



# COMMUNICATIONS ON PROGRESS

SHOP DIRECT GROUP  
CORPORATE SOCIAL RESPONSIBILITY REPORT

# 1

# THE UNITED NATIONS GLOBAL COMPACT TEN PRINCIPLES

THE UNITED NATIONS GLOBAL COMPACT (UNGC)

IS THE WORLD'S LARGEST VOLUNTARY CORPORATE CITIZENSHIP INITIATIVE. THE UNGC ISSUES TEN PRINCIPLES ON HUMAN RIGHTS, LABOUR STANDARDS, THE ENVIRONMENT AND CORRUPTION. MEMBERSHIP OF THE UNGC REQUIRES COMPANIES TO ISSUE A 'COMMUNICATION ON PROGRESS' REPORT ANNUALLY.

THIS REPORT IS OUR FIFTH COP AND IT OUTLINES SHOP DIRECT GROUP'S ACTIVITIES IN SUPPORT OF THESE TEN PRINCIPLES



WE SUPPORT

## HUMAN RIGHTS

### PRINCIPLE 1

businesses should support and respect the protection of internationally-proclaimed human rights; and

### PRINCIPLE 2

make sure that they are not complicit in human rights abuses.

## LABOUR

### PRINCIPLE 3

businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

### PRINCIPLE 4

the elimination of all forms of forced and compulsory labour;

### PRINCIPLE 5

the effective abolition of child labour;

### PRINCIPLE 6

the elimination of discrimination in respect of employment and occupation.

## ENVIRONMENT

### PRINCIPLE 7

businesses should support a precautionary approach to environmental challenges;

### PRINCIPLE 8

undertake initiatives to promote greater environmental responsibility; and

### PRINCIPLE 9

encourage the development and diffusion of environmentally-friendly technologies.

## ANTI-CORRUPTION

### PRINCIPLE 10

businesses should work against all forms of corruption, including extortion and bribery.

# 2 CONTENTS

**Principle 1,** Future Focus 10 List & report highlights

- Employee Fundraising
- Forging Links with our Community
- Spreading Christmas Cheer
- Fundraising Events
- Our Commitment for 2011
- Community Investment at Shop Direct
- Touraid Case Study

**Principle 2, 4, 5**

- Human Rights
- Forced Labour
- Child Labour
- Monitoring
- Compliance Direct HK Ltd
- Animal Welfare
- Ethical Product Policies
- Partnerships
- Conclusion

- A short film of our photographic shoots

- Fair and Transparent Financial Services
- Combating Fraud and Identity Theft

See how we scored in each of our principals

**Principle 3, 6,**

- Shop Direct Population Segments
- Leadership Development at Shop Direct

**Principle 7, 8, 9,**

- Electricity Usage
- Gas Usage
- Case Study
- Recycling
- Business Travel
- Travel to Work Activities
- Wellness
- Health and Safety
- The Focus for Next Year
- Environmental Paper Purchasing

**Principle 10,** Working against corruption in all its forms

# 3 INDICATORS AND GRADING SYSTEM

At the end of this report you will find a marking scheme. The purpose of this scheme is for us to rate how well we believe we are performing in each reporting area, ranging from legal compliance to best practice.

Where we have not marked ourselves as best practice or good, we intend to raise standards accordingly. In deciding on indicators for this COP once again we have chosen our own system. Nevertheless, this was done after using as reference the Ethos Indicators and GRI methodology.

Moreover, we will continue to monitor best practice in the CR and sustainability reporting industry and adapt our own indicators and reporting accordingly.

## ASSURANCE

AFTER THIS REPORT IS PUBLISHED IT WILL BE VOLUNTEERED FOR PEER-REVIEW BY A RANDOMLY-SELECTED GROUP OF CORPORATE MEMBERS AND OBSERVERS OF THE UK NETWORK OF THE UN GLOBAL COMPACT.

Any suggested changes will be made and the report will be re-submitted (if needed) to the UNGC following the Peer-Review Process.

Prior to publishing, there was also assessment by a wide variety of stakeholders including Shop Direct Group colleagues, customers, suppliers and NGOs and in this regard, a variety of stakeholder comments appear at the end of the report.

\* This Communication on Progress predominantly refers to activities and progress during 2010. However, some individual commentaries include activity begun during 2011

# 4

## FOREWORD

WE SUPPORT THE UNITED NATIONS GLOBAL COMPACT AND ARE COMMITTED TO ONGOING ENGAGEMENT WITH THE LARGEST AND FASTEST GROWING CR INITIATIVE IN THE WORLD. WE STRIVE TO ABIDE BY THE TEN PRINCIPLES IN ALL OUR BUSINESS OPERATIONS.

The tough economic environment and the squeeze on consumer spending through rising fuel, energy and food prices, continues to impact all businesses that serve the consumer. The retail industry, more than any other, has felt the full force of the economic downturn and at Shop Direct Group we have not been impervious to this.

However, it is important that whatever the economic climate, businesses should commit to always operating responsibly with strong ethical standards and be good citizens in the communities in which they operate.

At Shop Direct, through our support of the UN Global Compact and The Future 10 Focus, we clearly set out our commitment to being a good corporate citizen and putting corporate social responsibility at the heart of our business.

We continue to invest in developing our CSR programme across the Group and I am pleased to see strong progress in a number of key areas in 2010. In particular we continue to make strong progress in driving better colleague engagement and strategic community investment. New for 2011 will be the launch of a charitable foundation and a pilot colleague volunteering programme – linking the skills of our leaders to local charities who can benefit from their business expertise to help them prosper.

I would like to thank colleagues across the Group for their continued commitment to ensuring that our corporate responsibility programme remains at the core of the Group and its operations.

Mark Newton-Jones



Group Chief Executive

## FUTURE FOCUS 10

-  ENERGY CONSUMPTION
-  RECYCLING
-  PUBLICATION PAPER & DIRECT MAIL
-  TRANSPORT
-  ETHICAL SOURCING, LABOUR, HUMAN RIGHTS & ANIMAL WELFARE
-  COMMUNITY
-  RESPONSIBLE LENDING
-  CORRUPTION, GOVERNANCE & TRANSPARENCY
-  HEALTH & SAFETY
-  HR, DIVERSITY & EQUAL OPPORTUNITIES



MARK NEWTON-JONES  
DISCUSSING CORPORATE  
SOCIAL RESPONSIBILITY AT  
SHOP DIRECT GROUP



# THE INFLUENCE OF THE GLOBAL COMPACT ON OUR BUSINESS

RESPECT FOR THE GLOBAL COMPACT PRINCIPLES BINDS TOGETHER OUR ACTIVITIES IN CR AND SUSTAINABILITY AND GIVES US A SIMPLE TO USE AND SIMPLE TO UNDERSTAND FRAMEWORK FOR ACTION AND MEASUREMENT.

Reporting on the Ten Principles ensures we report comprehensively across all our business impacts.

The writing of a COP increases our competitiveness as it serves as a public and very visible record of progress and therefore focuses our actions and planning in multiple business critical areas. The production of a COP has also aided employee understanding of our business and by mapping our impacts has helped identify cost savings and opportunities to increase efficiencies.

We also believe that the adoption and respect of the Ten Principles gives us a renewed licence to operate among the communities within which we work, as well as with our customers, colleagues, suppliers and wider stakeholders.



# HIGHLIGHTS

## OUR CUSTOMERS:

- All own brand goods ethically and environmentally manufactured.
- Over 500 audits and revisits carried out at factories.
- No goods sourced from countries where there are UN trade sanctions or embargoes.
- Standard European Consumer Credit Information disclosure implemented.
- Healthy body image portrayed across all of our brands.

