



# CORPORATE RESPONSIBILITY REPORT

29 June 2015 - 26 June 2016

# Countdown



## REPORT SNAPSHOT

Last year Countdown invested \$214 MILLION IN BUILDING 10 NEW STORES AND UPGRADING our existing network.

Around 50,000 pieces of fruit are given away each week through our Free Fruit for Kids initiative.

MORE THAN 1500 PRODUCTS WERE ADDED TO COUNTDOWN'S PRICE DOWN PROGRAMME

### LAST YEAR:



100% OF OUR FRESH CHICKEN, PORK, AND LAMB CAME FROM NEW ZEALAND FARMERS

99% OF FRESH FISH WAS SOURCED FROM NEW ZEALAND

95% OF FRESH BEEF CAME FROM NEW ZEALAND BEEF FARMERS



In August 2016 Countdown launched its EGG PRODUCER PROGRAMME FOR FREE RANGE AND BARN to help increase the free range and barn egg supply available.

Countdown and our customers have contributed around **\$6.5 MILLION** of cash, food and in kind donations to those in need in the past year.

Countdown is part of the Soft Plastics Recycling initiative which launched in July 2015. SINCE LAUNCHED, COUNTDOWN CUSTOMERS HAVE RECYCLED MORE THAN 2000KGS OF SOFT PLASTICS THROUGH OUR STORES.

COUNTDOWN EMPLOYS AROUND 18,000 TEAM MEMBERS IN NEW ZEALAND. 35% of our team is under 25 years old, 15% are over 55, and 579 people have worked with us for more than 25 years.

Our awards in 2016:  
**GREEN RIBBON AWARD**  
**BACS GOOD EGG AWARD**

In collaboration with The Salvation Army we launched New Zealand's first online food donation initiative, The Foodbank Project [www.foodbank.org.nz](http://www.foodbank.org.nz). Since its launch in 2015 more than 29,000 items have been donated.



WE HAVE REDUCED WASTE TO LANDFILL BY 34% SINCE 2006, WHILE ALSO INCREASING OUR RECYCLING BY 34% DURING THIS SAME TIME.

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# CONTENTS

Page 4 **Introduction from Dave Chambers, Managing Director**

Page 5 **Our Customers**

Page 6 **Nutrition**

Page 8 **Our Suppliers**

Page 9 **Responsible and Ethical Sourcing**

Page 12 **Our Team**

Page 14 **Our Stores**

Page 15 **Our Community**

Page 16 **Connecting Customers with Great Causes**

Page 18 **Our Environment**

Page 22 **Engaging with Our Stakeholders**

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# MANAGING DIRECTOR'S REPORT

Dave Chambers, Managing Director



## Welcome to Countdown's second Corporate Responsibility Report.

At Countdown we are firmly focused around our purpose to make Kiwis' lives a little better every day. That means delivering low prices, a fantastic range of quality products and great service to our customers. **But we are also adamant that equally it means being a caring and proactive part of the communities we live and work in.**

Countdown is New Zealand's largest supermarket brand with 183 supermarkets nationwide serving, on average, 2.8 million customers every week. We are one of New Zealand's biggest employers: around 18,000 people choose to work with us in our supermarkets, distribution centres, meat and seafood plants, and our support offices. Positive team culture means a better experience for our customers and I'm pleased to report that our team engagement levels are up.

Our focus on delivering low prices every day to customers saw price deflation of 0.2 per cent over the last financial year, ending 30 June 2016. There are now more than 3000 products in Countdown's Price Down programme, where prices are dropped for the long-term.

This financial year Countdown opened 10 new stores. We also continued to evolve online convenience, rolling out our Click and Collect online shopping service to every store across the country. We celebrated 20 years of Countdown online shopping in July 2016; in 1996 it took customers one hour of dial-up internet speeds to

complete a shop. Today it takes the average online shopper eight minutes.

We are active locally through our community and charity partnerships. In September 2015 we were proud to help launch New Zealand's first online food donation platform, The Foodbank Project, with The Salvation Army.

Countdown's Food Rescue programme has also gone from strength to strength. All of our stores around New Zealand have a charity partnership to take surplus food that can't be sold but can still be eaten. We've brought on three new foodbank partners this year and continue to grow this programme, reduce our food waste, and help feed those in need.

With stores all around the country, it's important that we do our part to reduce our carbon footprint, and work at operating more sustainably. Our team are actively working to improve how we do business to reduce the impact we have on the environment.

For Countdown, our purpose is much more than words on a page. We put a lot of effort into bringing it to life for our customers through our team, our suppliers and our partners.

**DAVE CHAMBERS,  
NOVEMBER 2016**

### ABOUT THIS REPORT:

*This is Countdown's second New Zealand Corporate Responsibility Report. Statistics are for the year ended 26 June 2016 (FY16), unless otherwise specified.*

*Countdown has had a strong sustainability plan in place since 2007. Each year, we submit our community and sustainability data to Woolworths Limited for inclusion in the Woolworths Corporate Responsibility Report, which is internally and independently audited.*

*For the full 2016 Woolworths Corporate Responsibility Report please visit [http://woolworthsgroup.com.au/page/investors/ourperformance/reports/Reports/CR\\_Reports/](http://woolworthsgroup.com.au/page/investors/ourperformance/reports/Reports/CR_Reports/)*

*This is the second year we have published a New Zealand specific Corporate Responsibility Report (this document). The purpose of this report is to set out our CSR achievements and challenges for our New Zealand stakeholders. The data and statements made in this report have been internally reviewed but, with the exception of data included in the the Woolworths Corporate Responsibility Report, have not been independently audited.*

Dave Chambers with Minister for Climate Change Paula Bennett accepting the Green Ribbon Award.



# OUR CUSTOMERS

Focused on making food cheaper

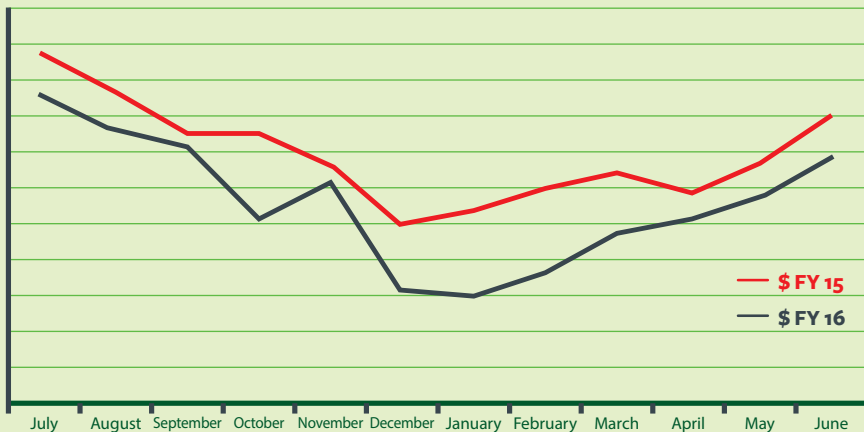
**At Countdown we are committed to low prices and great specials, as well as our extensive range of quality products and great service.**

The Price Down programme launched in 2013 and since then Countdown has dropped the

everyday price of more than 3000 products, more than 1500 of which were launched in the last financial year. This helps our customers budget as they have price certainty every time they shop with us.

