

Communication on Progress 2008

Putting the customer 



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 which are listed below. Membership of the UNGC requires companies to issue a 'Communication on Progress' report annually. The report you hold in your hands or are reading on screen is our second COP and outlines Shop Direct Group's (formerly Littlewoods Shop Direct Group) activities in support of these Ten Principles.

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; and
- 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.

corruption

- principle 10: businesses should work against all forms of corruption, including extortion and bribery.

Throughout this report, you will find a marking scheme in each section. The purpose of this scheme is for us to rate how well we think we are performing in each reporting area by highlighting a tab ranging from legal compliance to best practice.

Where we have not marked ourselves as best practice or good we intend to raise standards accordingly.

contents

in support of the ten principles of the united nations global compact

 foreword and principle 1 - supporting and respecting the protection of internationally proclaimed human rights	3
 principle 2 - making sure that we are not complicit in human rights abuses	5
principle 4 - supporting the elimination of all forms of forced and compulsory labour	
principle 5 - supporting the effective abolition of child labour	
 principle 3 - upholding the freedom of association and the effective recognition of the right to collective bargaining	10
principle 6 - supporting the elimination of discrimination in respect of employment and occupation	
 principle 7 - supporting a precautionary approach to environmental challenges	13
principle 8 - undertaking initiatives to promote greater environmental responsibility	
principle 9 - encouraging the development and diffusion of environmentally friendly technologies	
 principle 10 - working against corruption in all its forms, including extortion and bribery	22
 our community	24
 body image in our publications	27
 responsible lending and credit services	29
 editorial	31



Mark Newton-Jones

Group Chief Executive

foreword and human rights commitment

principle 1 –
supporting and respecting
the protection of internationally
proclaimed human rights

legal compliance

achieving results

good

best practice

The United Nations Global Compact (UNGC) is a network of companies in more than 120 countries that support ten principles on human rights, labour, the environment and anti-corruption.

Shop Direct Group wishes to reaffirm our commitment to the UNGC with the publishing of our second COP.

Membership of the compact continues to be of exceptional benefit for us, particularly as a framework for action. Indeed, the 10 principles have been instrumental in the creation of a Future Focus 10 – comprising 10 key areas within our business in the context of human rights, labour, the environment and anti-corruption.

Moreover, I have created a CR Board, meeting quarterly and chaired by myself which is now responsible for the implementation of the Future Focus 10 across the Group.

In this regard we have made strong progress since the publication of our first COP in 2007 and are in a position to forge ahead over the coming year.

The 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



Michael Spenley



General Manager
Corporate Responsibility

section 2 - labour principles

principle 2 –
ensuring we are not
complicit in human
rights abuses

legal compliance

achieving results

good

best practice

principle 4 – supporting the elimination of all forms of forced and compulsory labour

principle 5 – supporting the effective abolition of child labour

In the 12 months running April 2007 to May 2008 we have seen some splendid development in the scope of our activities in support of Principles 2, 4 & 5.

The pace of change has been brisk aided immeasurably by the foundation and operation of the Group CR Board chaired by Group CEO, Mark Newton-Jones.

There have been key strategic changes resulting in a tighter focus on Sourcing under the stewardship of Trading Director, David Inglis who joined the company in 2007. Sourcing as a corporate function now comprises CR Monitoring, Quality Assurance and Vendor Management.

Overall numbers of own brand suppliers remain broadly similar to those figures stated in our 2007 COP at circa 750 suppliers in 45 countries. Nevertheless, there have been notable geographic changes in our sourcing model including the emergence of countries including Egypt and Syria as source markets for clothing and Indonesia and Vietnam for Furniture and other hard lines. These recent changes will pose both challenges and opportunities.

Please allow me to present our main activities in support of Principles 2, 4 & 5 over the period January to December 2007.

human rights

I have responsibility for ensuring that when sourcing product 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 2007 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. Moreover, 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 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."

No serious cases of forced labour were found by the SDG monitoring programme in 2007.

child labour

The effective abolition of child labour is taken very seriously by SDG. Our Code of Conduct which (as previously stated) is signed by all suppliers, clearly explains our position on child labour as follows:

"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."

On the rare occasions we have found child labour in factories in the past we have worked with independent expert advisors to find tailor-made solutions. In 2007 no cases of child labour were found in factories producing for SDG.

monitoring

In 2007 we have made strong progress with regard to monitoring. Crucially, the Group CR Board agreed the following KPI to begin in January 2008:

All suppliers factories responsible for the production of Shop Direct Group own-brand direct product must be ethically and environmentally audited every two years.



Production of Littlewoods own-brand Knitwear in Ran Malu factory, Nuwara Eliya, Sri Lanka taken during factory audit 2007

A core team of experienced Managers has been built to deliver this target comprising Mr. Ratan Jana, Regional CR Manager India and Mrs. Macy Liao, Assistant Regional CR Manager China. Recruitment for a regional CR Manager SE Asia is ongoing. Ethical & Environmental audit for Europe, the Middle East and Africa (EMEA) will be managed by Gary Bodell, Head of Supplier Conformance and his team.

I'm pleased we have been able to assemble such an experienced team who are passionate collectively and individually about human rights and the abolition of child labour and forced labour.