## OUR COLLEAGUES:

- Implementation of a Leadership Development Programme – over 550 managers already taken part.
- Employee engagement increased by 23% in our employee opinion survey.
- Launch of 'Helping Hand' matched giving programme -£260,000 raised for charities.
- Maintained BSI OHSAS 18001 Health and Safety accreditation.

## OUR COMMUNITY:

- Partnership developed with Parklands High School.
- Inaugural Shop Direct Charity Ball held.
- Successful participation by Mahamek Boys' Home in the Caldry Touraid Festival.
- Continuation of Christmas toy donation initiative.

## OUR PLANET:

- Reduction in electricity consumption by 19.6%
- Gas usage reduced by 5.1%
- 100% of Shop Direct Group catalogues printed on Promoting Sustainable Forest Management (PEFC) certified paper.
- 96.8% of all materials recycled.

# 5 THE CR BOARD

CREATED IN 2008 AND CHAIRED BY MARK NEWTON-JONES, GROUP CEO, THE CR BOARD SETS AND OVERSEES THE ARENA OF CORPORATE RESPONSIBILITY AND SUSTAINABILITY.

THE CR BOARD IS MADE UP OF NINE EXECUTIVE MEMBERS AND MEETS QUARTERLY.



Half of the timber harvested world-wide is used to make paper. Therefore, it is vital that everyone involved in publishing makes a commitment for the responsible use of the world's natural resources.

**Rob Hardman**  
Head of Print & Paper Procurement

In August 2010 a new SDG company 'Compliance Direct HK Ltd' was launched. Compliance Direct is a separate and independent division of SDIL set up to audit factories from an ethical and environmental perspective.

**Micheal Spenley**  
Head of Corporate Responsibility

Shop Direct Group plays a positive role in the communities in which we operate and in the ones that our colleagues and their families live.

**James Evans**  
Group Communications Director

The retail industry is fast moving and making sure each of our colleagues has a flexible and diverse range of skills is as important to the future of our business as it is to the people who work for us.

**Jacqui Humphries**  
Group People Director

Shop Direct Group's commitment to prevent bribery & corruption continues to be a key focus. We have a zero tolerance approach which is clearly communicated by the Executive Board and through the Group's Corporate Responsibility Committee.

**David Mortlock**  
Director of Internal Audit

We have continued to focus on serving our customers both new and existing in a fair and responsible way. We aim to provide customers with all the information they need to make informed and responsible decisions.

**David Poole**  
Chief Operating Officer of Financial Services

Sourcing in a socially and environmentally responsible way is a top priority for SDG and in 2010 we have worked hard to increase our actions in support of Principles 2, 4 & 5.

**Lars Thorsen** Global Sourcing Director & Managing Director SDIL

The drive to reduce our impact on the environment continues to be a strong area of focus for our business. During 2010, we successfully achieved a 19.6% reduction in our electricity consumption by introducing new system controls and tightening existing settings.

**Daniel Rogers**  
Head of Group Property & Facilities



Micheal Spenley

# 6 LABOUR PRINCIPLES

↘ The SDG monitoring programme found no cases of forced labour in 2010.

SOURCING IN A SOCIALLY AND ENVIRONMENTALLY RESPONSIBLE WAY IS A TOP PRIORITY FOR SDG AND IN 2010 WE HAVE WORKED HARD TO INCREASE OUR ACTIONS IN SUPPORT OF PRINCIPLES 2, 4 & 5.

## HUMAN RIGHTS

We have responsibility for ensuring that, when sourcing products, we are not complicit in human rights abuses. We do this by careful risk management of our supply chain and by a process of factory monitoring. During 2010 we maintained our policy of not sourcing in Burma due to widespread human rights abuses - we are listed on the UK Burma Campaign's Clean List.

Additionally, we do not source from any country where there are UN trade sanctions or embargoes.

## FORCED LABOUR

We support the elimination of all forms of forced and compulsory labour. Our Code of Conduct, which is signed by all of our suppliers, states the following:

"We will not tolerate forced labour, bonded labour or labour which involves physical or mental abuse. This means that suppliers must not use or threaten workers with any physical punishment, verbal or sexual harassment or dominate or restrain workers by force, authority or threats. Workers must not be required to lodge "deposits" or their identity papers with their employer and they must be free to leave their employer after reasonable notice."

The SDG monitoring programme found no cases of forced labour in 2010.

## CHILD LABOUR

The effective abolition of child labour is taken very seriously by SDG. Our Code of Conduct which, again, is signed by all of our suppliers, clearly explains our position on child labour:

"Exploitation of child labour is totally unacceptable under any circumstances. Suppliers must not employ any person under the minimum legal working age applicable to their country and under no circumstances must they employ anybody under the age of 14 years."

In 2010 no cases of child labour were found by the SDG monitoring program.

## MONITORING:

IN 2010 THE GROUP CR BOARD AND GOVERNANCE FORUM RATIFIED THE FOLLOWING KPI:

"All suppliers factories responsible for the production of Shop Direct Group own brand direct products will be ethically and environmentally audited according to a process of risk assessment every two years".

In 2010 this included factories in Bangladesh, Cambodia, China, India, Indonesia, Malaysia, Romania, Thailand, Turkey, Ukraine and Vietnam. We maintained our compliance score for own-brand product sourced through our own offshore offices of 96%.

If you would like more information about our audit programme, please [click here](#) to see a video of a visit to a factory in the Ukraine

Number of SDG Ethical & Environmental audits conducted

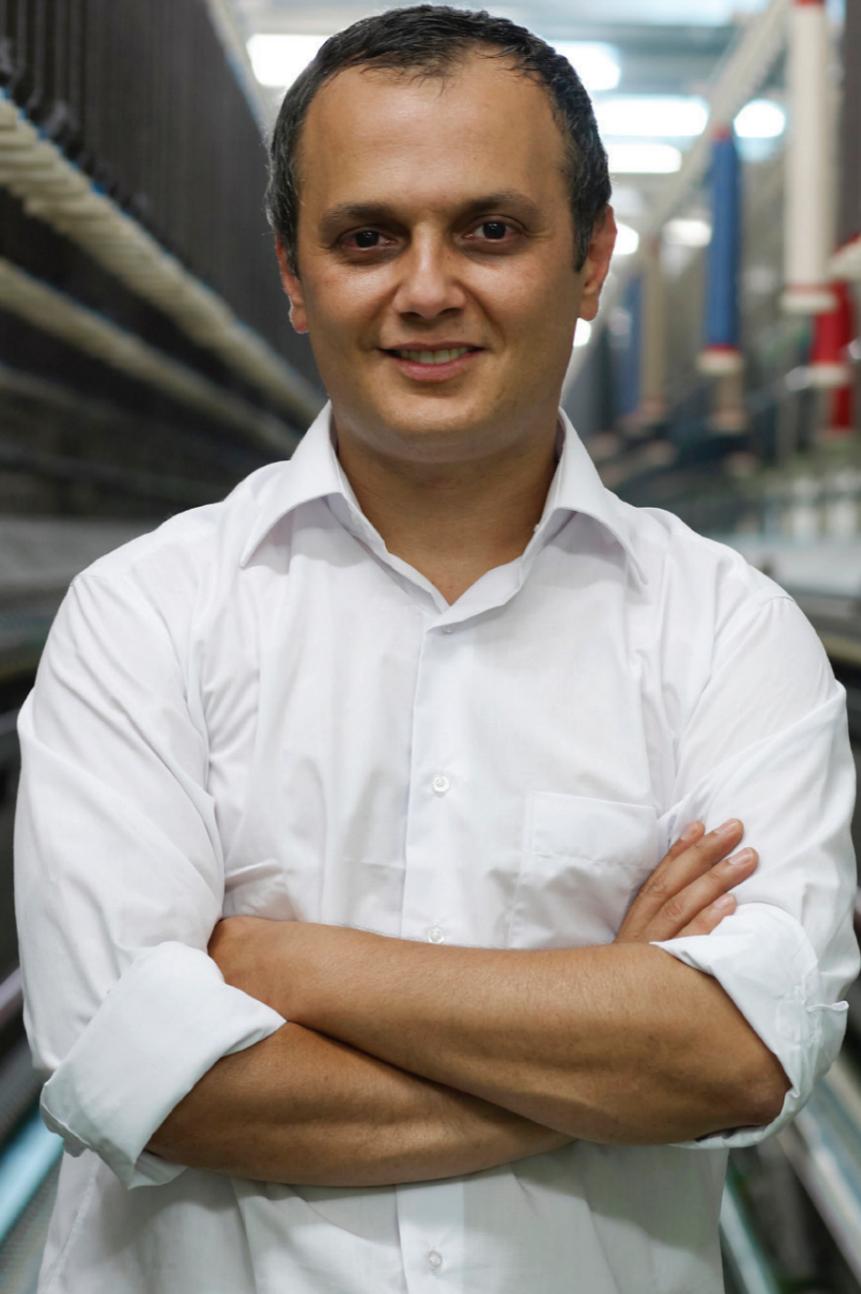
AUDITS AND REVISITS				
				(PROJECTED)
2007	2008	2009	2010	2011
100	300	400	500	500