We track the price of a basket of 100 of the most commonly purchased items in our supermarkets, as shown in the graph below.

## COUNTDOWN BASKET PRICES FY15 vs FY16



Countdown's basket of the top 100 most commonly purchased items - FY15 vs FY16\*.

\*Note that prices fluctuate throughout the year due to seasonality of items.

## CELEBRATING 20 YEARS OF ONLINE CONVENIENCE

In July 2016 Countdown celebrated 20 years and millions of orders since introducing online grocery shopping to New Zealand in 1996. What started as a trial with 100 Auckland customers now sees around 20,000 online orders placed every week, and more than 80,000 Kiwis are regular online shoppers with Countdown. Countdown delivers to 99 per cent of the country, with more than 100 trucks on the road doing multiple deliveries every day. Feedback from our online shoppers tells us they love being able to shop from their own home with the click of a mouse and have their order arrive when it suits.

“We’re really proud to have introduced New Zealand to online supermarket shopping and to remain the market leader since then. 20 years ago the internet was in its infancy; **now thousands of Kiwi shoppers place their trust in Countdown every week to pick, pack and deliver fresh, quality products to their homes.**”

*Countdown Head of Online, Sally Copland.*

## LOCKING PRICES DOWN

This year, prices in the Countdown basket were 1.2 per cent cheaper than the previous year, and 2.5 per cent cheaper than two years ago. Across the whole store, we’ve seen price deflation of 0.2 per cent, driven by our focus on dropping prices through the Price Down programme.



For example this year we lowered the price of our own brand Macro Free Range chicken, which helps make free range options more affordable.

Our statistics are reflected by Statistics NZ’s Food Price Index, which shows grocery food prices down 2.3 per cent in the year to June 2016. We know that food prices are driven by multiple factors but we believe we can take some credit for making shopping at the supermarket cheaper for Kiwi families.



# NUTRITION

Providing customers with healthy choices



Health and nutrition in New Zealand is an important issue and as a supermarket we have a role to play. In October 2015, the Government released its Obesity Action Plan. **Countdown has been engaging directly with the Ministry of Health, academics, researchers and industry on how we can play our part to combat health challenges in New Zealand.**

We see our role as a supermarket to:

- Reformulate our private label products where we can, to improve nutritional value by December 2018.
- Continue to roll-out the Health Star Rating on all applicable private label products by December 2018.
- Support initiatives which help families make healthier choices, including in our stores.
- Ensure all food advertising complies with relevant Advertising Standard Authority codes.



The new health food section at Countdown Ponsonby

## AFFORDABLE FOOD INSPIRATION

Countdown's popular Feed Four For \$15 recipes are affordable balanced meal options and are a great way for us to encourage our customers to cook at home and to use fresh food. There is a wide variety of recipes for customers to choose from, which are easy to follow by even the least experienced cooks. This year our most popular recipe was Bacon and Cheese Pasta.



## NEW DEVELOPMENTS IN STORE - MAKING HEALTHIER CHOICES EASY

Health and wellbeing continues to be a trend for our customers, particularly for those who have food allergies or prefer these products as a lifestyle choice.

The growing health foods market is an exciting opportunity for Countdown to help make health food options more accessible and affordable for customers. As at the end of July 2016 we had dedicated and expanded health food sections in 111 of our stores, for gluten free, organic and other health foods. We're continuing to expand these spaces.

Countdown is also on track to have at least one confectionery-free check out in 95 per cent of our supermarkets by the end of 2016.

## HEALTH STAR RATINGS LAND ON SHELF

Countdown was one of the first large brand owners in New Zealand to commit to the Health Star Rating system, and we are now rolling out the ratings on more than 2000 of our own brand products. At the end of June 2016, 394 products had been reviewed and are on shelf with their Health Star Rating clearly displayed on-pack. We are actively working with the Health Promotion Agency in its efforts to further educate the New Zealand public about the rating system.



## COLLABORATION WITH UNIVERSITY OF AUCKLAND RESEARCHERS

We are collaborating with the University of Auckland School of Population Health, which is conducting research on the availability of healthy foods in supermarkets. Over the last year they have visited a large number of our stores all around the country to collect data for their research, and we are actively working to support their data collection. We are also working with them to provide insights about their methodology and analysis.



## 50,000 PIECES OF FRUIT GIVEN AWAY EACH WEEK\*

In October 2015, Countdown launched its Free Fruit for Kids initiative nationwide to help make shopping a little easier for families with kids in tow, and encourage children to eat fresh fruit.

Free Fruit is available in clearly marked baskets in the produce section of each store, with baskets replenished during the day.

### PRIVATE LABEL PRODUCT NUTRITIONAL REVIEW

As we transition from Homebrand to Essentials, and Select to Countdown, all private label grocery products will go through a nutritional review (saturated fat, sugar, sodium). This process will cover more than 1000 products and will be concluded by December 2018. Our target is that all of our private label grocery products will be on par, or better, than the category average for levels of saturated fat, sugar and sodium.

\*Estimate

## 1.3 TONNES OF SODIUM REMOVED FROM OUR OWN BRAND CEREALS THIS YEAR

Countdown is an active participant in the NZ HeartSAFE reformulation programme, led by the NZ Heart Foundation, which sets targets for sodium reductions in high-volume, lower-cost foods. We have completed 90 per cent of the reformulation work for our own brand bread, breakfast cereals, processed meats, pies, cooking sauces and crackers. We're now working on cheese, chips, soups and oil spreads.

While we've been mostly focused on reducing sodium and saturated fat, we've also reduced the sugar content of own brand tomato sauce, spaghetti and baked beans.



# OUR SUPPLIERS

Growing relationships with our local partners



We have a proud history of **helping grow Kiwi businesses and we work closely with our suppliers** to provide customers with quality products at competitive prices.

## COMMITTED TO SUPPORTING FARMERS

Countdown works with hundreds of local farmers throughout the country. We love fresh fruit and vegetables grown right here. It's important to our customers and to us.

## MEET OUR FARMERS

In March 2016, Countdown's executive team invited a range of our farming suppliers to join us in Wellington to meet Members of Parliament. This was an opportunity to ask us and our farmers about how we work together, get a better understanding of how the New Zealand supply chain works, and raise any questions.

