

Sustainability

Our history is only relevant if it has a future



“Our business strategy must reflect our broader responsibilities.”

Martina King,
Chair, Sustainability Committee

“Sustainability” has taken on a number of different meanings in recent years. For some it is inextricably linked with climate change. For others it chiefly relates to biodiversity or to resource management. At Debenhams, we employ a much broader definition of sustainability and see it as the capacity to endure.

Martina King

I was delighted to be asked to chair the newly formed Sustainability Committee. The Debenhams’ board is committed to living up to our responsibilities as a retailer, an employer, a business partner, a steward of the environment and a member of the community, in short to being a responsible business. We are also keenly aware of our role as the steward of Debenhams’ shareholders’ investments. We firmly believe that these aims are entirely complementary and we cannot achieve one without the other. In short, our business strategy must reflect our broader responsibilities - and vice versa.

Debenhams has been in business for over 230 years, during which time it has grown into the leading retailer it is today. We believe that by doing the right things for our stakeholders we can continue to grow and will be here for the duration. At the same time, sustainability has to be about driving overall business performance, now and in the future, by increasing sales and profits and by reducing current or potential costs.

The Sustainability Committee was formed in October 2010 and includes representatives from a range of disciplines across the business (in no particular order): buying and merchandising; store operations; supply chain; environmental, energy and building management; logistics and distribution; finance; human resources; communications; risk management; health and safety; and legal.

Amongst its members are some of the business’s most senior executives. The Committee meets on a quarterly basis, under the chairmanship of Debenhams’ non-executive director Martina King with the work groups meeting more frequently as required. PricewaterhouseCoopers LLP has provided guidance and facilitation and has helped to set the terms of reference for the Committee, as well as supporting individual work groups as required.

Who are our stakeholders?

It is clear that our business strategy needs to meet the aspirations of many different parties. In order to achieve this we needed to identify who these parties are and what their expectations of Debenhams are. We began with the strategy of the business and our aim to be a leading international, multi-channel retailer. We also looked at our business model to identify key inputs, outputs and risks.

Our customers

Our customers work hard to afford their Debenhams' purchases and our strategy puts them at the heart of our decision-making, whether it is to give them a better in-store experience through store modernisation or making shopping more convenient through increasing the number of multi-channel options available to them. We aim to provide customers with a broad choice of products, great quality, outstanding value for money and catwalk design at high street prices. We need to meet their expectations that every one of our products is manufactured in a factory which is socially ethical and quality assurance compliant. We also need to support our customers in their own efforts to make their lives more sustainable, for example by helping them to reduce their energy usage (through lower temperature washing) or waste production (through less packaging). We actively seek the views of our customers as understanding their needs is paramount to our ability to achieve a sustainable future and use customer closeness groups and our customer experience programme, amongst others, to do this.

Our suppliers

One of Debenhams' key differentiators is our unique portfolio of own brands, including Designers at Debenhams. To fulfil this potential we require our suppliers to provide us with exceptional quality at exceptional prices. We want our suppliers to support us, their own people and the environment. Debenhams' customers, employees and shareholders must have confidence in our supply chain values and execution. Our suppliers must therefore adhere to our Code of Conduct and to ensure that their employees are treated with dignity and are not exploited or discriminated against in any way. We operate a comprehensive factory approval and audit process to verify ongoing compliance. Non-manufacturing suppliers are equally important to us: those who transport and warehouse goods for us; those who provide energy and other resources; those who provide financial services products. To achieve our multi-channel goals, we must also work very closely with our technology partners.

Our employees

Delivering our customer proposition in-store by inspiring and helping our customers relies on the commitment of our 30,000 employees whose hard work ensures that we can all enjoy a successful future. Our employees are crucial to helping Debenhams grow and they should be rewarded for the success that they help to build. We are committed to ensuring that every individual receives fair and equitable treatment, regardless of their differences. We have a long-established reputation for developing our employees and are very proud that the majority of management appointments come from within the business. Skills, progression and opportunities for people to develop new capabilities are extremely important to us. Most of all, we need to give our employees throughout the business the skills and tools to inspire and help our customers every day.

Our shareholders

Shareholders have provided the capital required to fund our future growth. They should have confidence in their investment in Debenhams, driven by our strategy, longevity, commitment to product and service excellence and a robust control environment.

The environment

We are dependent upon the availability of scarce resources such as power and fuel, raw materials and water. We are also a producer of waste, whether carbon emissions, waste water, packaging or general waste streams. It is our responsibility to ensure that our consumption of resources and production of waste is proportionate and efficient. We must also ensure compliance with all relevant environmental legislation and regulation.

The community

We should be an active and responsible member of the communities in which we operate. As a business, we should support local and national charities and community groups, both through fundraising and volunteering, and we should encourage our employees to participate in local community activities.

The sustainability project

Over the past year, Debenhams has undertaken a major review of the issues which are relevant to ensuring the sustainability of the business. This includes current issues and those which, although not an immediate concern, are likely to become increasingly relevant in the future.