MICHEAL SPENLEY BLOG VIDEO

If you would like more information about our audit programme, please [click here](#) to see a video of a visit to a factory in the Ukraine

↙ In 2010 the Compliance Direct team worked hard to ensure close to 100% compliance and continuous improvement for all suppliers of SDG own-brand product sourced via our offices in the UK, India, China, Bangladesh and Thailand.



## COMPLIANCE DIRECT HK LTD

In August 2010 a new SDG company 'Compliance Direct HK Ltd' was launched under the leadership of Michael Spenley. Compliance Direct is a separate and independent division of SDIL set up to audit factories from an ethical and environmental perspective. All future audits will be conducted independently by the Compliance Direct team: Mr. Ratan Jana, CR Manager India and SE Asia, Mrs. Macy Liao, CR Manager China and Mr. Mike Ratcliffe CR Manager EMEA (Non-SDIL).

## ANIMAL WELFARE

We have a strict 'no fur policy' and implement strict guidelines on the use of skins based on industry best practice. If you would like to learn more about how we safeguard the welfare of animals, a policy guide is available here (PDF).

## ETHICAL PRODUCT POLICIES

We also have policies for own-brand timber sourcing, diamond sourcing and design ethics. We do not use designs or text on our products which could be interpreted as offensive to our customers or unsuitable for children and we do not sell product that could be seen as sexualising children under the age of 16.

## PARTNERSHIPS

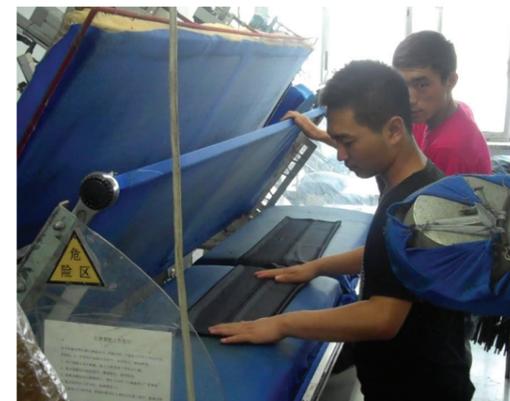
The United Nations Global Compact (UNGC)

We are enthusiastic members of the Global Compact and Chaired the UK Network through to March 2010. We commit around 15 working days per year to UNGC activities in order to share experiences with other companies in relation to corporate responsibility.

## CONCLUSION

In 2010 the Compliance Direct team worked hard to ensure close to 100% compliance and continuous improvement for all suppliers of SDG own-brand product sourced via our offices in the UK, India, China, Bangladesh and Thailand.

In 2011 we have begun a program that extends our current remit to cover every supplier that we deal with including agents. Standards will be closely monitored and assessed to ensure genuine like-for-like treatment of all suppliers and accordingly for all factory workers that make SDG own-brand product.



## COMPLIANCE DIRECT TEAM BLOG VIDEO

To learn more about the work of Compliance Direct, please click [here](#) to watch a short video of the team.



# 7 HUMAN RESOURCES

Since 2007 the overall engagement score has increased from 51% to 74% an improvement of 23%. This increase in employee engagement is across all areas of the business

**PRINCIPLE 3**  
UPHOLDING THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING

**PRINCIPLE 6**  
SUPPORTING THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION

The retail industry is fast moving and making sure each of our colleagues has a flexible and diverse range of skills is as important to the future of our business as it is to the people who work for us.

We have successfully implemented a Leadership Development programme this year that has established the style of leadership we expect and has developed the skills of all those who hold a senior management role in SDG.

To date around 550 managers have participated in the programme with an additional 300 due to attend. We will also be introducing the programme to our first line managers over the next 12 months.

Next year we will create a succession plan that will identify and develop our colleagues with potential to take on bigger jobs. This will help retain key people and enable the business to prepare for future success and growth.

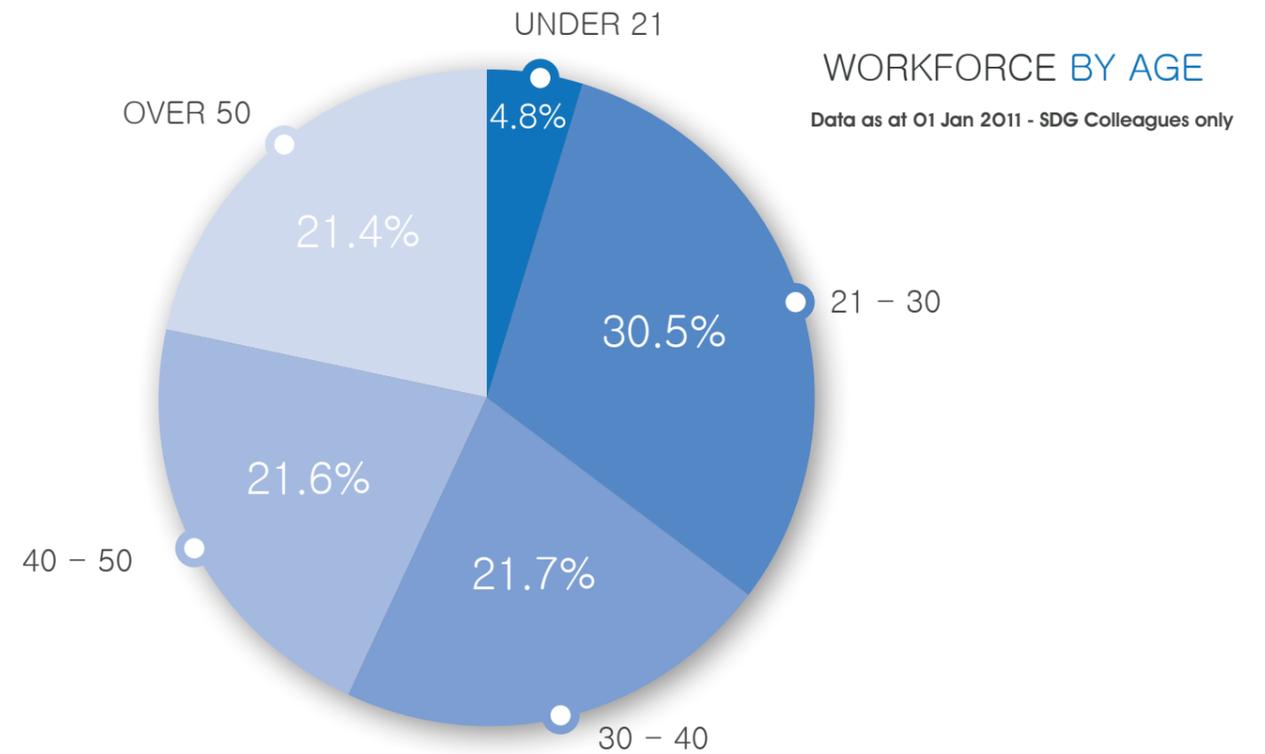
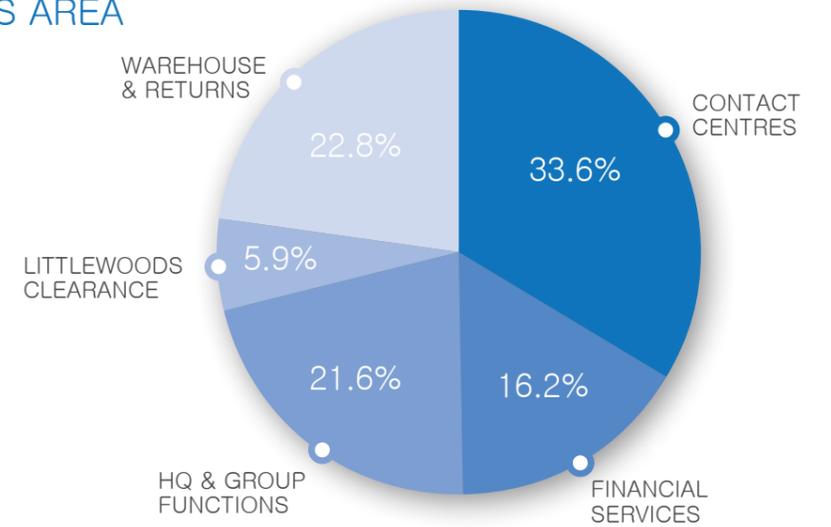
We have also increased our commitment to the Modern Apprenticeships scheme and are engaged with a number of learning providers for our advisors in Contact Centres, Warehousing & Returns and Financial Services; we have over 1100 colleagues currently studying for a vocational qualification in these parts of our business. We have also worked closely with the Trade Unions to provide lifelong learning opportunities in a variety of skills, both vocational