## WORKING WITH SMALLER SUPPLIERS

We are always looking at how we can support smaller local suppliers to get their new and innovative products in front of our customers and help build their businesses.

In June 2016, we opened our premium Countdown Ponsonby store in Auckland. With the addition of 2200 new products from more than 100 new suppliers, we worked hard with a handful of new, smaller suppliers to ensure that we had the right product offering for our customers in this local area.

## MAKING IT EASIER FOR NEW SUPPLIERS

In 2016, Countdown signed up as the first big retailer in New Zealand to use RangeMe, a new online platform that makes it easier for suppliers to get their products discovered. RangeMe works by allowing suppliers of any size to upload new products on the platform, which then notifies

LAST YEAR:



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## BEST BEEF IN NEW ZEALAND

For the second year in a row Countdown's Angus beef was declared the Supreme Brand Champion at the 2016 Steak of Origin awards.

Countdown's North Island Meat Plant supplies approximately 400,000kgs (or 600,000 packets) of meat to Countdown's North Island stores each week.

Countdown buyers about products that match our buying criteria.

By using RangeMe, Countdown now has better access to products, and customers will see unique, new food and groceries on shelves sooner.



# RESPONSIBLE AND ETHICAL SOURCING

Countdown's policies explained

At Countdown we place great emphasis in responsible and ethical sourcing policies, which set out the standards we expect of our suppliers. **This year we launched our Supplier Excellence Programme which is committed to sourcing quality, ethical foods** from both here and offshore.

## BANANAS

The vast majority of our bananas are sourced from Ecuador, as well as a small amount of pre-packaged bananas from the Philippines. Our banana suppliers have been audited and comply with our strict quality standards.

## ANIMAL WELFARE

Countdown's own brand products are produced to a high standard of animal welfare. We do not use animal testing on our own brand personal care products.

## GLOBAL SOURCING

Our first preference is to buy from local New Zealand suppliers, particularly for fresh products. Where we need to source offshore, we adhere to standards set by our Supplier Excellence Programme.

## MICROBEADS

Countdown has phased out the use of plastic microbeads in all of our own brand skin care and body wash products.

## GM FOOD

Our own brand products do not use genetically modified (GM) ingredients.

## PALM OIL

We are a member of the Roundtable on Sustainable Palm Oil (RSPO), and all Countdown's own brand products only use RSPO certified sustainable palm oil.

## SUPPORTING THE SPCA BLUE TICK

New Zealand's SPCA Blue Tick programme is an accreditation scheme focused on high animal welfare. At Countdown we currently have 45 chicken, pork, and egg products bearing the SPCA Blue Tick, including all of our own brand Macro free range chicken and our free farmed pork.



## Paper and timber

All of Countdown's own brand tissue, toilet paper and kitchen towel products are sourced from independently certified, sustainable sources. All of the paper used in the production of the weekly Countdown mailer comes from certified sustainable sources, either through the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certifications (PEFC).

## SUSTAINABLE FISH AND SEAFOOD

Our aim is to ensure that all our seafood comes from sustainable sources. All our NZ fresh fish is caught via our supply partners through the New Zealand Government Quota Management System, which helps ensure sustainable utilisation of fisheries resources. All Countdown's private label tuna brands are sourced sustainably from fisheries that do not use harmful methods such as fish aggregating devices (FADs).



**CASE STUDY:**

# A CHOICE OF EGGS

The animal rights organisation, SAFE, has asked Countdown to “name the date” by when we would phase out cage eggs in New Zealand in a campaign that launched in January 2016.

There would be significant issues with the availability of eggs from farmers, if we were to go free range only. Around 18 per cent of eggs produced in New Zealand are currently free range. Countdown would need to find an additional 144 million free range and barn eggs per year to meet SAFE’s request. This is the shortfall Countdown faces, let alone all the other retailers, cafes and restaurants in New Zealand.

We have informed SAFE that we are committed to increasing free range and barn egg sales over time, as we can get availability and in line with customer demand. However, we also conveyed the challenges and realities for our customers of achieving this.

Like almost all supermarkets in New Zealand, we give customers a choice of eggs. Customers can choose the eggs they buy in accordance with their own preferences and their budget. Keeping eggs accessible for families with limited budgets is our responsibility as a supermarket. Research conducted by Colmar Brunton shows that 69 per cent of New Zealanders agree that supermarkets should provide customers with a choice of eggs (free range, barn, caged, colony caged).

That said, we are committed to increasing the availability of free range and barn eggs as supply increases. Currently 42 per cent of our sales are free range or barn eggs\*. Countdown also launched its Egg Producer Programme for Free Range and Barn in August 2016, which is focused on supporting our egg suppliers to continue to invest in free range and barn farming.

\*52 weeks of data to 10 July 2016

## Countdown growing FREE RANGE AND BARN EGG SUPPLY

During the year considerable energy has been channelled into how we meet the increasing customer demand for free range and barn eggs, while balancing the need for security of supply. In August 2016 Countdown launched its Egg Producer Programme for Free Range and Barn, as our commitment to help increase the free range egg supply available at Countdown stores for our customers.

When the programme launched just 18 per cent of eggs produced in New Zealand were free range. Countdown has been steadily increasing its supply to meet customer demand. What this programme means is that



our free range and barn egg farmers have certainty that their investment into increasing production will be worth it, and for Countdown it means we have a planned programme to supply these eggs to our customers.



Countdown and FRENZ history goes back three decades when Countdown gave FRENZ **the opportunity to introduce free range and organic eggs to New Zealanders for the first time.**

The new producer programme provides **structure and confidence for both parties** and assures Countdown that future growth in the market is planned and provided for.

*Rob Darby, Director, FRENZ*

# Responsible Sale of Alcohol

At Countdown we take our commitment to responsibly sell wine, beer, and cider seriously and are committed to fully complying with the Sale and Supply of Alcohol Act 2012.

We do not sell any alcohol product below cost.

Countdown conducted consumer research in June 2016 to further understand how customers view supermarkets as responsible retailers of alcohol. From this research we discovered that restaurants were recognised as the most responsible type of retailer, followed closely by large supermarkets. Seventy five per cent of customers supported the sale of beer, cider and wine in supermarkets, and 80 per cent believed the measures supermarkets had in place to control the sale of alcohol were at the right level.

As a national retailer that conducts millions of transactions per week, we experienced some challenges in FY16. In the financial year we failed eight Controlled Purchase Operations (CPO) carried out by the Police. There are serious consequences for us as a business when these mistakes are made in stores, including suspensions of store licences which affects customers. This also has a negative impact on Countdown's reputation in communities.