In their careers before joining Shop Direct our Regional CR Managers have between them conducted more than 1000 ethical & environmental audits.

During the pilot stage running October-December 2007 more than 30 factory audits have been completed. In 2008 we aim to audit or revisit more than 300 factories.

The Ethical & Environmental Audit KPI went live in January 2008 and progress will be reported on a monthly basis to the Group Change Board as well as to the Group CR Board quarterly.

We will continue to share audits with other retailers and brands whenever possible to decrease the burden of time and resources on all involved. Although we retain the right to conduct worker interviews we will only normally do this with freely elected trade union representatives where available.

animal welfare

We maintain a strict policy on the use of fur and skins based on industry best practice. The policy is available on our corporate website and will be re-issued in 2008.

partnerships

The United Nations Global Compact (UNGC).

We are active members of the Global Compact and Chair the UK Network. We commit approximately 4 weeks per year to UNGC activities in order to learn, contribute to policy and also share with other companies our experiences in relation to corporate responsibility.

projects

SDG remain committed to involvement in a planned UN Central Asian Cotton Initiative and were involved in a number of exploratory meetings in 2007. Progress towards this project has been steady, plans are in place to convene a Working Group in Spring/Summer 2008.

miscellaneous

February 2008 will see the launch of our Spring Summer collection and the presentation to customers of an all new range of organic cotton clothing and home textiles. This will be a direct output of an internal Organic Cotton Working Group involving senior staff from Buying, Merchandising, Sourcing and Design Departments.

In November 2007 a new working group on responsible timber sourcing was established with the aim of drawing up a strict policy on timber sourcing and impacting on the design, composition and provenance of all timber products across our ranges.

conclusion

The establishment of CR Audit teams for EMEA, China and India has been a huge step forward. With further recruitment planned imminently for a regional CR Manager SE Asia we are well equipped to achieve our KPI on Ethical & Environmental auditing by May 2010.

Similarly the establishment of two Responsible Product Sourcing Working Groups on Timber Sourcing and Organic Cotton has paid significant dividends in developing our product offer ethically and environmentally. We look forward to further developments in this regard in 2008.



Sue Rice

A handwritten signature in black ink that reads "Sue Rice". The signature is written in a cursive style with a horizontal line underneath the name.

Group HR Director

principle 3 –
upholding the freedom of
association and the effective
recognition of the right to
collective bargaining

legal compliance

achieving results

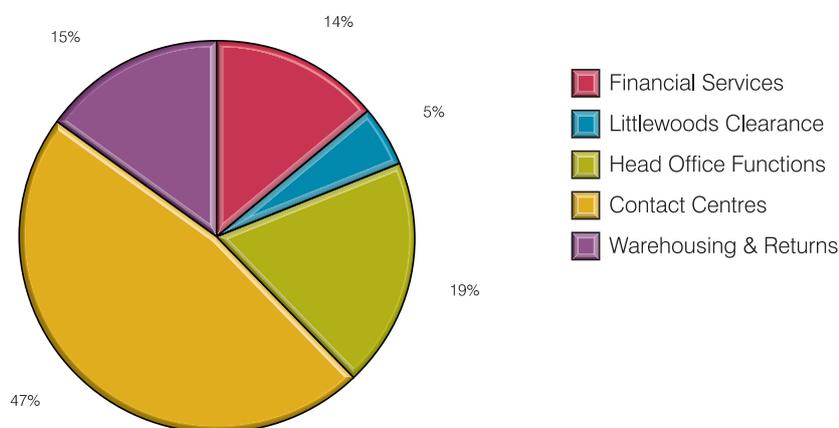
good

best practice

principle 6 – supporting the elimination of discrimination in respect of employment and occupation communication on progress – HR