and non-vocational, including European Computer Driving Licence (ECDL) courses. SDG has continued to invest in on-going colleague health and well-being programmes aimed at promoting healthy eating and exercise. Activities have included supporting charity sporting events such as the Race For Life, weight management programmes, walking groups, discount gym memberships and stress awareness sessions.

The results of the colleague engagement survey continue to improve. We have been completing the annual 'Your Shout' survey since 2007 with the latest survey undertaken in June 2011. Since 2007 the overall engagement

## WORKFORCE PER BUSINESS AREA

Data as at 01 Jan 2011 - SDG Colleagues only



score has increased from 51% to 74% an improvement of 23%. This increase in employee engagement is across all areas of the business: Contact Centres +30%, Financial Services +24%, Head Office +18% and Warehousing & Returns +12% with the overall improvement for SDG of +23%.

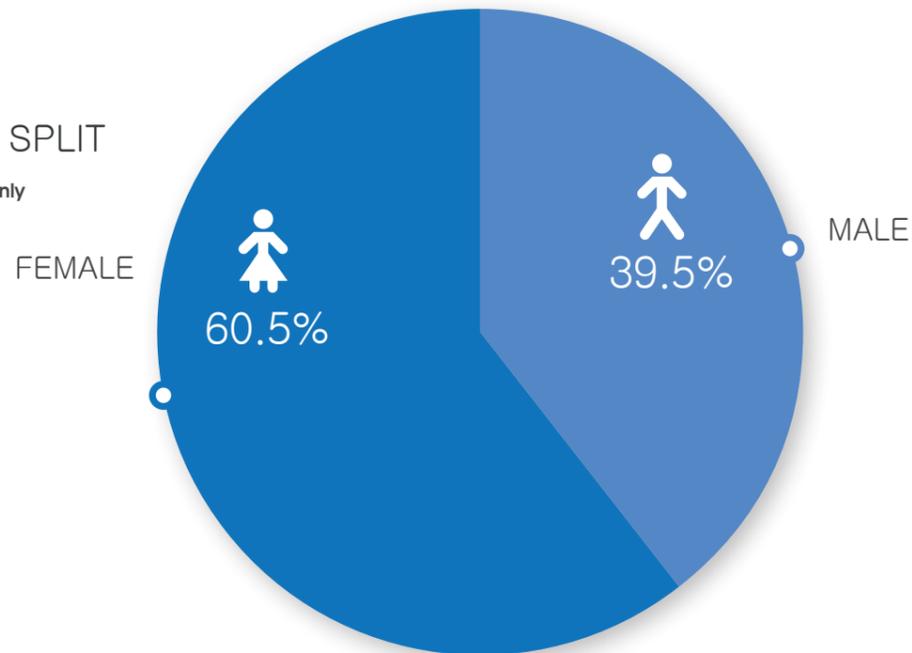
The headcount (SDG colleagues only) across our Warehouses, Contact Centres, Clearance Stores, Financial Services and Head Office is 7000 people.

# SHOP DIRECT POPULATION SEGMENTS

“AS OUR BUSINESS TRANSFORMATION CONTINUES AND WE ADAPT TO THE SHIFT IN HOW OUR CUSTOMERS WISH TO SHOP WITH US, WE HAVE PUT IN PLACE A NUMBER OF CHANGES, SOME OF WHICH HAVE HAD AN IMPACT ON OUR EMPLOYEE HEADCOUNT. WE CONTINUE TO WORK WITH OUR PEOPLE AND OUR TRADE UNION PARTNERS TO MANAGE THESE CHANGES.”

## GENDER POPULATION SPLIT

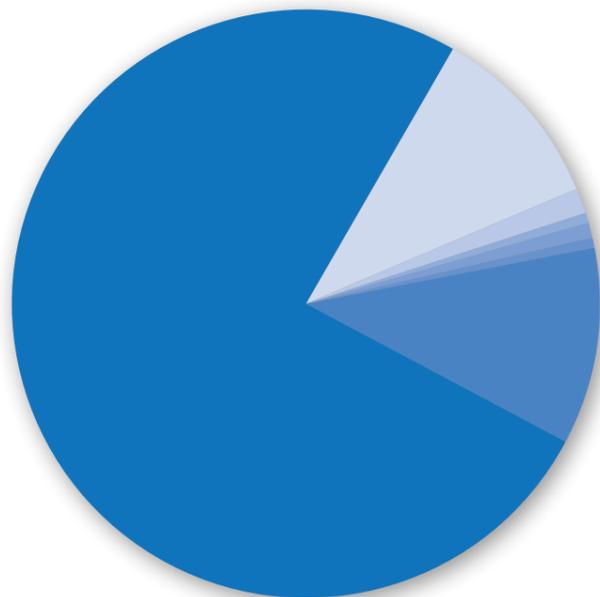
Data as at 01 Jan 2011 - SDG Colleagues only



## ETHNIC GROUPS WITHIN SHOP DIRECT GROUP

Data as at 01 Jan 2011 - SDG Colleagues only

- WHITE – 75.8%
- ASIAN OR ASIAN BRITISH – 10.3%
- BLACK OR BLACK BRITISH – 1.4%
- CHINESE OR OTHER – 0.5%
- BRITISH – 0.8%
- MIXED – 0.6%
- NOT DECLARED – 10.6%



Leadership Development at Shop Direct



We continue to be focused on improving the experience at work for all our colleagues and are encouraged by the feedback our efforts are making across all parts of our business.