Following these challenges we took a number of steps to improve our performance.

To ensure we are pursuing best practice as a responsible retailer of alcohol we have:

- Conducted a review of our alcohol sale policy and the way we train our staff.
- Introduced independent training of all Duty Managers, and full and part time supervisors by LCQ (Licence Controller Qualification) instructors throughout 2016. Already 4200 team members have completed this training and received their Authorised Liquor Seller licence (ALS). Customers can easily identify these team members through their ID badges which show

they are ALS qualified.

- Since the introduction of our new independent training programme we have seen a significant improvement in store compliance with alcohol policies, which is positive. We have also increased the number of internal reviews that we undertake to monitor compliance.

- We appointed an Alcohol Responsibility Manager in October 2016 to ensure that Countdown is pursuing best practice when it comes to selling alcohol and engaging our stakeholders. This indicates both a commitment by the business to comply but also to do the right thing by the communities in which we operate.

## Selling Alcohol: Our Policy

**We take our responsibilities very seriously, which is why a Supervisor authorises all alcohol purchases.**

### ID25: No ID, no sale

By law we cannot sell alcohol to anyone under 18. If you look under 25, we will ask you for ID. Please be prepared with one of these forms of approved ID:

- HANZ 18+ Identification card
- Valid passport (NZ or International)
- NZ Photo Driver Licence



**If we think you're under, you'll have to hand it over.**

### Group Purchases

When a group of people enter the store and one or more of the group attempt to buy alcohol – any member of the group that appears under the age of 25 will be asked for identification.

**If you cannot supply ID, we will not supply anyone in the group with alcohol.**



### Intoxication

We will refuse the sale of alcohol to any customer we believe shows signs of intoxication.

Thank you for your co-operation.

countdown

079013 1101 0816 R41D





## OUR TEAM

Employing Kiwis young and old



**Countdown is one of New Zealand's largest employers, with around 18,000 Kiwis working in our stores, distribution centres, and support offices.**

Many young people get their first start at Countdown, and we're proud of our role helping Kiwis into the workforce. Likewise, more than 500 of our team have been with us for more than 25 years and we have a wide range of roles for any age.

### MORE HOURS ON THE FLOOR

In July 2016 Countdown announced 600 new roles across the country to improve customer experience. The 600 new roles will provide more face-to-face service, including help with food choices and product advice.

The move was aimed at boosting personalised service in-store by putting more people on the checkouts during peak shopping times, having more people on the shop floor to ensure shelves are stocked, and provide customers with product advice. This investment in new roles is focused on departments such as checkouts, produce, night-fill, deli and seafood, and general store support roles. Additionally, a further 200 team members will be given extended hours.

This year we have also focused on reviewing casual contracts, which resulted in 833 people moving from casual contracts to permanent hours.

### ENGAGING THE TEAM

Over the last year we have had an increased focus on developing and building our culture, which has resulted in increased engagement in our store teams. We achieved this through a range of workshops and coaching sessions with store and

**34% OF OUR TEAM IS UNDER 25 YEARS OLD**

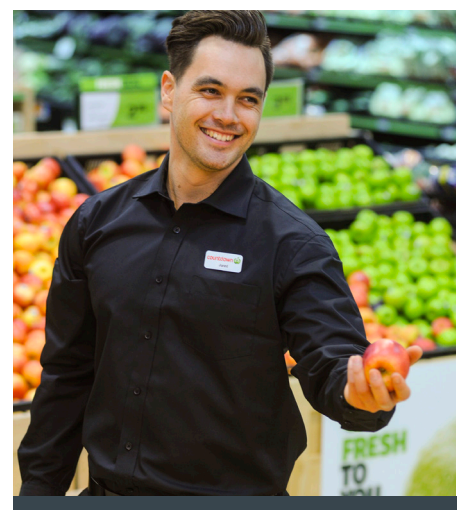
**15% ARE OVER 55**

**579 PEOPLE IN OUR TEAM HAVE WORKED WITH US FOR MORE THAN 25 YEARS**

operations managers. These sessions provided our managers with strong development plans and strategies around building a positive culture among their teams. Countdown's large team is spread from one end of the country to the other, making traditional communication channels a challenge.

### WORKPLACE BY FACEBOOK

In July this year Countdown began trialling Workplace by Facebook as an internal network for our team to collaborate, share innovations and successes, and communicate the ways they are making a difference in the lives of our customers. The uptake and success of the trial was immediate and in September Countdown made the decision to roll this out to the rest of our business.



### NO ZERO HOUR CONTRACTS

At Countdown we do not have any zero hour agreements. Our goal is to be a good employer across our stores and sites, and offer a range of different employment options whether that's permanent or fixed term, full-time or part-time, through to rostered hours and casual work.

### INVESTING IN THE FUTURE

The Countdown graduate programme welcomed 11 new graduates to our business in February 2016. With degrees in sales, marketing, accounting, finance, law, business and commerce, these future leaders have embarked on a two-year programme with Countdown which will see them experiencing in-store operations, commercial buying, and logistics in the first year. In year two each graduate selects their own area to specialise in.

Countdown appealed to me as a place to build a career because of its large connection with New Zealand communities. **The Countdown graduate programme allows me to learn from senior business leaders across a range of specialities, giving me a level of insight that few graduate programmes can.**

*University of Canterbury graduate Denver Morton*

**Acknowledging and rewarding excellent work is our way of saying thanks to those in our team who go the extra mile and to highlight their efforts to their peers.**

After scanning, serving and working her way to the top, the coveted Checkout Operator of the Year was presented to Eliza Ross, from Countdown Hobsonville, in Auckland. Eliza was one of three finalists whittled down from more than 400 applicants, and faced rigorous testing and interviews to take out the 2016 title.

The highly coveted Store Manager of the Year title for 2016 was awarded to Andre Ciseau from Countdown Lincoln Road in Henderson, Auckland. With 183 Store Managers vying for the title, Andre was one of four finalists. His dedication to the Countdown team and passion for creating a fantastic shopping experience at Countdown's busy Lincoln Road store saw him named the overall winner.

Auckland-based Warehouse Operator Sione Latu competed against more than 500 other team members for Forklift Operator of the Year. Regional competitions were held across each of Countdown's four distribution centres, testing skills associated with safe and efficient forklift driving.