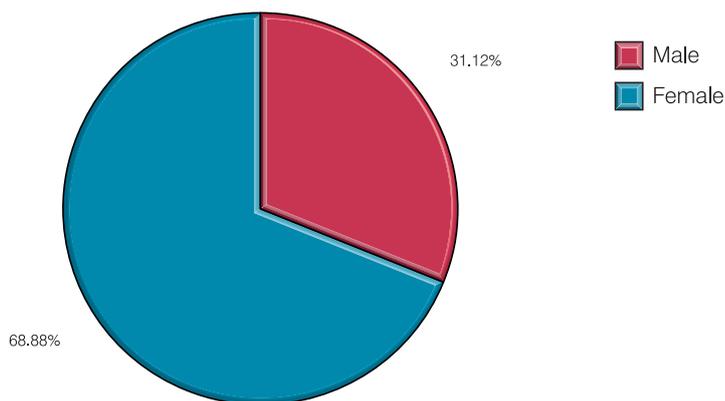
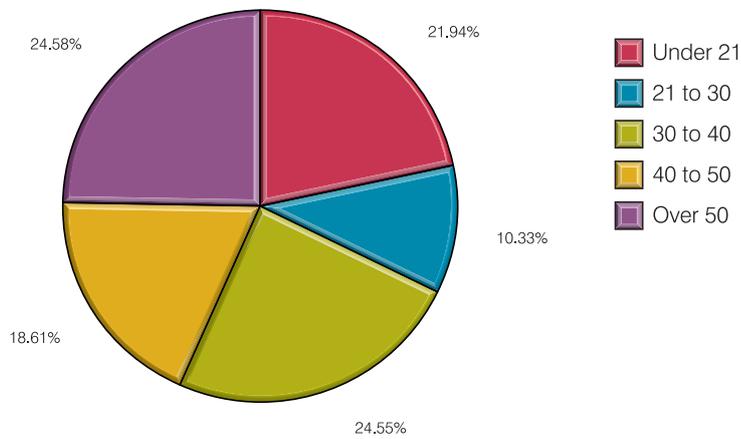
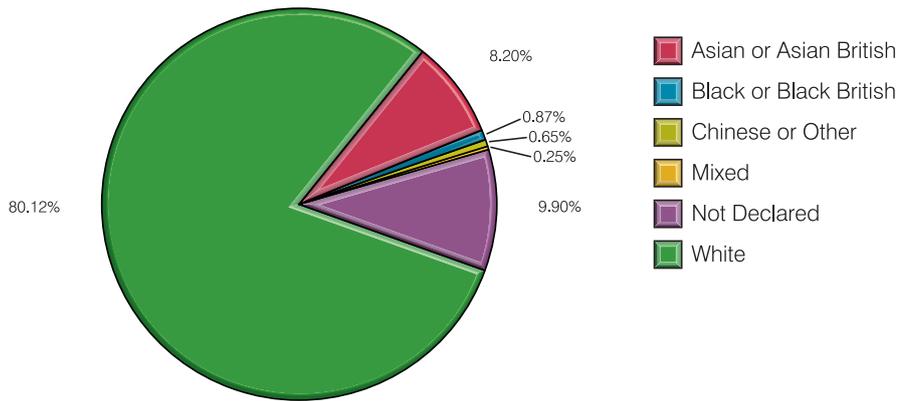
2007 saw many changes for our people and our business. Our Home Shopping business now employs 11,500 people working across our Contact Centres, Financial Services, Warehousing and Returns and our Head Office functions. Our people in these areas have different skills and requirements, however, we are all linked by our company values of Putting the Customer 1st, Treat Each Other Well, Keep it Simple and Make a Difference.

The split across the businesses is as follows:



Working closely with our trades union colleagues in the Home Shopping bargaining group, we continue to review, and where possible harmonize, our terms and conditions and policies and procedures helping us to treat our people consistently across the whole business.

We recognise that our employees are from all walks of life with varied backgrounds, different needs and diverse interests.



In the summer of 2007, we carried out our first employee engagement survey across the Home Shopping business. This feedback helps us understand how our people feel about working here and how we might improve. Action plans have been created for each area to make improvements locally and across the 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



Matthew Jacques

A handwritten signature in black ink, appearing to read 'Matthew Jacques'.

Group Property Director

I am pleased to report that 2007 saw the strategy we described in 2006 begin to deliver positive results for our business and the environment.

With robust measurement systems now in place significant progress has been made against the objectives we set ourselves namely:

Reducing our energy consumption

Increasing the amount of waste we recycle

Defining and reducing our carbon footprint

We have consulted widely with organisations such as the Carbon Trust and engaged with specialist suppliers to find the right solutions for our business. Our progress on CO₂ management has been audited by Enviros Consulting.

legal compliance

achieving results

good

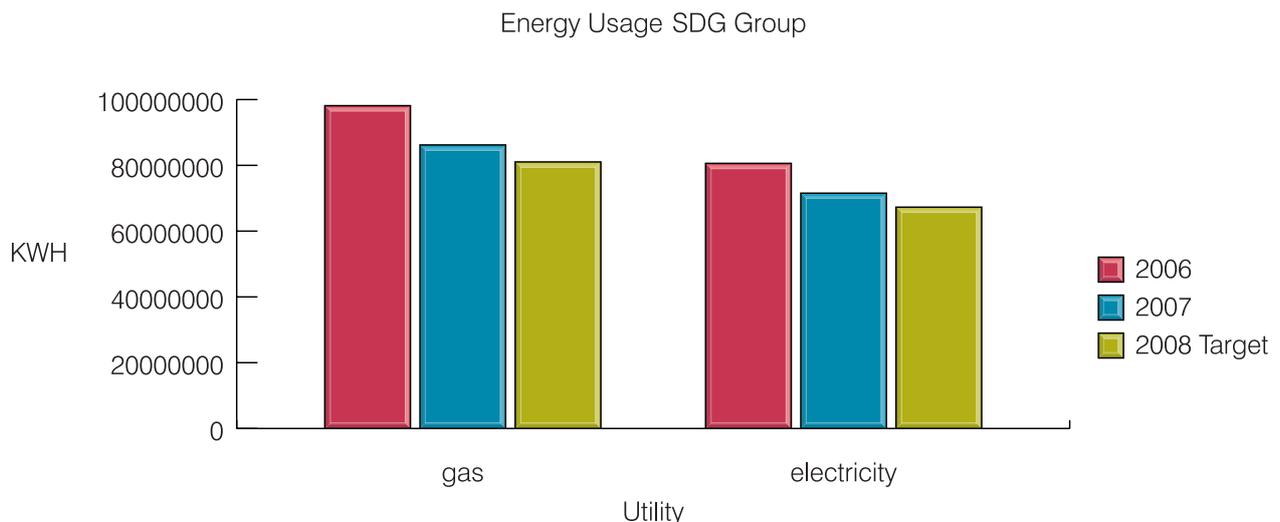
best practice

energy consumption

In 2006 we installed Automatic Meter Reading (AMR) across our property portfolio.