Dan Rogers



# ENVIRONMENT

THE DRIVE TO REDUCE OUR IMPACT ON THE ENVIRONMENT CONTINUES TO BE A STRONG AREA OF FOCUS FOR OUR BUSINESS

## PRINCIPLE 7

SUPPORTING A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES

## PRINCIPLE 8

UNDERTAKING INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY

## PRINCIPLE 9

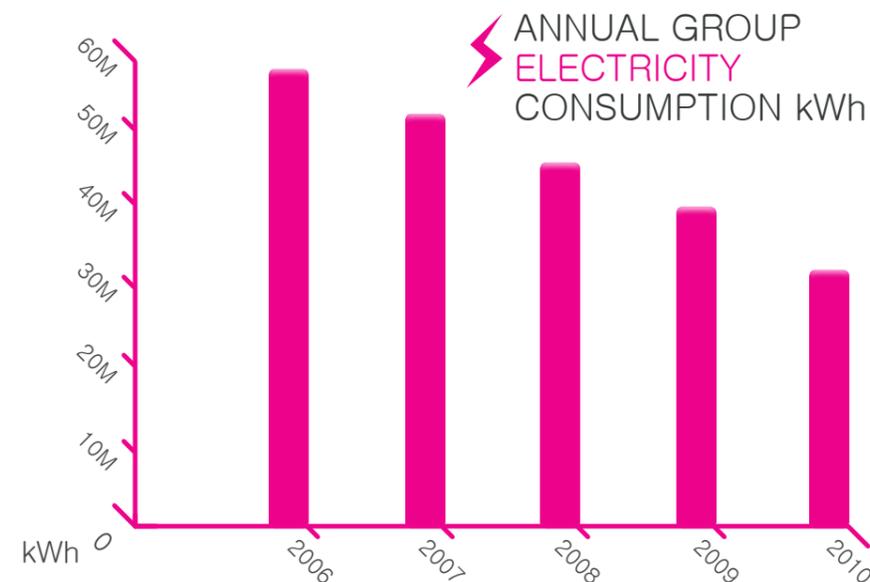
ENCOURAGING THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES

Our electric consumption has now fallen by an impressive **43.7%** from 2006 to 2010.

Our gas consumption has now fallen by an impressive **41.3%** from 2006 to 2010.

## ELECTRICITY USAGE

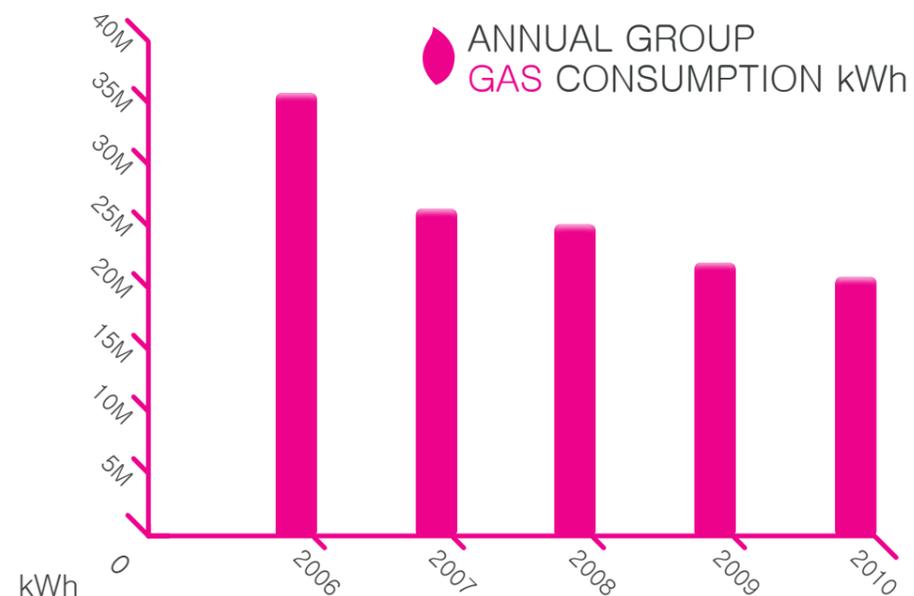
During 2010, we successfully achieved a 19.6% reduction in our electricity consumption by introducing new system controls and tightening existing settings, without impacting the operations of our business or the safety and comfort of our colleagues. Our electricity consumption has now fallen by an impressive 43.7% from 2006 to 2010.



YEAR	2006	2007	2008	2009	2010
REDUCTION VS PREVIOUS YEAR	-	9.8%	11.7%	12.1%	19.6%
kWh	59,186,728	53,402,459	47,147,394	41,457,389	33,337,916

## GAS USAGE

In 2010 we were equally pleased to see a reduction of 5.1% in our gas consumption, despite the coldest winter in Britain for 31 years. Our gas consumption has now fallen by an impressive 41.3% from 2006 to 2010.



YEAR	2006	2007	2008	2009	2010
REDUCTION VS PREVIOUS YEAR	-	26%	4.7%	12.3%	5.1%
kWh	36,062,285	26,691,205	25,428,741	22,307,600	21,167,912

# CASE STUDY:

BUILDING CONTROLS, COMMON SENSE & TECHNOLOGY



Skyways House



Skyways 2

By tight control of our various building management systems, we make the most efficient use of our energy. Common sense measures are now regular day-to-day practice at sites such as keeping exterior doors and window blinds closed to retain heat in the winter and thereby reducing the energy required to continually re-heat the buildings.

We use specially designed control systems to open and close our blinds. In the summer this is to reflect solar glare in daylight hours whilst ensuring blinds are open overnight to encourage heat loss to ensure the office is at a lower, more comfortable temperature first thing in the morning. Our main blinds at our Skyways House building are now automated. The system tracks the position of the sun and allows us to set parameters ensuring glare from the sun on PC and Laptop screens is minimised whilst ensuring we benefit from as much natural light as possible, in addition to heat retention/heat loss maximisation feature.

Our lighting is linked into this system of blind controls. Sensors inside the building monitor the light level and will automatically switch off lighting if natural light is available and sufficient. So for large periods of the day we save further amounts of energy.

↘ In 2010 we sent 155 tons of waste to landfill and we aim to reduce this further year on year.

## RECYCLING

RECYCLING LEVELS AT SHOP DIRECT GROUP HAVE INCREASED EACH YEAR BUT THERE IS STILL MORE THAT WE CAN DO:

YEAR	RECYCLED AT SDG SITES	POINTS DIFFERENCE	TOTAL RECYCLED (SDG SITES + EXTERNAL RECYCLING FACILITY)
2007	53.7%	-	-
2008	59.6%	+5.9%	-
2009	78.2%	+18.6%	-
2010	80%	+1.8%	96.8%

At our head office and warehousing sites we have also introduced wax-based printing which reduces packaging and waste significantly when compared with traditional toner based printing.



# BUSINESS TRAVEL

↘ We encourage colleagues based close to our sites to cycle to work supporting a healthy lifestyle and saving money on their commutes. We also continue to promote public transport as a way to get to work.

## SOME FACTS AND FIGURES

YEAR	RAIL	
	CO2/Kg	MILEAGE
2008	53,326	620,542
2009	76,636	837,321
2010	128,816	1,070,259

Changes to SDG's sourcing strategy in line with planned Brand expansions resulted in an increase year-on-year of 35%, however less car mileage occurred.