**ELIZA ROSS**  
**CHECKOUT OPERATOR OF THE YEAR**



**ANDRE CISEAU**  
**STORE MANAGER OF THE YEAR**



**SIONE LATU**  
**FORKLIFT OPERATOR OF THE YEAR**

“It was very unexpected, **but customers are my passion** so I'm thrilled to know it's all paying off. My customers are a big part of why I'm here.”  
*Checkout Operator of the Year, Eliza Ross*

“I have the utmost appreciation for the two teams who I've had the pleasure of working with over the past year – Hobsonville Point and Lincoln Road. Without them, I wouldn't have won this award; **they make work a hugely rewarding place to be.**”  
*Store Manager of the Year, Andre Ciseau*

## HEALTH AND SAFETY AT WORK



The new Health and Safety at Work Act 2015 was introduced in April. In the lead up, Countdown worked with our team around the country to ensure we fully communicated the new legislation to everyone. We conducted nationwide roadshows, proactive meetings with WorkSafeNZ for our senior operations managers, and provided store managers with information to ensure our responsibilities were clearly understood.

During FY16 we reduced the number of recorded safety incidents by 86 against the previous year, a 17 per cent reduction.



# OUR STORES

Employing more people in new stores



In the last year Countdown has invested \$214 million building 10 new stores and upgrading our existing network. **We welcomed approximately 780 new team members at our new locations** in Christchurch Airport, Hobsonville, Mangere East, Queenstown, Northwest, Fairy Springs, Claudelands, Redwoodtown, Cable Car Lane, and Ponsonby.

## STORE CLOSURES - A DIFFICULT REALITY

In July 2016, Woolworths Limited provided a Market Update to the ASX, following a review of the whole business. In this announcement, six Countdown stores were noted for closure before the end of their lease terms.

This number is comprised of:

- Countdown Rangiora Central which closed on 2 October.
- One store that will close temporarily while a replacement is built.
- Four other stores, which are unlikely to close until FY18 at the earliest. Discussions with landlords are underway at those sites.

Countdown Waihi also closed in May 2016, given concerns around the future safety of the building.

Store closures are always difficult for everyone involved. As always, we work with our people affected by these closures to transfer them to nearby stores wherever possible.

We make the tough decision to close stores to enable the redevelopment and build new supermarkets in locations more convenient for customers. Our investment will continue in FY17 with three new stores and two replacement stores opening, each creating new employment opportunities. FY17 will also see us complete around 10 store refurbishments.



The new Countdown Claudelands store in Hamilton

## LOCALLY OWNED AND OPERATED



FreshChoice and SuperValue are locally owned and operated franchise stores, which are part of the Progressive Enterprises group.

This year, we opened four new franchise stores, bringing the total number of FreshChoice stores to 24, and SuperValue to 40.

Our owner-operators make an important contribution to their local communities. Over the last financial year around \$240,000 was donated to local sponsorship and charity groups across New Zealand.

In July this year, FreshChoice stores launched the Free Fruit for Kids programme in all of their stores. This programme helps make shopping easier for their customers with children while also providing them with a healthy snack.

# OUR COMMUNITY

## Reducing food waste

Countdown has the largest Food Rescue programme in the country with all of our stores partnering with a foodbank to donate food that is still fit for consumption but can't be sold. **This helps reduce food waste but it also provides a basic necessity for people in our community who need help.** We also partner with local farmers by providing food no longer suitable for human consumption for their animals, so as little food waste as possible goes to landfill.

### WELCOMING NEW FOOD RESCUE PARTNERS

This year we welcomed KiwiHarvest in Auckland, Good Neighbour in Tauranga and Kaivolution in Hamilton to the Countdown Food Rescue programme.

**91 per cent of stores partner with The Salvation Army for non-perishable food**

**55 per cent partner with a fresh food partner like Kaibosh, Fair Food, and KiwiHarvest**

**83 per cent partner with farmers to give food that is not suitable for human consumption to their animals**

### COUNTDOWN'S FIRST FOOD RESCUE SUMMIT AND \$100,000 CONTESTABLE FUND

In August 2016 Countdown hosted a Food Rescue Partners Summit in Wellington to get together and learn from each other's experiences, and continue to educate government stakeholders about the importance of food rescue. Following the summit Countdown was able to confirm up to \$100,000 as a contestable fund to support our Food Rescue partners looking to grow and build their capacity. Our aim is for each of our stores to have a Food Rescue partner for both perishable



Countdown Produce Manager Luke Prins handing over some rescued food to Ian Myhill from Fair Food

and non-perishable food. At the moment, there just isn't the capacity in the foodbank sector to support this.

### LOVE FOOD HATE WASTE

Countdown is supporting Love Food Hate Waste, a joint collaboration between 59 councils across New Zealand and waste industry body WasteMINZ, to help reduce the amount of food individuals and households send to landfill each year. Countdown has created an online hub with top tricks, tips and recipes to help Kiwis reduce their food waste at home.

### THE FOODBANK PROJECT: A NEW ZEALAND FIRST

In 2015 Countdown, The Salvation Army, and web-developer Lucid, launched New Zealand's first online food donation initiative, The Foodbank Project [www.foodbank.org.nz](http://www.foodbank.org.nz), enabling donors to choose items that are most needed by The Salvation Army's foodbanks.

To date The Foodbank Project has provided

more than 29,000 items in 1180 food parcels for New Zealanders in need, valued at \$77,700.

Countdown delivers donated items to the nearest participating Salvation Army foodbank through our online shopping network, for free. We are involved in The Foodbank Project on a not-for-profit basis. This amounted to a donation equal to \$10,405 at the end of June 2016.

In the year ahead we will continue to develop The Foodbank Project and extend the products available and the areas delivered to.

### FOOD RESCUE WITH KAIBOSH, WELLINGTON

78,462kg of food collected from Countdown in FY16

69.5 per cent of this food was fresh produce

Donations from Countdown made up around half of all the food distributed by Kaibosh that year.

**kaibosh**  
FOOD RESCUE

THE  
**Foodbank**  
PROJECT

New Zealand's first online food bank  
[www.foodbank.org.nz](http://www.foodbank.org.nz)



# CONNECTING OUR CUSTOMERS WITH GREAT CAUSES

Giving back where we live and work



Contributions  
FY16

**\$4.7 MILLION** FOOD DONATED TO FOODBANKS AND FARMERS THROUGH COUNTDOWN'S FOOD RESCUE PROGRAMME\*

**\$1.1 MILLION** CUSTOMER AND COUNTDOWN DONATIONS TO KIDS HOSPITAL APPEAL

**\$347,000** LOCAL CHARITY DONATIONS AND COMMUNITY SPONSORSHIPS

**\$318,000** CUSTOMER DONATIONS TO NATIONAL APPEALS

\*FY15 food rescue numbers.

Countdown is a part of most communities around New Zealand, and **we encourage each of our stores to get involved in their local area.**

This year we donated more than \$347,000 to local charities and causes. This includes smaller donations like our Northland stores, which came together to donate time and supplies to paint a local Playcentre.