This gives us real time data on our consumption of gas, electricity and water and a wealth of management information. Our energy bureau (STC Energy) makes current and historical data available to us online.

Our group energy usage is shown below, together with our target for 2008.



The closure of some of our sites as part of our business optimisation programme has driven a reduction in consumption, but controlling consumption on the sites that remain has also been a priority.

Using our AMR data we have undertaken an analysis of our usage and targeted areas of waste. This has been aided by specialist site surveys in conjunction with the Carbon Trust, Enviros Consulting and Mr Ken Heaton from MITIE Managed Services – The Energy Institute's Energy Manager of the Year 2007.

Projects that have yielded significant savings include:

- **“Green IT”** project, this includes the deployment of software that automatically shuts down our PC's at evenings and weekends.
- **“Energy-neering”** the installation of simple time controls on office equipment and heating to reduce their energy usage out of working hours.
- The replacement of wasteful traditional lighting with LED and low energy alternatives.
- The deployment of motion sensors to control lighting in our warehouses.

We were also pleased to distribute 3000 low energy light bulbs to our staff in order to raise awareness of energy management.

In 2008 we aim to explore selective micro-generation projects where feasible. Our focus on reducing consumption outside working hours will remain - with energy usage on the agenda of each group company's operating board.

As a business with over 50% of sales now online, the energy efficiency of our data centres will also be the subject of a study.

water consumption

We consumed 187,371 cubic meters of water in 2007.

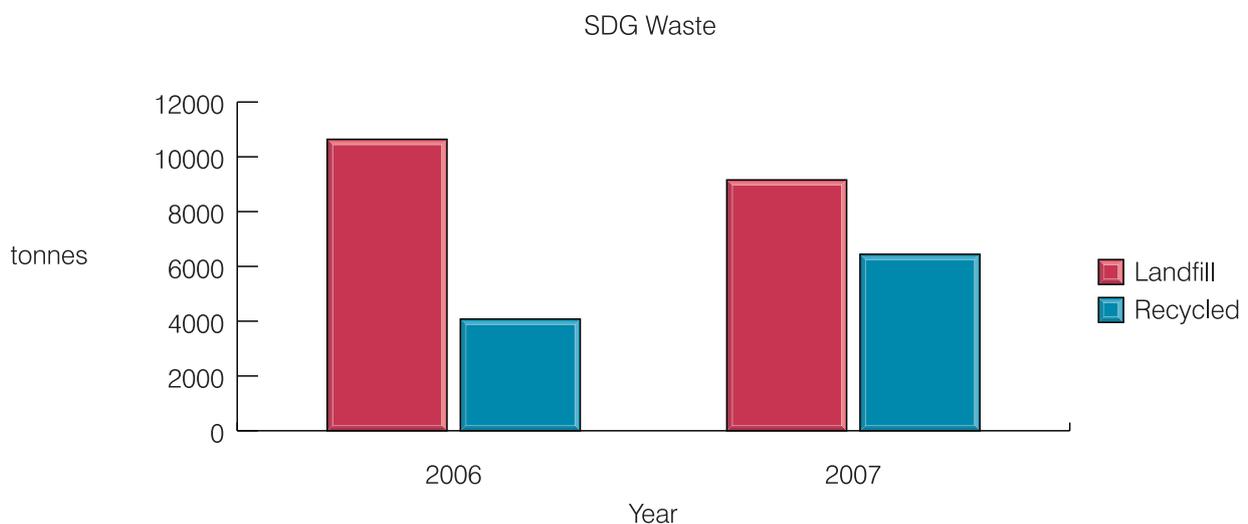
Data for 2006 is incomplete, so a yearly comparison will be included in our 2008 report. We plan to explore rainwater harvesting in 2008 at our larger sites.

waste management

In 2007, we have invested significantly in waste recovery equipment at our warehousing and returns facilities. Our waste is predominately cardboard and packaging plastics, but we have also installed recovery equipment to recycle polystyrene and recycling stations for office waste.

Whilst the overall amount of waste we produced as a group increased due to increased stock levels and site closure activity, the percentage we recycle increased from 28.3% of total waste in 2006 to 41% in 2007 or 2500 tonnes more recycled year on year. Our best performing business unit now recycles 95% of all its waste.

The figures below are for the calendar year 2006/2007 and therefore differ from the amounts stated in our 2006 report.



In our offices and contact centres we have recruited “environmental champions” and with their help we have removed all waste paper baskets (some 4500) and replaced them with central recycling points. This has driven recycling rates in our contact centres up by 20%.

