

Harvey Norman

HARVEY NORMAN HOLDINGS LIMITED

ABN 54 003 237 545



The National Packaging Covenant

Strategic partnerships in packaging



2007 Annual Report

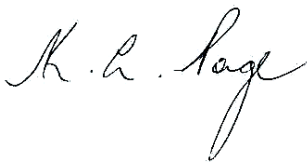
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MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The environmental performance obligations of Harvey Norman Holdings Limited (HNHL) are regulated under both State and Federal Law. The board of directors of HNHL has adopted a policy that HNHL will at least comply with, but preferably exceed the statutory environmental performance obligations. HNHL has not acted in breach of any environmental law and HNHL has not been notified by any government agency of any breach of any environmental law.

In terms of the National Packaging Covenant, HNHL is committed to promoting a responsible approach to packaging and waste minimization. HNHL will liaise with suppliers and organizations that can help improve waste minimisation outcomes and will include or consult with relevant government organisations, environmental service providers and environment/community organisations. Relevant organizations will be chosen in order to pursue initiatives in terms of relevant retail operations and staff education.



K. L. Page
Chief Executive Officer
Harvey Norman Holdings Limited

EXECUTIVE SUMMARY

HNHL is a public company listed on the Australian Stock Exchange. The principal activities of HNHL and its controlled entities continue to be that of an integrated franchisor, retail and property entity. Certain wholly owned subsidiaries of HNHL (“Franchisors”) grant franchises to independent business operators (“Franchisees”) under three leading brand names; Harvey Norman, Domayne and Joyce Mayne. The Franchisees sell products in the following categories: electrical goods, furniture, computers, bedding and manchester, small appliances, carpets and flooring.

As a signatory to the National Packaging Covenant, HNHL has produced this annual report based on the principles of product stewardship. This means that HNHL has agreed to take a shared responsibility in managing the impacts of product packaging and paper through their lifecycle, including their ultimate disposal. The period of this report is from 1st July 06 to 30th June 07.

The types of packaging used in the HNHL supply chain have been tabled. Listed in the table is the appropriate initiative adopted for the responsible handling of the disposal of each product.

Each action tabled under the product stewardship categories has been measured against the specific qualitative targets. The report outlines Harvey Norman’s performance against the packaging and supply chain KPI numbers 3, 4, 16, 21 and 26 – 29. Specific commentary has been provided outlining Harvey Norman’s success in meeting each target as outlined in the 2007 action plan. Franchisors and Franchisees continue to not have any input into the design, manufacture or packaging of products sold by Franchisees. HNHL, where appropriate, will encourage Franchisees to continually improve waste minimization strategies.

The National Packaging Covenant Industry Association online KPI survey has been completed as part of HNHL’s annual reporting requirements. A copy of this survey has been included at appendix one on page 12 of this report.

HARVEY NORMAN PROFILE

HNHL is Australia's largest household furniture, electrical, computers, carpet and bathroom retailer operating more than 193 fully franchised retail outlets and other facilities in Australia (including 15 complexes trading as Domayne and 14 as Joyce Mayne) and 24 retail outlets in New Zealand. HNHL also has business interests in Singapore, Malaysia, Slovenia and Ireland. Franchisees in Australia currently employ approximately 10,400 persons.

HNHL and its controlled entities have absolutely no control or involvement in the day to day running of more than 593 separate Franchisee businesses throughout Australia. This action plan is a recommendation to each Franchisee by HNHL and each respective Franchisor. Generally, each Franchisee will comply with any recommendations made by the relevant Franchisor.

The principal activities of HNHL and its controlled entities continue to be that of an integrated retail, franchising and property entity including;

- Franchisor
- Sales of homewares and electrical goods in New Zealand, Slovenia and Ireland
- Provision of consumer finance
- Property Investment
- Lessor of premises to HNHL franchisees and other third parties
- Media Placement

NATIONAL PACKAGING COVENANT CONTACT OFFICER

Mr Chris Mentis – Director and Chief Financial Officer of HNHL has overall executive responsibility for all matters relating to the National Packaging Covenant, including ensuring that the required resources are available to meet the covenant commitments. Mr Mentis can be contacted at Chris.Mentis@au.harveynorman.com

COMPANY OVERVIEW

CORE ACTIVITY SUMMARY OF HNHL

HNHL	Homewares and Electrical Franchisees
DOMAYNE	Homewares and Electrical Franchisees
JOYCE MAYNE	Homewares and Electrical Franchisees
SPACE FURNITURE	Furniture Retailer
ARISTON APPLIANCES	Electrical Goods Wholesaler and Distributor
TESSERA STONES & TILES	Quality Stone and Tile Wholesaler and Distributor
GLO LIGHT	Lighting Wholesaler and Distributor

PACKAGING IN THE HARVEY NORMAN SUPPLY CHAIN

There are three main sources of packaging in the Harvey Norman supply chain.

- The products own item packaging.
- The packaging used by the supplier to deliver product to stores.
- The packaging used by customers to transport products home.