## CONNECTING OUR CUSTOMERS

Countdown customers give generously through our checkouts, to numerous causes such as the national Alzheimers New Zealand Appeal, Oxfam disaster relief for the Cyclone Winston appeal and The Salvation Army's Red Shield Appeal.

## SUPPORTING THE SALVATION ARMY AT CHRISTMAS

In the 2015 Food Rescue Christmas Appeal Countdown customers generously donated approximately 750 trolleys full of food to help families in need during the Christmas period. Customers made food donations in marked trolleys in-store throughout December.

All Countdown stores also donated \$500 of groceries to their local Salvation Army centre, contributing \$91,500 of groceries to The Salvation Army's foodbanks nationally. In-store cash donations from customers provided an additional \$25,000.

## PROVIDING SUPPORT TO ALZHEIMERS NZ

In 2016, Countdown customers donated \$18,288 in to the Alzheimers New Zealand Appeal. An additional \$16,000 from the sale of specially

marked lamingtons was generously donated by Countdown's lamington supplier, Southern Kitchen. Countdown hosted our annual Suppliers Charity Golf Day, where \$141,000 was raised for Alzheimers Auckland. Countdown has supported the Alzheimers New Zealand Appeal for 13 years and has helped raise \$1.5 million during this time.

## OXFAM AND DISASTER RELIEF

In response to natural disasters, Countdown partners with Oxfam to assist them in their fundraising efforts. In February and March this year Countdown and our customers raised more than \$38,000 for Oxfam's Cyclone Winston Appeal following the devastating cyclone that affected Fiji and Tonga. The funds helped support Oxfam in their work to deliver emergency drinking water and hygiene kits for families, repair water supplies and toilets, clean wells and set up emergency water filtration units.



Shane Chisholm from The Salvation Army, Nigel Narman, Store Manager from Countdown Newtown, with The Salvation Army mascot

“We already knew **New Zealand was among the most generous countries in the world**, and over the holiday season Kiwis again proved that to be true! Thanks to that generosity - and the ease with which people can give through Countdown's Food Rescue Appeal - **more than 3,500 families that would otherwise have had a meagre Christmas were able to enjoy a special day.**”

The Salvation Army's National Secretary for Social Services, Major Pamela Waugh



Olympic gold medalists Eric Murray and Hamish Bond show their culinary skills in the kitchen

## COUNTDOWN KIDS HOSPITAL APPEAL RAISES MORE THAN \$1 MILLION

Held in August to October, the 2015 Countdown Kids Hospital Appeal raised \$1,138,000 thanks to the generosity of our customers, our team and our suppliers. All funds raised go towards the purchase of much-needed medical equipment for 11 children's hospital wards throughout New Zealand. This year we helped Hawke's Bay Hospital purchase a \$60,000 ultrasound, and Waikato Hospital to buy 18 new tiltaway beds. Since it first began in 2007 the Countdown Kids Hospital Appeal has raised \$9.3 million.

## SPONSORING OUR KIWI OLYMPIC ATHLETES

Countdown sponsored the New Zealand 2016 Olympic team and we were lucky to have six-time rowing World Champions, Hamish Bond and Eric Murray, as our brand ambassadors. In the lead

up to Rio we held a range of activities to show our support for the team including a consumer promotion in February. In the weeks before the 2016 Rio Olympic Games we encouraged our customers to leave messages of support on posters in all of our stores, which were shared with the New Zealand Olympic team in Brazil.

## HELPING THE RSA

In 2016 Countdown again supported the RSA with their ANZAC Day commemorations. More than \$110,000 was raised for the RSA through customer donations at the checkout, along with the sales from ANZAC biscuits, tins and commemorative pins in store.

Countdown also worked with the RSA to provide Christmas gift parcels to New Zealand military personnel currently on overseas deployments. We donated more than \$15,000 worth of iconic Kiwi treats including Marmite, Peanut Slabs, Anzac biscuits, and the ingredients to make the Kiwi summertime classic, onion dip.

## WE'RE A GOOD EGG

Countdown was recognised as a Good Business Egg, winning the Health and Wellbeing category at the 2016 Business and Community Shares' annual awards. The award was in recognition of Countdown's work and support for charity partners like Alzheimers NZ and the Countdown Kids Hospital Appeal, along with our Free Fruit for Kids initiative and Food Rescue programme. The awards aim to showcase the best of community investment by businesses throughout New Zealand.



Countdown Queenstown team doing some work in the community

# OUR ENVIRONMENT

## Our environmental footprint



In 2006 Countdown set a target to keep its environmental footprint at 2006 levels by 2015. **We achieved this goal and in FY16 we remain well below projected carbon emissions.**

However, emissions did increase in the last year. There were three main reasons for this:

- A rapid increase in the number of stores (we opened 10 new stores over FY16).
- An increase in the amount of refrigerant leaked due to maintenance issues.
- Emissions factors, used to measure the carbon intensity of various inputs, were re-set, which makes direct comparison with previous years results challenging. Increases in emissions factors for electricity and refrigerants had particular impacts.

When we use emissions factors from FY15, Countdown's carbon emissions are just 2.5 per cent above our baseline year of 2006, despite having grown our physical presence by 43 per cent since then (from 152 supermarkets in 2006 to 184 by July 2016).

This equates to a 12.9 per cent reduction in carbon emissions per square metre of shop space from 2006 to 2016.

### Green Ribbon Award Winner

Countdown was proud to win the Resilience to Climate Change category at the 2016 Green Ribbon Awards for our work in increasing energy efficiency and reducing carbon emissions. The awards are run by the Ministry for the Environment, and recognise contribution made to protect and enhance New Zealand's environment. We won the award for our