In 2008 we will target increasing our recycling percentage to 65% of total waste produced.

office paper

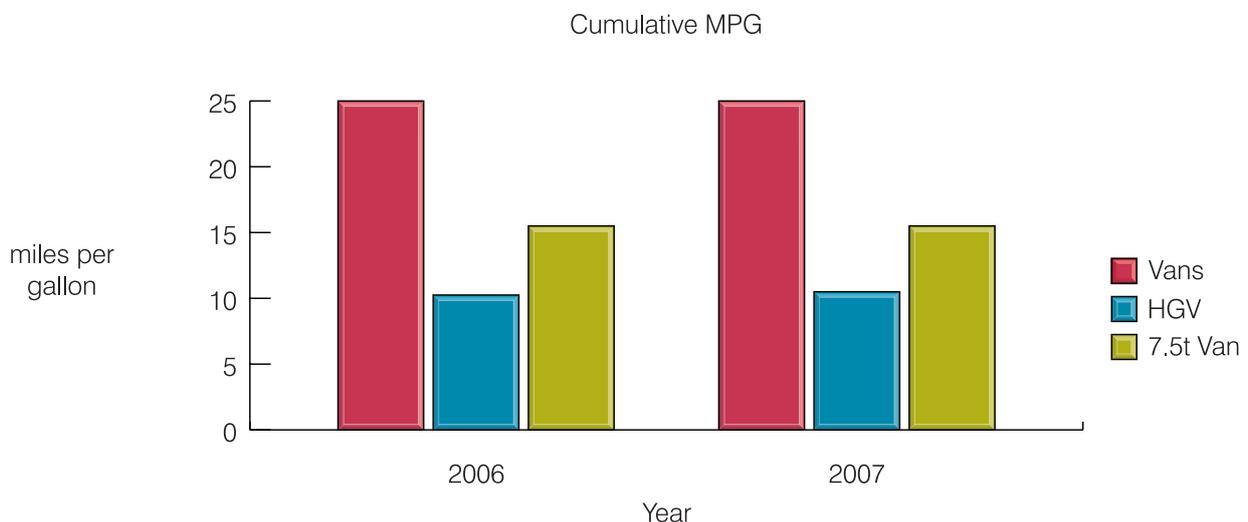
In 2007 we changed all the AA copier paper we use to paper with an 80% recycled content. Our print reduction programme for office equipment at our head office has led to a reduction in printed pages of 1,659,250 prints in 2007 against the same period in 2006.

transport

In 2007 our transport fleet grew by 800 vehicles on short time hire to meet the unprecedented demand for home delivery services over the Christmas period.

This led to an increase in total miles driven of 4.8m to 87,210,200 miles against 2006 levels.

Miles per gallon achieved remained constant with 2006 levels as all vehicles continued to benefit from our best practice in servicing and maintenance regimes. Our HGV fleet was largely updated and consequently recorded an improvement of .25 miles per gallon against 2006.