A high proportion of product sold by Franchisees utilizes the same packaging for all three purposes. The scope for reduction of packaging waste is therefore restricted compared to organisations in distribution and manufacturing industries. Transport packaging between Franchisees' suppliers and stores as well as a reduce, reuse and recycle program for all Franchisee offices will remain the focus of activity.

TYPES OF PRODUCTS

Product	Initiative	Description
Cardboard	Recycle	HNHL encourages franchisees to recycle cardboard used in transporting products to the store. Cardboard is separated at the store and stored in recycling bins where it is collected by recycling companies.
	Reuse	Cardboard document storage products are reused.
Paper	Reduce	Staff in office areas are encouraged to reduce paper usage.
	Recycle	Paper waste is separated from other waste products and stored in separate document destruction bins. These bins are collected by a service provider and taken to recycling plants. The paper is shredded and recycled for the future.
	Reuse	Inter company mail is delivered in paper envelopes. The envelopes are reused for all inter office communications.
Plastic Bags	Reduce	Franchisee employees have been trained to ask the customer if they require a bag with their purchase. Franchisees have a selection of three bag sizes to select the right sized bag for purchases. The bags use up to 50% recycled content and are a 100% degradable bag that will break down in sunlight in landfill sites leaving no harmful residues.
Printer Cartridges	Recycle	Where possible, printer ink and toner cartridges for office equipment are recycled.
Wooden Pallets	Reuse	Pallets are collected by the supplier and reused in the system.
White Goods	Recycle	Used white goods are stored in designated areas within the warehouses. The supplier collects these goods on a 'milk run' type basis, where the goods are used for metal recycling.
Expanded Polystyrene & Plastic	Recycle	Polystyrene and plastic is collected by the supplier. The polystyrene is recycled in some states to be used in diesel fuel manufacture or melted to be used as a poly resin for picture frames.

National Packaging Covenant

2007 ANNUAL REPORT

GOAL 1 - PACKAGING OPTIMISED TO INTEGRATE CONSIDERATIONS ABOUT RESOURCE EFFICIENCY, MAXIMUM RESOURCE UTILISATION, PRODUCT PROTECTION, SAFETY AND HYGIENE.

Packaging designed, manufactured, distributed and marketed to minimise the amount of material and other resources essential to guarantee the protection, safety, hygiene and shelf-life of the product.

Key Performance Indicator	Action	Responsibility	Performance Measure	Target	Timeline	2007 Actual
KPI # 3 Improvements in design, manufacture, marketing and distribution to minimise the environmental impacts of packaging	Harvey Norman does not own any branded products. HNHL Franchisees do not have any input into the design, manufacture or packaging of any products	HNHL	Communicate HNHL undertakings as part of the National Packaging Covenant, to all product suppliers.	Ongoing	Ongoing	Ongoing
KPI # 4 Changes to protection, safety, hygiene, shelf-life or supply chain considerations affecting amount & type of packaging used.	Packaging remains unchanged from manufacturer to customer	HNHL	Communicate HNHL undertakings as part of the National Packaging Covenant, to all product suppliers.	Ongoing	Ongoing	Ongoing

Comments

KPI # 4 Harvey Norman franchisees will trial a polystyrene recycling machine in five stores during 2008. Results of this trial will be reported in the 2009 annual report.

National Packaging Covenant

2007 ANNUAL REPORT

Goal 2 - EFFICIENT RESOURCE RECOVERY FOR CONSUMER PACKAGING AND PAPER. Provision of Collection Services for post consumer packaging and paper.

Key Performance Indicator	Action	Responsibility	Performance Measure	Target	Timeline	2007 Actual
KPI # 16 Percentage of signatories providing recycling collection facilities for post consumer packaging generated on-site	HNHL has undertaken preferred supplier agreement with SITA Environmental Solutions for waste and recycling collection	Franchisees recycling initiatives will be monitored by Logistics Department	Adoption rate from other supplier engagements to SITA agreement	90% of Franchisees	June 08	90%

Comments

A preferred supplier agreement has been signed with SITA Environmental Solutions. Whilst SITA are a national company, not all franchisees use SITA as their preferred supplier of waste collection and recycling services. However, by the 31st of October 2007, 90% of franchisees had agreements in place with either SITA or an alternative supplier that provided for recycling.

National Packaging Covenant

2007 ANNUAL REPORT

GOAL 4 - PACKAGING OPTIMISED TO INTEGRATE CONSIDERATIONS ABOUT RESOURCE EFFICIENCY, MAXIMUM RESOUREC UTILISATION, PRODUCT PROTECTION, SAFETY AND HYGIENE.

Increased recycling of used packaging. Secondary market creation supported for recovered packaging material.