SDG AIR TRAVEL CO2 EMISSIONS	
YEAR	CO2/kg
2008	1,701,202
2009	952,400
2010	1,290,072

Based on DEFRA calculations.  
Source: Capita Business Travel

SDG BUSINESS MILEAGE		
YEAR	TOTAL	TONS OF CO2 EMITTED
2007	2,189,000	907
2008	2,081,000	862
2009	2,068,000	857
2010	1,473,000	610

ASSUMING LARGE CAR AT 414.2 KG OF CO2 PER 1000 MILES

Source [www.Transportdirect.info](http://www.Transportdirect.info)

### TRAVEL TO WORK ACTIVITIES

We encourage colleagues based close to our sites to cycle to work supporting a healthy lifestyle and saving money on their commutes.

We also continue to promote public transport as a way to get to work. At our Head office site our free-to-hire pool- bicycles usage remains strong, with staff regularly cycling during lunchtimes as well as using bikes for weekend pursuits and charity rides. Car-sharing has also proved popular and was boosted by promotional materials pointing out the rising costs of fuel.



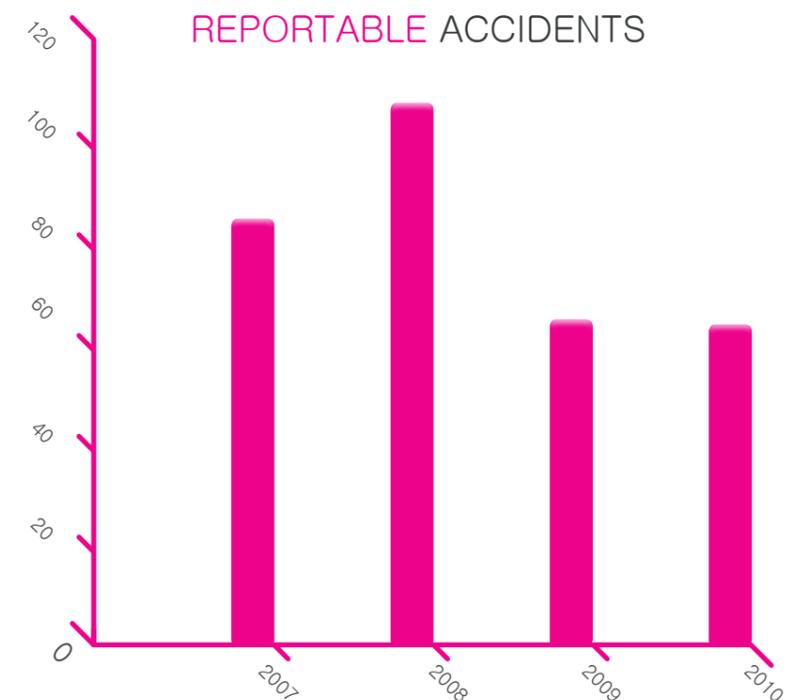
## WELLNESS

IN 2010 COMPANY EVENTS WERE HELD PROMOTING EXERCISE, HEALTHY-EATING, WEIGHT REDUCTION, STRESS MANAGEMENT AND HOMEOPATHIC REMEDIES. WE ALSO LAUNCHED A GIVE-UP-SMOKING CAMPAIGN.

All SDG staff restaurants are now Marine Stewardship Council certified indicating that we use only certified sustainable fish. We use only Fair-trade or Rainforest Alliance tea and coffee alongside a range of other fair-trade products. We have begun to extend the range of healthy options on offer and have a commitment to ensuring that all of our sandwich and salad packaging is biodegradable.

## HEALTH AND SAFETY

IN 2010 WE SUCCESSFULLY MAINTAINED THE BSI OHSAS 18001 OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT ACCREDITATION IN ALL OUR CONTACT CENTRES, FINANCIAL SERVICES AND HEAD OFFICE SITES. THE BEDDING-IN OF OUR ONLINE ACCIDENT/INCIDENT REPORTING SYSTEM HAS CONTINUED TO IMPROVE THE REPORTING AND COLLATION OF INFORMATION OF ACCIDENTS/INCIDENTS THROUGHOUT THE GROUP. REPORTABLE-TYPE ACCIDENTS ARE FLAT YEAR-ON-YEAR.





↘ **71%**  
of the white-goods sold by  
SDG in 2010 were A or A+  
rated and we have a target  
of improving that to 85%  
over the next two years.



**Rob  
Hardman**

## THE FOCUS FOR NEXT YEAR

OUR MAIN FOCUS AREAS FOR 2011 INCLUDE FURTHER DECREASES IN ENERGY USAGE AND REDUCTIONS IN WATER CONSUMPTION AS WELL AS AN IMPROVED COLLEAGUE WELLNESS CAMPAIGN.

### SOME PLANNED HIGHLIGHTS:

- Further work on incoming voltage reductions and optimisation measures at our sites.
- Working towards our stated goal of changing 100% of light fittings to the most energy and cost efficient type.
- Engaging our customers to reduce 'their' impact on the environment and to 'trade-up' to the most energy efficient products.
- Reporting on the energy efficiency of the white-goods we sell and the CO2 emissions they produce. Figures showed that 71% of the white goods sold by SDG in 2010 were A or A+ rated and we have a target of improving that to 85% over the next two years.
- Reducing water consumption (currently 75,232 m3) by 5% by the end of 2011.
- Increasing recycling at our sites by a further 3%.
- Introducing a half-price bicycle promotional discount scheme for all colleagues to promote cycling to work and encouraging them to be more active as part of our wellness programme.
- Introducing a new healthy eating campaign, more regular give-up-smoking sessions and a free eye-test road show around our sites.

## ENVIRONMENTAL PAPER PURCHASING

Half of the timber harvested world-wide is used to make paper. Therefore, it is vital that everyone involved in publishing makes a commitment for the responsible use of the world's natural resources.

As part of our commitment to sustainable forest management, we set ourselves a target for 100% of Shop Direct Group catalogues to be printed on Promoting Sustainable Forest Management (PEFC) certified paper. We achieved this challenging target and now proudly display the PEFC logo within the catalogues to illustrate our sustainable credentials. Our catalogues account for 90% of paper consumed by the Shop Direct Group and as our customers increasingly demand products that are sourced from environmentally-friendly origins, it is imperative that we continue to illustrate our PEFC certified status to our customers.

PEFC is the world's largest international forest certification scheme, endorsing national forest certification schemes in 25 countries within 4 continents. With 230 million hectares under certification, the PEFC endorsement scheme has greatly increased availability of such certified paper.

In 2010 all Shop Direct Group paper and print suppliers were ISO14001 accredited, an assurance that the production sites are committed to achieving continuous improvement through environmental management systems. Print suppliers have continued to reduce their toluene solvent emission generated from catalogue printing by investing in closed loop air recycling systems.

### LOOK AHEAD

In 2011 our focus will turn to annual audits and if compliance issues are identified or if suppliers retract from previously achieved environmental standards, they will be recommended for further compliance by our Strategic Partner RR Donnelly and our commercial teams jointly.

Current forecasts for 2011 show that the number of catalogues sent to customers will decrease by 2% on 2010. However, the number of pages in 2011 will increase by 11% from the 2010 to provide a wider range of products for our customers.

We will continue to identify those customers, both prospective and current, who continue to trade through the catalogue as opposed to only the website channel. We will then reduce the amount of paper communications we send them. This will result in a positive environmental impact and cost benefit to Shop Direct Group.

	VOLUME OF CATALOGUES	
2009		14,246,000 copies
2010		12,246,000 copies
2011		11,960,000 copies

In 2011 we will also ensure that the paper used for transactional documents is sourced from certified sources. The majority of this type of communication is used for customer statements and regulatory communications. We will achieve this by working closely with our Strategic Partner R+R Donnelly who plans for all UK Transactional sites to become Forest Stewardship Council (FSC) accreditation starting in October 2011. This will ensure Shop Direct Group transfers all transactional documents to FSC certified paper.