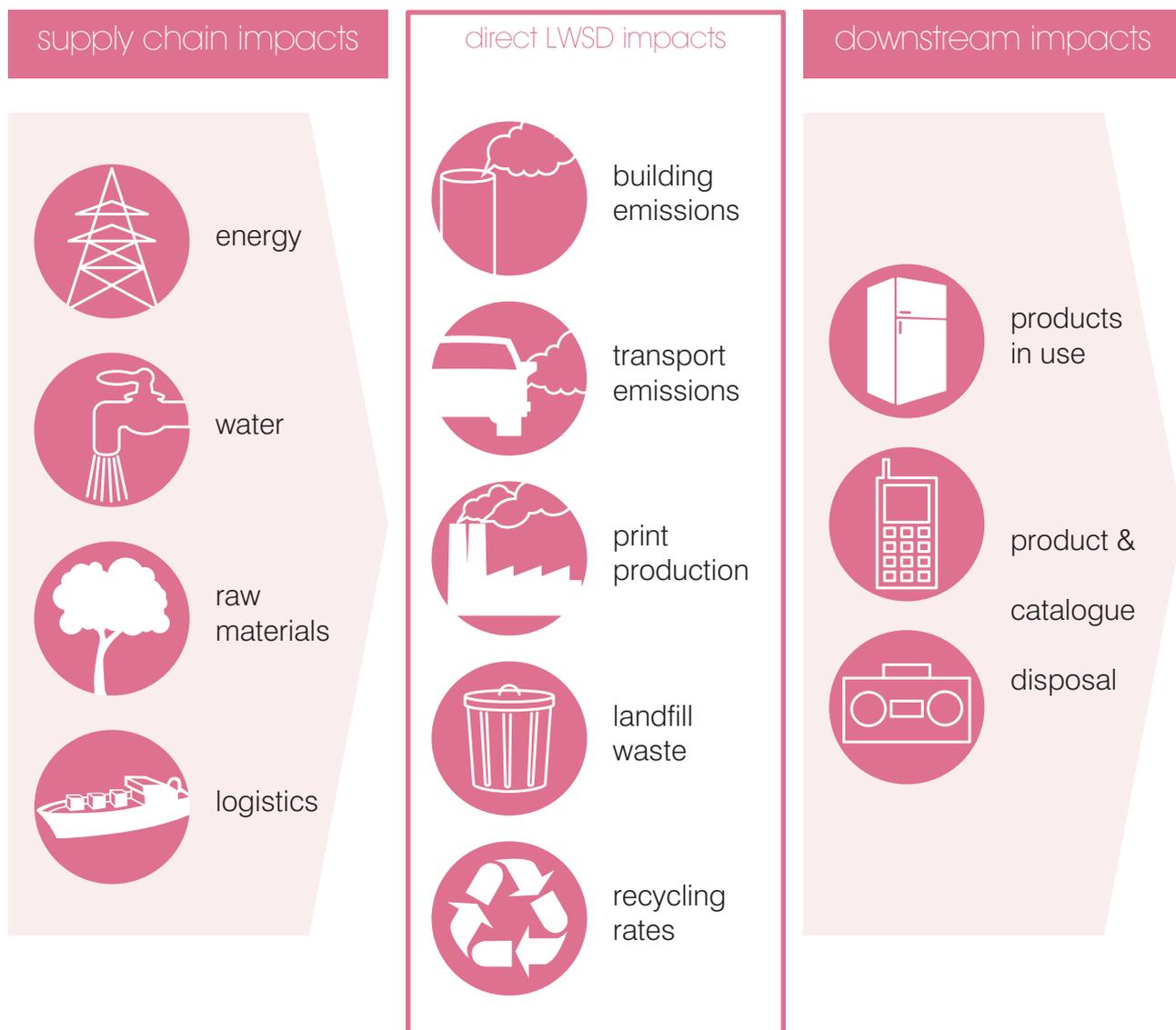


Cumulative diesel fuel usage in 2007 was 4,496,685 gallons against 4,425,233 gallons in 2006.

carbon footprint

Working with the Carbon Trust in 2006 we defined the carbon footprint of our principle operations. In 2008 we returned to our partner Enviros Consulting to audit us for 2007.

In Carbon Management terms we are very much at the start of our journey but recognise how we can directly and indirectly influence carbon emissions. To give focus we defined our carbon environment as follows.



As part of this recognition we have now purchased 100% of our electricity requirements from certified renewable sources.

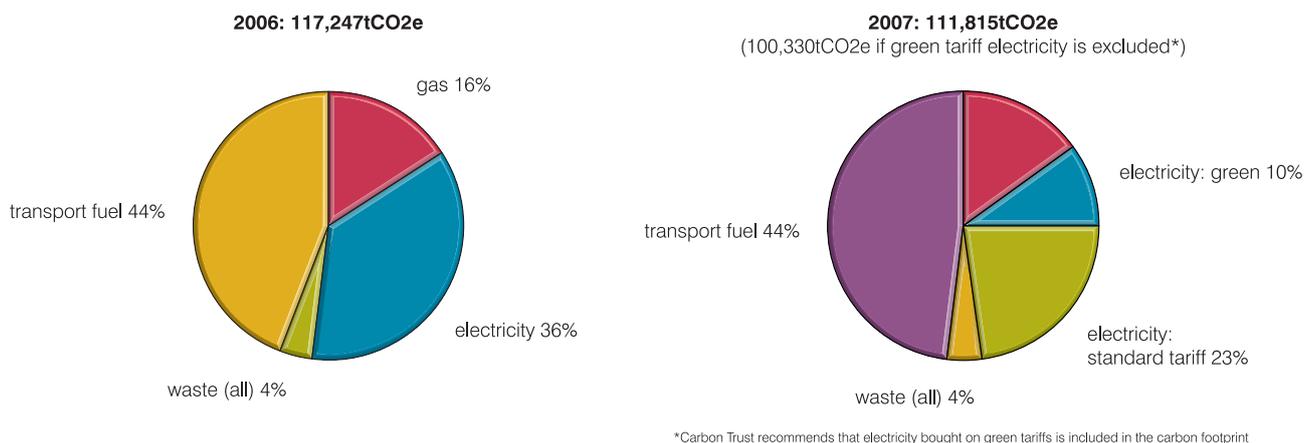
Additionally, our publications now contain recycling advice for the catalogue itself and energy efficiency information on the appliances we sell.

our carbon footprint

Enviros Consulting estimate the carbon footprint of our direct operations as 111,815tCO₂ for 2007.

CO₂ emissions were down 5% on 2006 levels.

estimate of carbon footprint 2006 & 2007



Green electricity (certified renewable energy from wind wave and hydro generating sources) was purchased some way into 2007 so only accounts for 10% of our CO₂ footprint in 2007 or 25% of electricity usage for the year. Green electricity was fully in place at the start of 2008 for 100% of our electricity requirements.

business travel

New for 2007, we recorded the number of business miles driven in the UK by our staff. This was 2,189,282 miles.

Assuming petrol cars, this travel produced 740 tCO₂. Equivalent to less than 1% of the emissions generated by our distribution fleet.

In 2008 we will be monitoring international flights and working to introduce more video conferencing into our operations.

health & safety

Our commitment to Health and Safety was strengthened in 2007 with joint projects undertaken with the HSE and specialists from the Freight Transport Association.

Health and safety practitioners are employed in each of our business units and our Health and Safety performance is reported quarterly to the group board.

We have achieved ISO 18001 accreditation for Health and Safety within our financial services business.

We have developed in-house e-learning packages on Health and Safety that educate managers on their H&S responsibilities

The number of reportable (RIDDOR) accidents occurring within the group reduced by 15% from 454 in 2006 to 385 in 2007.