The initial methodology involved a synthesis of three key areas:

- We analysed mega trends to determine the business implications for Debenhams. These include climate change, energy and carbon management, water scarcity, resource scarcity, ethical consumerism, pollution control, demographics and population shifts, land use and biodiversity.
- We undertook a comprehensive review of current and future legislation and regulations in areas that affect our business such as the Carbon Reduction Commitment, REACH, WEEE Directive, Packaging and Packaging Waste Directive, BREEAM, Better Cotton Initiative, Restriction of Hazardous Substances Directive and UK Waste Strategy.
- We used the Debenhams' risk register (see the Risk Management section on pages 32 to 37) to identify the key risks to the successful execution of our business strategy.

Through this analysis, we identified the most material issues for the business in the short, medium and long-term. It was clear that they fell into four principal areas and so the next stage of the project saw the creation of four working groups: sustainable sourcing; environment; logistics and distribution; and people. Each work group is chaired by a senior executive and comprises experts in the most relevant disciplines from across the business. The groups have created a sustainability materiality analysis for their area of focus and developed appropriate action plans and strategies. They are working to determine the key performance indicators we should be measuring and reporting to ensure the success of their work. The next phase, which is still ongoing and will be reported to shareholders next year, is the development of a robust set of targets and verification processes. You can read more about the work of the four working groups overleaf.

Sustainability reporting

Going forward, Debenhams' principal method of communication for sustainability issues will be online. A new sustainability website will be available during 2012. This will enable us to update stakeholders on a regular basis with new initiatives around the business. The data reported in last year's Sustainability Review, including the carbon footprint analysis, health and safety statistics and employee statistics has been updated and is available in the Corporate Responsibility section of www.debenhamsplc.com.

Work groups

The four Sustainability Committee work groups report on their initial findings

Sustainable sourcing

A unique and differentiated product offer is a key part of Debenhams' business strategy. In order to achieve this we need a robust sustainable supply chain strategy that ensures our products are available to customers in a timely manner and at competitive prices. It is critical that we meet our customers' expectations of great quality through ethical sources.

The main focus of the sustainable sourcing group has been to identify the components of our merchandise sourcing strategy, to assess the significance of the risks associated with those components and to update the sourcing strategy in order to reduce or eliminate those risks as necessary. This has given us the following areas of initial focus:

- Assessing country based sourcing on geographical, social, political and economic factors
- Reducing component costs
- Fabric management
- Maintaining quality and value
- Continued focus on exit margin
- Systems investment to support our strategy

Logistics and distribution

The logistics and distribution group has identified three key risks to sustainability. They are:

- Ensuring our supply chain is sufficiently robust so that goods always flow
- Minimising fuel and freight cost increases
- Managing carbon emissions and waste

The first step in ensuring the robustness of the supply chain has been to consolidate and prioritise the relevant risk register. The group is also working with our buying and merchandising teams to engage their support for this and to identify synergies.

Minimising fuel and freight costs has been a priority for many years and good progress has been made, for example by introducing a fuel and cost efficient fleet and by relamping the DCs. The group considers this to be very much part of our "day job".

The group is working to ensure we capture data from as much of the end-to-end process of moving goods from point of manufacture to point of sale (or in the case of multi-channel delivery to the customer) as possible. Since first reporting carbon emissions in 2008, the scope has increased every year. The 2011 analysis is available on www.debenhamsplc.com.

Environment

The remit of the environmental group is to minimise risks to the business of non-compliance with current and future environment regulation and legislation and to seek ways to reduce the impact Debenhams has on the environment in a cost effective way. Its members have focused on two areas in the first instance: energy and waste.

Energy: a thorough review of all relevant legislation and regulation has been undertaken, with particular emphasis on that relating to climate change, in order to determine our long-term energy strategy. Operationally, the group is focused on two types of initiatives. First, those which could reduce energy usage without requiring additional investment, for example reducing the amount of overnight activity in store. Secondly, initiatives which will require capital expenditure to achieve a reduction in energy use, such as the installation of energy efficient lighting.

Waste: Debenhams' operations produce two main types of waste: product waste and not-for-resale waste. Key deliverables are cutting the total amount of waste Debenhams produces, sending less waste to landfill and reducing hazardous waste streams and customer waste (including carrier bags and packaging).

People

Customers, employees and communities are the priority for the people group.

The group has focused on a number of areas:

- Ensuring that Debenhams attracts, keeps and grows the best talent in the industry
- Undertaking an audit of our charitable work
- Developing a framework for community involvement

The focus of the group has led to a new induction programme for the 12,000 new starters who join Debenhams each year and the launch of the Debenhams Vocational Qualification for store employees.

Following the charity audit, the Debenhams Charitable Foundation is to be created through which all our charitable giving will be channelled.

A new community champion programme has been launched for our stores which gives store managers and their teams a framework for building and growing their contribution to the communities in which they operate.



Kids for Kids Day

Debenhams was pleased to support NSPCC Kids for Kids Day. We sold a range of exclusive T-shirts designed by some of our Designers at Debenhams, the proceeds of which went to the charity.