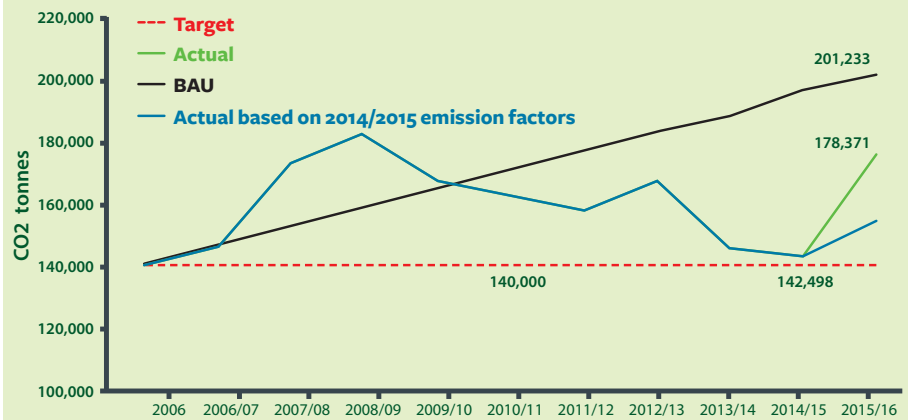


Green Ribbon Awards

2016 Winner | Whatungaro te Tangata  
Toitu te Whenua

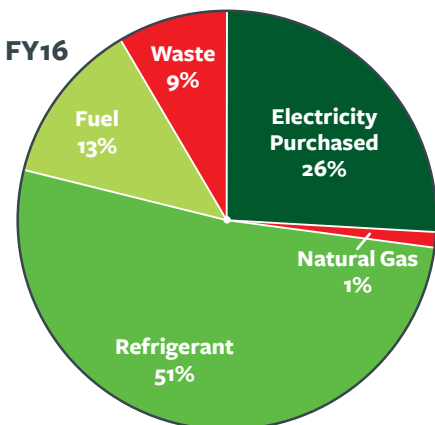
work in reducing carbon emissions in 2014/2015. Countdown was also a finalist in the Minimising Our Waste category for our Food Rescue Programme.

### COUNTDOWN'S CO2 EMISSIONS SINCE 2006



## WHERE DO COUNTDOWN'S CARBON EMISSIONS COME FROM?

### Our Emissions Profile



### REFRIGERANTS

Refrigerants made up 51 per cent of Countdown's carbon emissions in FY16. In the last year the quantity of refrigerants we used also increased by 13 per cent.

Global Warming Potential (GWP, set by Government and international bodies) increased. For example, refrigerant 404A's GWP increased by 120 per cent. These factors were beyond our control but have impacted our overall reporting.

Our refrigerant leakage also increased this year as a result of maintenance issues. In FY17 we are increasing our focus on maintenance to minimise leakage and are also aiming to accelerate plans to retrofit stores currently using R404A to use other

types of refrigerants with lower GWP. We are also introducing new refrigeration technologies - transcritical systems - that use CO<sub>2</sub>, a 100 per cent natural refrigerant, which has a GWP of one.

Transcritical refrigeration systems generate more waste heat, which can be re-used for supermarket heating, water heating, underfloor heating, and even cooling. Countdown Cable Car Lane was the first of our stores to have transcritical refrigeration. Four new stores planned for FY17 will also use fully integrated transcritical systems: Countdown Ashburton, Countdown Mosgiel, Countdown Courtenay Central and Countdown Glenfield.

## ENERGY

The electricity we purchase made up 26 per cent of Countdown's carbon emissions in FY16. Electricity factors also increased from FY15 to FY16.

The electricity emission factor used for our calculations is provided by the Ministry for the Environment. For electricity use, the factor increased from 0.129 (FY15) to 0.138 (FY16). The factor for transmission and distribution lines losses increased from 0.0113 to 0.0155. Our electricity emissions increased by 10 per cent, driven predominantly by these major increases in electricity factors.

If the impact of the increased emission factors is removed, our emissions from electricity use only increased by 2 per cent. When compared to the increase in selling space across our business, energy intensity decreased by 2.7 per cent last year.

At Countdown we are continuing to trial, test, and implement new innovations in energy efficiency, which is driving down electricity use in our stores. Our recent success with LED lighting has continued and we are now installing transcritical refrigeration systems which take full advantage of the waste heat from

the refrigeration system. We expect there will be enough waste heat to provide all the store heating requirements, as well as hot water heating. This,

together with the recently introduced Dual path HVAC system, will ensure yet another step-change in store efficiency.

## COUNTDOWN'S STATIONARY ENERGY PERFORMANCE

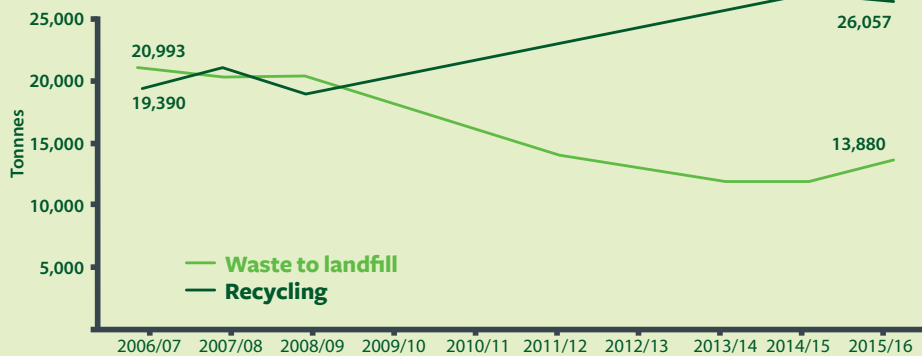
	FY15	FY16
Energy intensity (GJ/square m)	2.82	2.75
Carbon intensity (tCO <sub>2</sub> -e/square m)	0.26	0.33
Carbon intensity (tCO <sub>2</sub> -e/square m) excluding emission factor changes	0.26	0.29

## LED lighting leads to reductions in power usage

We now have 112 stores with LED lighting in the retail areas and a further 30 planned. This has had a significant effect on power consumption, reducing energy consumption by about 40 per cent.

Example STORE	Average Daily Kw before	Average Daily Kw After	Average Daily Kw After	Energy savings p/a
Dargaville	4379.8	3908	471.8	\$24,108.98
Owera	4549.94	4063.78	486.16	\$24,842.78
Stoddard Rd	5549.15	4967.05	582.1	\$29,745.31
Warkworth	4849.45	4511.63	337.82	\$17,262.60
Meadowbank	5728.98	5089.36	639.62	\$32,684.58

## COUNTDOWN'S WASTE AND RECYCLING RECORD SINCE 2006



Waste contributed 9 per cent of our emissions in FY16. Countdown's waste to landfill has decreased 34 per cent since 2006, despite a 43 per cent increase in selling space. We have also increased recycling by 34 per cent during this time.

The reductions in waste since 2006 have been due to our focus on extracting recyclable materials, the Countdown Food Rescue Programme, removing non-recyclable materials from our supply chain, and other efforts to divert waste away from landfill.



Food rescue partner Fair Food prepare a box of food at Countdown Ponsonby



**RECYCLING AND WASTE**

In FY16 Countdown's waste to landfill increased, and recycling rates decreased. Part of this was due to opening 10 new stores, equating to a 5 per cent increase in selling space.

Recycling decreased due to a number of reasons, including the focus of our stores, suppliers providing more shelf ready packaging, and suppliers reducing packaging themselves.

Looking ahead, we have started using scales on waste collection trucks throughout the country to provide more accurate weights of going to landfill. With this increased accuracy we've set ambitious waste reduction targets for each store in FY17, that encourage our teams to keep waste to a minimum by using all the recycling and diversion schemes we have available, in particular Countdown Food Rescue. Our ambition is that all Countdown supermarkets will continue to drive down waste to landfill.