70% of these accidents were from manual handling\slips trips. Further training and awareness in these areas is a priority for 2008.

We are targeting a further 15% reduction in 2008.



paper procurement and usage

Rob Hardman
Head of Print &
Paper Procurement

In 2007 we printed and delivered 25 million books to customers (including catalogues, brochures and leaflets) representing a reduction of 2 million books since 2006 and 4 million books since 2005. This reduction is due to the restructuring of our brand portfolio and the growth of our online business.

During 2008, we estimate that the number of books will reduce further to 21 million. Nevertheless, despite online growth, books will remain key to the group's multi-channel marketing strategy.

We only purchase paper from paper mills that have a certified chain of custody. This ensures that the origin of all wood is known, legally harvested and does not originate from conservation areas. All wood used to produce paper for the Group originates from sustainably managed forests.

Three of our major paper suppliers are members of the United Nations Global Compact.



Tony Cearn

A handwritten signature in black ink, appearing to read 'T. Cearn', with a stylized flourish at the end.

Director of Internal Audit

section 4 - corruption principle

principle 10 –
working against corruption
in all its forms, including
extortion and bribery

legal compliance

achieving results

good

best practice

The adoption of the tenth principle commits UN Global Compact participants not only to avoid bribery, extortion and other forms of corruption, but also to develop policies and concrete programmes to address corruption and related risks.

A Code of Conduct on Gifts and Entertaining is communicated to all suppliers and employees. Compliance with the Code is a requirement of the contract of employment of its staff and of its standard contracts with its suppliers. Breach of the Code is a disciplinary matter for employees and may result in termination of the Company's trading relationship with a supplier.

All staff who have dealings with suppliers are required to confirm that they will comply with a Code of Conduct on Competition Law. In particular, they must not agree retail prices with the Company's competitors or suppliers, agree not to list competing products or share competitively sensitive information. Training is given to all relevant staff to assist them in complying with Competition Law.

Our Internal Audit and Security teams continue to work closely with our businesses to see that corruption and other related risks do not happen. Across our business we have communicated the existence of our confidential help line "In Touch", as a means of reporting issues and concerns, and recently we have extended this facility to suppliers. Group Security has trained its team of loss prevention managers to collect evidence in accordance with the provisions of the Police and Criminal Evidence Act. This has made it easier to persuade Police Forces to prosecute offences against the Company by staff.

The Company takes very seriously the protection of its customers' details from misuse and theft. Initiatives are underway to continuously improve the authentication and protection of customer data and work is well progressed in respect of PCI compliance. Data protection policies are being re-examined and re-deployed to ensure they continue to cover emerging technological risks.



David Boardman

David Boardman

Group Corporate Communications Director

section 5 - our community

At SDG, we have established a number of links within the wider community not only within the Merseyside area but further a field too.

We believe it is important to become involved within our local community for a variety of reasons – from a charitable perspective, we actively encourage our colleagues to fundraise for two charities Alder Hey Children’s Hospital Imagine Appeal and Weston Spirit, the charity which supports disadvantaged young people. Furthermore, we also want to promote the company as a great place to work for future recruits. As such, we have links with local schools in the Liverpool area and promote the education business link through guest presenter events on business studies courses. We are expanding this in 2008 with a year 10 scheme which will enable young people to visit the world of work and experience a commercial operation, first hand.

Not only does this benefit the student through a practical example of taught study, it also enables the business to promote itself to future recruits. That way, we can recruit into head office from the local talent pool and further support the local community.

legal compliance

achieving results

good

best practice

At a more senior student level, we also foster links with Universities in the North West to develop progression routes into employment from appropriate courses (Business, Design, Textiles). Most notably, one local award winning designer, Kirsty Doyle, has produced a number of fashion ranges for the business, straight from graduation.

Whilst we are members of the local Chamber of Commerce and the Mersey Partnership, we also encourage community involvement in other parts of the country, where we have a network of contact centres, warehouse and depots. This mirrors the activity at Head Office and once again, enables the organisation to play its part, supporting local causes.

highways agency

Our sweeping and visionary Travel Plan gathered practical evidence on both current and future movements of commuters in the thriving North-West region. Of significant importance is the M62 inter-urban corridor between Liverpool-Manchester, with frequent congestion, unreliable journey times and frustrating driving conditions. Comprehensive employee surveys provided the Highways Agency with additional support for introducing 'Active Traffic Management' measures to improve traffic flow, reduce capacity expenditure and also reduce CO2 emissions.

estuary car share network

Working in partnership with two local enterprises, we helped launch the initial car share scheme in 2006, developing the scheme further in its second year of operation to include prime access car share parking for the 11% of employees sharing on a daily basis.

