford*

Rita is one of our charity champions. She's helped raise over £3,000 for Marie Curie Cancer Care.

“We offer our customers a wide range of energy-efficient and environmentally responsible products.”

Paul Loft, *Managing Director, Homebase*



‘Our paper suppliers must have recognised environmental management processes and be able to ensure complete traceability of paper used in all catalogues and marketing materials.’

Employee engagement

We aim for clear and effective communication with all our people. We conduct listening surveys every year and hold regular team briefings. Where appropriate, we involve colleagues on matters that concern them through local consultative procedures. Where we have recognition agreements with trade unions, the consultation process is established through national and local trade union representatives and joint consultation committees.

Events for colleagues at offices and distribution centres and conferences communicate important changes within the Group, such as the launch of new business initiatives and seasonal trading plans. In addition, all colleagues receive bi-monthly newsletters containing information on business performance, employee achievements, new store openings and other relevant developments.

Colleague benefits

Our benefits packages allow colleagues to share in the success of the Group. Our Save As You Earn plan gives colleagues the opportunity to purchase shares at a 20% price discount tax-free; the uptake rate in 2007 was 21%. Discount arrangements include travel and insurance offers, gym memberships and days out. We also offer a tax-efficient childcare vouchers scheme, free access to confidential counselling and a legal helpline for staff.

Learning and development

We are very keen to develop future leaders from within the Group, providing extensive and tailored training for our people. Each new starter has a formal induction to the Group and every colleague has access to appropriate development training programmes. We have three well-established internal programmes to develop management talent. These run between six months to one year and provide a real depth of learning for participants.

Supply chain

Before we place contracts to buy from a new factory, we perform an audit to assess factors such as product quality, manufacturing processes and capability, treatment of workers, health and safety and environmental practice. Where necessary, we agree any improvements required with factory managers before an order is placed or renewed.

Our ethical auditing now includes all direct source suppliers, regardless of size. As a result, our audit coverage during the year rose to 89% of directly sourced orders and more than 310 separate factories. We are extending the programme to products imported through agents.

Our wood and wooden products are carefully sourced from legal, well managed forests, driven by our timber policy and Homebase's active membership of the World Wildlife Fund's Global Forest and Trade Network. Approximately 60% of our wooden garden furniture lines have been certified by the Forest Stewardship Council.

We work with our diamond suppliers to ensure we meet the protocols of the Kimberly Process Certification Scheme, so that our suppliers do not buy any conflict diamonds and an audit trail is in place. We are also aware of social and environmental concerns around certain types of gold mining and have joined the Council for Responsible Jewellery Practices to work with other retailers on these problems.

All Group paper suppliers are now required to have ISO14001 or Eco-Management Audit Scheme (EMAS) registration and chain of custody certification, ensuring complete traceability of all paper used in catalogues. Of the paper used to produce our catalogues and other marketing material, 17% is from recycled sources. All 4.3 million Argos Christmas promotional leaflets were printed on 100% recycled paper.

Community

Our community programme supports local and national causes through a variety of channels.

The total value of the Group's giving for 2007/08 was £947,000 (2007: £465,000).

During the year, we established the Home Retail Partnership Fund to oversee charitable donations. The GUS Charitable Trust, funded by GUS plc prior to the demerger that took place in October 2006, concluded its funding of certain projects. This funding has been included separately in our reporting.

In July 2007, Argos formed a new one-year arrangement with Leukaemia Research and Irish charity Barretstown, which is on track to raise over £500,000. This followed the conclusion of a very successful two-year partnership with Help the Hospices, which raised over £1.2m. In 2006, Homebase launched a two-year partnership with Marie Curie Cancer Care and the Irish Cancer Society with the aim of raising £500,000 to pay for 25,000 hours of home nursing. This partnership has raised over £1.2m to date.

The 'Tick to Give' initiative enabled Argos customers to give 20p to our charitable partner by ticking a box on their selection slips when choosing items in Argos stores. To date, this scheme has raised over £210,000.

In 2007, Homebase offered customers the 'Bulb of Choice', which is a new variety of daffodil. The bulb was sold exclusively to Homebase customers, generating proceeds of £51,000 for Marie Curie Cancer Care.

Benchmarks

FTSE4Good

Home Retail Group is included in the FTSE4Good Index, meeting all the relevant social and environmental criteria.

Dow Jones Global Sustainability Index

Home Retail Group is listed in the Dow Jones Global Sustainability Index, which selects the top 10% from a universe of 3,000 global companies based on comprehensive sustainability data. Silver classification places Home Retail Group in the top four general retailers.

Business in the Community Index (BiTC)

The BiTC Index assesses the extent to which corporate strategy is integrated into business practice throughout an organisation and evaluates performance in a range of environmental and social impact areas. Home Retail Group has progressed into the gold band from silver last year.

For a full report on our performance during the year, see www.homeretailgroupcr.com.



FTSE4Good



**Dow Jones
Sustainability Indexes**
Member 2007/08



Community programme support

Giving	Value (£000)
Cash donations	572
Volunteering	106
Gifts in kind	140
Management resources	129
Company donations	947
Donations from the GUS Charitable Trust	450
Monies raised by colleagues	
Payroll giving	312
In-store fundraising	1,252
'Tick to Give'	98
Donations generated by others	1,662
Total	3,059