FSC is an international, non-governmental organisation dedicated to the responsible promotion and management of the world's forests. The FSC system includes a certified chain of custody that tracks the timber through every stage in the supply chain from the forest to the final user. One of the key principals of the system is the guarantee that trees that are harvested are continuously replaced.



David Mortlock

# 9. CORRUPTION GOVERNANCE AND TRANSPARENCY

## PRINCIPAL 10

WORKING AGAINST CORRUPTION IN ALL ITS FORMS, INCLUDING EXTORTION AND BRIBERY.

Shop Direct Group's commitment to prevent bribery & corruption continues to be a key focus. We have a zero tolerance approach which is clearly communicated by the Executive Board and through the Group's Corporate Responsibility Board. The cornerstones of our approach remain our consistent Group wide policies, risk assessment, colleague training and awareness, transparent supplier engagement, industry networking and robust whistleblowing and investigation procedures.

The implementation of the UK Bribery Act 2011 provides a good opportunity for the Group to review and benchmark these existing policies and processes and to consider where they can be improved. They have all been rigorously reviewed during the year and a number of changes made to further enhance effectiveness.

### THESE INCLUDE:

- More frequent risk and performance assessment including an enhanced focus on external factors including country of operation.
- The development of clearer policies on charitable giving and corporate sponsorship and entertainment.
- Refresher training to provide practical guidance on how to deal with the different forms of bribery and corruption. This training is in the process of being delivered to colleagues across the Group.
- An increased focus on counterparties and their backgrounds as part of our supplier due diligence activities.
- An increase in the level of audit and review of anti-bribery and corruption activity.

The developments during the year have led to a much stronger awareness across the Group of the risks associated with bribery and corruption as well as more robust operating practices and oversight.

Looking ahead into next year, the Group's focus is on further enhancing our capability and developing more effective business processes.

↘ **Key areas of focus are:**

- Further embedding the understanding of the Group's anti-bribery policies and procedures with colleagues across the Group.
- Enhancing our Corporate Governance procedures to provide improved transparency over corruption, bribery and associated risks.



# 10. COMMUNITY

SHOP DIRECT GROUP PLAYS A POSITIVE ROLE IN THE COMMUNITIES IN WHICH WE OPERATE AND IN THE ONES THAT OUR COLLEAGUES AND THEIR FAMILIES LIVE.

LAST YEAR, WE COMPLETED A COMPREHENSIVE REVIEW TO ENSURE THAT OUR COMMUNITY AND CHARITABLE ACTIVITIES WERE HAVING THE MAXIMUM SUSTAINABLE IMPACT POSSIBLE.

## EMPLOYEE FUNDRAISING

The review has resulted in a number of positive changes making it easier for our colleagues to donate to the charities they wish to support.

Last year, we launched Helping Hand, a matched funding programme that gives a 'helping hand' to colleagues who have chosen to raise money for their favourite charities and community organisations. Our partner for this is the Charities Trust, a national Payroll Giving and corporate donation management agency. Since launch, with our matching, colleagues raised over £260,000 for the good causes that matter to them.

In addition, our colleagues also have the opportunity to contribute to their community via payroll giving. Currently, over ten per cent of our colleagues choose to donate to their favourite charities through payroll giving.

## FORGING LINKS WITH OUR COMMUNITY

The in-depth review also highlighted the need for us to create closer links within the neighbouring community of our Head Office in Speke, Merseyside. To help achieve this, we have become a trust partner at the local school, Parklands High.

Our CEO has developed a close working relationship with the Head Teacher and we are members of the Board of Governors. In addition, we have undertaken a series of workshops aimed at introducing the world of business, nurturing softer skills such as customer service and raising career aspirations, especially in female pupils.

These initiatives are making a genuine difference and we have seen a rise of current

working grades of nine of the level three students by at least one level. Of the group of girls who were designated as 'underachieving', five have now enrolled in the sixth form and one achieved the highest grade possible in a recent assessment centre for customer service.

We are active members of a number of community, retail and regional business groups including the North West Business Leadership Team, Mersey Partnership, British Retail Consortium, Personal Finance Education Group and the Liverpool Chamber of Commerce.

We have continued to support the wider retail community through our work with the Retail Trust, the only charity offering a range of services to all people working in and retired from retail. Our support for the Northern Events committee helped to raise £40,000 at the annual Great Northern Ball.

## SPREADING CHRISTMAS CHEER

As a retailer, Christmas is an important time to us and for the last x years we have donated a large number of toys to help bring some holiday spirit to children who, for a variety of reasons, are facing challenging circumstances. Last Christmas, over £8,000 of toys were donated to Alder Hey Children's Hospital, Great Ormond Street Hospital, Kids Co (an organisation working with disadvantaged youngsters) and local refuge Centre 56. Throughout the year, we also make regular clothing donations to both Centre 56 and Alder Hey Imagine Appeal from our sample stock.

## FUNDRAISING EVENTS

October saw the inaugural Shop Direct Charity Ball take place with over 1000 people attending the 80s themed evening. The event was held at the prestigious BT



James Evans

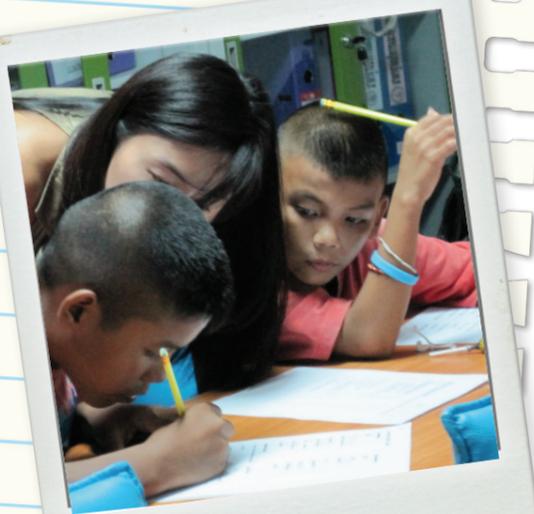


## Community Investment at Shop Direct



TO SEE A FILM ABOUT NORTH CITY PLAY, AN ORGANISATION FUNDED BY MONEY FROM THE SHOP DIRECT BALL PLEASE

Touraid



# CASE STUDY

AS RECOGNITION OF OUR INTERNATIONAL OPERATIONS, WE HAVE DEVELOPED A PARTNERSHIP WITH THE MAHAMEK BOYS' HOME IN BANGKOK AND TOURAID.

Touraid was set up five years ago to bring social and economic benefits to children from seriously deprived areas of the world by creating sustainable links between those communities and schools and clubs in the UK. Sport, in this case rugby, is used to build skills in areas like teamwork and languages.

Our colleagues in SDIL devised a rugby training programme that helped build a real team spirit not only amongst the team but in the Home as a whole and led to increased camaraderie and purpose. As part of our determination to leave a lasting legacy at Mahamek, English lessons were held to give the boys not only valuable language skills but the confidence to face the world outside Bangkok.

In September, we were delighted to welcome some of the boys to the UK to take part in the Caldý Touraid International Festival. We supplied each boy with a travel bag, training outfits and clothes, rugby boots and toiletries.

The boys entered the tournament as the Mahamek Tigers. While they had been playing rugby for just four months, their opposition had been playing for more than four years. The boys won two of their matches but sadly their strong performance didn't qualify them a place in final and the title of cup winner's went to a team from Sierra Leone.

While in the UK, the group of ten boys had a packed programme of activities with their host school, Birkenhead High but we were lucky to be able to spend a great day with the group. The boys took part in a workshop, where they worked with our design team to create t-shirts based on an animal theme. Each boy was presented with a certificate of achievement from Mark Newton-Jones and the team were given a cup as a symbol of our pride in their achievements.