We encourage employees to embark on more environmentally friendly approaches to commuting, highlighting single occupancy car usage's impact on congestion, increased CO2 emissions, longer journey times and cost to the economy as a whole, all of which are quantifiable in the immediate South Liverpool area.

pool bicycles

Working in partnership with ACT Travelwise on a number of transport initiatives resulted in the successful implementation of a Pool Bicycle scheme for our headquarters in Liverpool. The 12 bikes offer a variety of sizes and practicalities, enabling healthy workplace lunchtime leisure rides and free cycle commuting for those looking to be more active. Despite the summer of 2007, bookings average 200+ per month (2400+ per year).

responsible travel to work

Since moving into our new Liverpool headquarters in January 06, we have developed and adopted a responsible Travel Plan. Travel Plans encourage employees to travel to work more responsibly (including business travel), promoting car sharing, public transport, cycling and walking where applicable. We continue to provide the catalyst with neighbouring enterprises for the improvement and development of public transport infrastructure in the surrounding area including detailed bus lanes, cycle lanes, park and ride schemes. The plan meets strict planning criteria with a firm commitment to reduce the number of motorised journeys, helping to offset annual increases in traffic growth.

The measures we have adopted widen travel choice for employees, promote sensible and appropriate use and emphasise viable alternatives for commuting, business travel and site visitors.

The Travel Plan has real benefits, not only to the organisation and its employees, but also to the surrounding community and fellow businesses. We anticipate that this will relieve parking and local congestion pressures, whilst improving public transport connectivity and ticketing benefits for the whole community.

We believe that employees who walk, cycle or use public transport benefit from being healthier and more productive, with better work-life balance. There are also financial savings associated with active travel. Similarly, time spent on public transport offers productive benefits over driving for business users.

Phil Spick
Travel Plan Manager



Mark Evans



Group Creative Director

section 6 - presenting positive body image

The Shop Direct Group continues to support and endorse its views on the presentation of the body image across all of its customer communications. We recognise the impact we can have through the presentation of female, male and child models and have set in place clear guidelines to control this.

Through customer focus groups, we constantly review the need of our customers and act on feedback regarding the body image. We are working to build strategic relationships with our key model agencies and share with them our specific model requirements.

The images that we produce, today, are intended to sell products and, with that in mind, we select models based around our brand strategy and have our core customer needs in mind.

Our selection of models come from a variety of ethnic groups, age ranges and body shapes which match our diverse customer base. We work hard to ensure that models we chose will relate well to our customers, creating a sense of aspiration whilst maintaining a sense of reality.

We are making strong progress with our strategic suppliers in establishing a common understanding of requirements of models with whom our customers show preference for.

legal compliance

achieving results

good

best practice

background

A person's body image encompasses physical appearance, size and shape. Issues of body image are found everywhere, whether one is conscious of it or not. Our body image is formed out of every experience we have – parents, role models, friends and, indirectly, through advertising and marketing.

Our body image is formed on the positive and negative feedback from people whose opinions matter to us, combined with the way we ourselves perceive our body to fit with topical trends and society.

Western society places a high value upon appearance – 69% of women in one study said that magazine models influence their idea of the perfect body shape and a pervasive acceptance of this unrealistic body type creates an impractical standard for the majority of women.



Paul Makin



Managing Director

section 7 - responsible lending and credit services

SDG provides through its financial services arm, Everyday Financial Solutions, a range of simple and affordable credit products that enable customers to manage their finances and to make those essential and aspirational purchases that may otherwise be beyond their grasp.

fair and transparent financial services

It is our aim to deal with all our customers responsibly and fairly. We aim to provide our customers with all the information they need to make balanced and responsible decisions when using credit to purchase our products and services. We consider all the available information when making lending decisions to ensure that it is in the best interests of the customer to extend credit.

Overindebtedness is an increasing problem in our society and the increasing availability of credit has made it much easier for consumers to borrow beyond their means to repay. For both new and existing customers we will take lending from outside SDG into consideration when we make any decision to extend a new credit facility, increase a credit limit or authorise a sales transaction.

legal compliance

achieving results

good

best practice

combating fraud and identity theft

EFS are implementing state of the art fraud management systems to protect our customers against account takeover and identity theft. Our systems will analyse every sales transaction and immediately identify any activity that does not conform to our customers' normal spending patterns. We will continue to be active members of CIFAS (the Credit Industry Fraud Avoidance Scheme) and, as a leading online retailer, ensure that our customers can shop safely from our websites protected by Verified by Visa and Mastercard SecureCode.

SDG's Legal and Compliance Teams work closely together to ensure compliance with Financial Services Authority, Consumer Credit Act and Data Protection Regulations. Clear policies and procedures exist to ensure that both the principles and detailed rules are satisfied.



Michael Spenley



General Manager
Corporate Responsibility

editorial

I'm pleased to report that strong progress has been made in support of the 10 UNGC Principles for 2007/08.

The writing of our first COP just over one year ago gave us a clear picture of what we had to do by helping us identify challenges and opportunities and to plan actions going forward.

Crucially, the activities surrounding the writing of our first COP also paved the way for the establishment of the Group CR Board under the Chairmanship of our Group CEO Mark Newton-Jones and helped bring forward the Future Focus 10 comprising ten key CR issues that we face as a business and as a community of some 18,000 company employees.

In writing this second COP it has been clear to all involved that there has been significant development in all areas with responsible sourcing and activities in support of a reduction in our carbon footprint of particular note.

I am delighted with the progress made but very aware that there is much still to do. With clear targets and policies in place (or in development) in support of the Future Focus 10 it will no doubt be an exciting year ahead and we are looking forward to it!