**REDUCTION IN WASTE OIL**

Collection of waste oil from cooking hot chickens is a new initiative which started this year in all our stores. We estimate this will divert 250 tonnes per year of semi-liquid waste away from landfill for processing into biodiesel product. The waste oil is collected by our recycling partners Waste Management, in conjunction with Direct Fats and Oils (DFO). The oil is recovered, cleaned and prepared by DFO before (primarily) being shipped to Indonesia for processing into biodiesel.

**FUEL AND LOGISTICS**

This year our logistics team transported 139 million cartons to stores, an increase of 4.5 per cent from 133 million cartons in FY15. However, our outbound pallets transported only increased by 2.8 per cent due to improved truck capacity. Our cartons transported per lift increased by an average of two cartons in FY16.

The kilometres travelled and diesel consumed



by our logistics division increased this year, primarily because our meat plant deliveries had not been captured in previous years. This contributed an additional 1,156,291 kilometres.

If we adjust for this discrepancy, the logistics team reduced kilometres travelled and diesel consumed in the last year. This was down to:

- Using larger trucks (HPMV: High Productivity Motor Vehicle): their increased length and ability to carry heavier loads means less trucks on the road to carry the same volume.
- An increase in the volume of stock transported

by rail, rather than by road.

Our logistics team are looking at a range of new initiatives to further increase efficiency, and reduce impact on the environment. These include:

- Increasing the use of rail.
- Our logistics partner will ensure all new tractor units added to the fleet will have emissions standards of Euro 5 Specification or greater.
- Increasing the use of larger double trailer trucks.

Looking at new trailer options and pallet configurations in trucks, to increase capacity of every lift.

## PACKAGING STEWARDSHIP

Over the last year Countdown's continued company-wide focus on recycling saw our rate of recycling at 2.1 times the quantity of waste sent to landfill. At 27,364 tonnes of cardboard and plastic wrap, our recycling last year increased by 2.9 per cent, meaning our recycling tonnage is now 43 per cent greater than in 2006.

### PLASTIC BAGS

Countdown Waiheke became New Zealand's first single-use plastic shopping bag free supermarket in May 2016. Waiheke is a unique environment where rubbish has to be transported off the island, and where the community already had a goal to be plastic bag free. Customers are encouraged to bring their own reusable bags to pack their groceries in, and we also have reusable bags and new compostable bags available for purchase in-store. From research conducted following the removal of plastic bags from this store, we found that only 6 per cent of customers are buying these new compostable bags, with our remaining customers bringing their own reusable bags when they shop with us.

Countdown is part of the Soft Plastics Recycling initiative which launched in July 2015. This encourages customers to drop off unwanted single-use plastic bags and other soft plastics in designated bins at any of our stores in Auckland, Hamilton, Christchurch and Wellington\*. As of end of June 2016, Countdown customers have recycled 2430 kgs of soft plastics through our stores. The scheme is aiming to roll out to 70 per cent of New Zealand over the next two years.

We welcome efforts to help customers think about their plastic bag use. Any external measures, such as legislation or a levy, would need to be made fairly and apply to all retailers equally, while also not adding additional complexity or cost to our business.

*\*Wellington launched in October 2016*



“Our young people at school through to our elders have been pushing for this for some time, particularly given the unique waste challenges that the Island has. **It's great to see that Countdown is supportive of our goal** to be plastic bag free.”

*Waiheke Local Board Chair, Paul Walden.*

## COMING SOON... NEW RECYCLABLE MEAT TRAYS

As a part of our plan to develop sustainable packaging we will begin introducing new recyclable plastic tray containers for meat products from December 2016. Customers will start seeing the new clear recyclable trays on our chicken products initially, with other meat products rolling out early 2017. The new trays are made from 100 percent recycled RPET (recycled polyethylene terephthalate), and will be

able to be recycled through all kerbside recycling collections.



# ENGAGING OUR STAKEHOLDERS

Working with Government, non-profit, academia, and local communities.



We recognise that as a business in most communities around New Zealand, we have a number of stakeholders. **This year we have increased our focus on working directly with our stakeholders across Government, non-profit, academia and in local communities.** As a national chain of supermarkets with a number of employees, suppliers, and interested parties we have a responsibility to engage our stakeholders and work together on issues and opportunities.

## GOVERNMENT

During FY16 we hosted visits from a number of Members of Parliament from across political parties into our business, and regularly visited MPs in Wellington.

We engage regularly with a range of Government departments, including the Ministry of Primary Industries, Ministry of Business, Innovation and Employment, the Ministry of Health, the Ministry of Social Development, and the Treasury.

Countdown does not make political donations to any political parties.

Countdown participates in the Commerce Commission's Trader Compliance Programme.

## INDUSTRY ORGANISATIONS

Countdown is a member of Business NZ, Retail NZ, the Committee for Auckland, the Packaging Forum, the NZ Business & Parliament Trust, the Nutrition Foundation, and Business and Community Shares (BACS).

We also have regular dialogue and engagement with many other industry organisations on

issues of mutual interest, like Federated Farmers, Horticulture New Zealand and Consumer NZ.

## NON-PROFIT ORGANISATIONS

We engage with non-profits on issues of mutual interest, such as SAFE, NZ Heart Foundation, the Children's Commissioner, Diabetes New Zealand, Fairtrade, Forest Stewardship Council, Alzheimers Auckland, The Salvation Army, Oxfam, and Greenpeace.

## ACADEMIA

We engaged with a range of academics across many faculties at the University of Auckland, the University of Waikato, the University of Otago, Massey University, AUT University and Victoria University.

## LOCAL COMMUNITIES

Stores around New Zealand engage with their local communities on a range of issues, for instance customer feedback, parking, store tours, and fundraising activity.

## NZ BUSINESS & PARLIAMENT TRUST Business Study Attachment Programme

Countdown is a member of the NZ Business & Parliament Trust, which is dedicated to fostering goodwill and understanding between the business community of New Zealand and Members of Parliament.

We are part of the Business Study Attachment Programme, which aims to provide MP's with an introduction to a business organisation, give them an overview of key business functions, and to encourage MP's understanding of the contribution business makes to the economy.

In August and October 2016, we hosted



Kate Porter, Countdown National Communications & Public Affairs Manager with Christchurch MP Hon Nicky Wagner.



National MP Alastair Scott.

Dave Chambers, Countdown's Managing Director, is also on the Board of the NZ Business & Parliament Trust.

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**We hope you have enjoyed this report and  
welcome your feedback. Please email  
[feedback@countdown.co.nz](mailto:feedback@countdown.co.nz)  
with any comments or questions.**

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