We are now working with the Mahamek Home to discuss ways that we can leave a permanent legacy of our partnership.

# 11 PRESENTING POSITIVE BODY IMAGE

SHOP DIRECT HAS A PORTFOLIO OF BRANDS THAT APPEAL TO THE MASS MARKET OF THE UK POPULATION. THE WAY THAT WE REPRESENT OUR BRANDS AND PRODUCTS IS CRITICAL AND IS DRIVEN NOT ONLY FROM WHAT THE MARKET WANTS BUT MOST IMPORTANTLY, WHAT OUR CUSTOMERS TELL US THAT THEY WANT.

Our role is to represent products accurately but at the same time create a desire and aspiration that resonates with our customers.

This year has seen us build new brands which target very different aspects of the market – each with very different challenges, but what we do know is that customers are responding well.

When we develop and select our ranges we always endeavour to translate the key seasonal trends in shape, colour and fabric in an appropriate way for each target customer and through customer focus groups, we've also listened and acted to ensure that the models that we use and the way we represent them reflects our customers' aspirations.

Setting clear standards on both body image and ethnic diversity has enabled us to collaborate with our strategic suppliers to ensure that the models we use portray a healthy body image and represent the wide age ranges, sizes, and ethnic diversity of society today.

From children's wear, to menswear and women's wear we've sourced the best available talent and review this each time we refresh our offer.

The physical well-being of the models that we use and their professional behaviour is critical and therefore we have created guidelines for acceptable social behaviour – guidelines which have been incorporated into our supplier contractual agreements.

These principles also apply when we develop and select our ranges. We always endeavour to represent key messages in an appropriate way for our different brands.

By working with clear, quality standards and robust processes, we've made good progress in 2010/2011 and have, more consistently, embedded the principles of appropriate product development and achieved the standards of presentation that we have set ourselves.

Through consistency of delivery across all of our customer touch points we will deliver brands and product which resonate with consumers and demonstrate that we take the presentation of a positive body image seriously.



TO SEE A SHORT FILM  
OF OUR VIDEO AND  
PHOTOGRAPHIC SHOOTS



David Poole

# 12.

## RESPONSIBLE LENDING AND CREDIT SERVICES

↘ We only accept around **50%** of credit applications.  
We decline approximately **12%** of all transactions

SHOP DIRECT GROUP FINANCIAL SERVICES PROVIDES A RANGE OF SIMPLE AND AFFORDABLE CREDIT AND INSURANCE PRODUCTS THAT ENABLE OUR CUSTOMERS TO MANAGE THEIR FINANCES AND PROTECT THEIR POSSESSIONS.

### FAIR AND TRANSPARENT FINANCIAL SERVICES

We have continued to focus on serving our customers both new and existing in a fair and responsible way. We aim to provide customers with all the information they need to make informed and responsible decisions when using credit to purchase products and services. During 2010/2011 we implemented the new Standard European Consumer Credit Information disclosure for customers applying for credit facilities through our websites and contact centres. We consider all the available information when making lending decisions to ensure that it is in the best interests of the customer as to whether we extend credit or not.

- We only accept around 50% of credit applications.
- We decline approximately 12% of requests for extending credit.

The economic environment continues to be challenging for lending businesses and their customers. High levels of inflation in areas such as food and energy bills and rocketing petrol prices, combined with higher unemployment have

put increasing pressure on household budgets. Our robust approach to responsible lending has remained consistent throughout this turbulent period. As a result we have been able to report reducing levels of bad debt at a time when some other lenders have been experiencing substantial increases in bad debts.

Underlining our commitment to responsible lending we have established a specialist team to deal with customers we perceive to be particularly vulnerable, to ensure that any issues they have are dealt with quickly and sympathetically. As part of this commitment we are developing relationships with NHS trusts, debt advice and other charities to ensure that we take adequate account of the needs of potentially vulnerable customers.

### COMBATING FRAUD AND IDENTITY THEFT

We use a state of the art fraud prevention system to protect customers and ourselves against account takeover and identity theft. Our system analyses every credit application and sales transaction and immediately identifies any activity that does not conform to normal spending

patterns. In 2011 we were awarded the prestigious "Fraud Prevention Team of the Year" award by Credit Today. This award reflects our commitment to protecting our customers and our business from fraud and organised crime.

Our legal and compliance teams work together to ensure compliance with Financial Services Authority, Consumer Credit Act and Data Protection Regulations. Clear policies and procedures exist to ensure compliance with both the principles and detailed rules.

Key areas of focus for 2011 are to further improve our approach to greater customer transparency and to continue to develop our debt management and fraud prevention systems.

↘ We aim to provide customers with all the information they need to make informed and responsible decisions when using credit to purchase products and services.  
  
Enabling families to purchase the essentials in life.





# HOW DID WE DO?

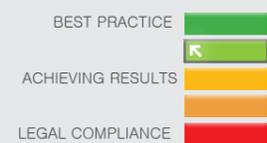
6 ETHICAL SOURCING, LABOUR,  
HUMAN RIGHTS & ANIMAL  
WELFARE

HOW DID WE DO?



7 HUMAN RESOURCES

HOW DID WE DO?



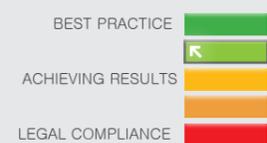
8 ENERGY CONSUMPTION/  
RECYCLING/TRANSPORT/HEALTH  
AND SAFETY

HOW DID WE DO?



9 CORRUPTION, GOVERNANCE &  
TRANSPARENCY

HOW DID WE DO?



10 OUR COMMUNITY

HOW DID WE DO?



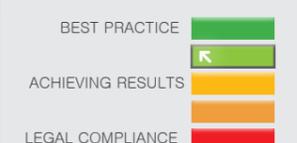
11 PRESENTING POSITIVE BODY  
IMAGE AND DESIGN ETHICS

HOW DID WE DO?



12 RESPONSIBLE LENDING

HOW DID WE DO?



# 14.

## STAKEHOLDER FEEDBACK

THIS YEAR'S REPORT HAS BEEN READ BY A VARIETY OF OUR STAKEHOLDERS INCLUDING CUSTOMERS, COLLEAGUES AND COMMUNITY ORGANISATIONS. THE FOLLOWING ARE SELECTED COMMENTS RECEIVED:

↘ "The work the company do for the Community is really great and makes me feel happy knowing we give something back. I love the way the company is environmentally friendly and does their bit to help the world become better, which will in turn have a real positive effect on the lives of others."

↘ "I believe all organisations have a responsibility to society and Shop Direct is an example of a business that takes this seriously. Whether it's ensuring our products are ethically sourced or providing support to local schools through business education partnerships, Shop Direct carefully manages the impact it has on the environments within which it operates. As an employee, I am proud to work for a company that places CSR so high on its agenda."

↘ The report gives a really clear overview on the different activities that the Shop Direct Group is undertaking to ensure it is a responsible organisation. It is also useful to see an overview of previous achievements as well as a focus on future activities and CSR objectives.

↘ "As a customer, I like to know where the clothes I'm buying are made. It's nice to know that the factories do not use child labour and are inspected regularly to make sure that they are suitable"

↘ "I was encouraged and proud to read SDG commitment to supporting national/local charities alongside their involvement with community projects. The impact SDG make to supporting these worthy causes are invaluable".

↘ "The Shop Direct Foundation will ensure strategic and focused support for the communities in which Shop Direct Group is based and will focus on supporting children, young people and families. I hope that all Shop Direct Group employees and stakeholders will get involved with the Shop Direct Foundation and see the positive social impact that the Foundation will have on local communities."