Key Performance Indicator	Action	Responsibility	Performance Measure	Target	Timeline	2007 Actual
KPI # 21 Estimated tonnage of consumer packaging recycled and sent to landfill respectively, from on-site collection facilities.	Recommend Franchisees utilise recycling initiatives	Franchisees & Logistics	Minimise Tonnes disposed, maximise Tonnes recycled.	TBA	Oct 2007	18,461 tonnes
KPI # 26 Implementation of Buy Recycled purchasing policy or practices.	Franchisees are encouraged to use only degradable plastics bags and keep their use to a minimum. Also, Franchisees will actively promote Planet Ark recycling bins at the front of the Computer Franchise areas for collection points for ink cartridges.	Franchisees	A Reduce, Reuse, Recycle Initiative will be adopted in all Franchises	15% Reduction in plastic bag use	June 2008	Degradable Plastic Bags – 52.03 tonnes Ink & Toner cartridges – 12.8 tonnes

Comments

KPI # 21. As this is HNHL's first year of reporting on the covenant action plan, this figure of 18,461 tonnes can be considered aggregated baseline data for a total of 193 stores.

KPI # 26. Overall, plastic bag usage decreased on a store by store basis from 2006 to 2007. This can be attributable to the introduction of the 'smart bag'. The 'smart bag' is a non-woven polypropylene bag that is recyclable and leaves a smaller ecological footprint than many other plastics. On a total consumption basis, the franchised stores used 4.75% more degradable plastic bags in 2007 than in 2006. This can be attributable to an increase in store numbers from 174 in 2006, to 193 in 2007. Consequently, revenue also increased by 13.6% over revenue recorded in 2006. 100% of stores are now using degradable plastic bags.

Planet Arc:- A total of 118,760 items were collected as part of the 'cartridges for Planet Arc' campaign. The total weight of these items was 12.8 tonnes, meaning franchises have diverted 12.8 tonnes of printer consumable waste from landfills in Australia. 92% of computer franchisees have adopted the Planet Arc printer consumable waste recycling initiative.

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GOAL 5 - ALL SIGNATORIES DEMONSTRATE CONTINUOUS IMPROVEMENT IN THEIR MANAGEMENT OF PACKAGING THROUGH THEIR INDIVIDUAL ACTION PLANS AND ANNUAL REPORTS.

Continuous improvement demonstrated against baseline data and all relevant KPI'S.

Key Performance Indicator	Action	Responsibility	Performance Measure	Target	Timeline	2007 Actual
KPI # 27 Establishment of baseline performance data.	Baseline performance data to be established with assistance from preferred suppliers such as SITA for waste management and Marinucci Packaging for plastic bag consumption data	Logistics	Aim is to see an increase in recycled waste and a decrease in landfill waste.	Increase recyclable waste as a % of total waste	Dec 2007	Baseline data established.
KPI # 28 Annual Reporting Against Action Plan	Annual reporting against all initiatives outlined in the Action Plan submitted	Logistics	Demonstrable positive trends in all actionable initiatives year on year	Increase in number of recycling initiatives	Dec 2007	No further initiatives implemented to date
KPI # 29 Demonstrated Improvements and achievements against individual targets & milestones.	Demonstrate improvements in achievements against individual targets.	Franchisees & Logistics	Measure quantitative and qualitative outcomes and provide action plans to facilitate improvements	Increase recyclable waste as a % of total waste and improve on all 2007 reportable data	Dec 2007	See comments below

Comments

KPI # 27 Baseline Data has been established for the following key areas: The percentage of waste that is diverted from landfill (Recycling) has been established as 25% of total waste. Degradable bag usage has been set at 52 tonnes in year one of the HNHL covenant. Printer consumable waste (diverted from landfill) has been set at 118,760 items weighing a total of 12.8 tonnes. Ultimately this will increase once full adoption by the franchisees has been achieved.

KPI # 28 Franchisor has conducted an initial investigation on increasing recycling initiatives for used mattresses and expanded polystyrene. If recycling initiatives are adopted for these products, recycling data such as aggregated weights will be reported on in next years annual report.

KPI # 29 Where possible, franchisees are continuing to increase their recycling initiatives. 90% of franchisees now have recycling agreements in place with their preferred waste management suppliers. Degradable plastic bag use has decreased in 2007 on a store by store basis. 92% of computer franchisees have adopted a printer consumable waste recycling initiative. Research into more recycling initiatives will continue into 2008. Harvey Norman will continue to adopt a 'reduce, reuse, and recycle' approach to waste minimization and make recommendations to franchisees in this regard, wherever possible.



National Packaging Covenant KPI Report

Survey Name:

The NPC Survey 2007

Company:

NPCIA

Lodged Date:

This data has not yet been lodged

User:

HARVEY NORMAN

KPI 16A : Do you have on-site collection for recycling facilities? (post consumer packaging i.e. used packaging materials containers, wrapping or boxes etc used by staff or signatory)

Yes

KPI 16B : What types of on-site recycling facilities are provided?

Paper/cardboard

Yes

Plastics

No

Metals

No

Organics

No

Other

Yes

KPI 21 : Enter the estimated tonnage of consumer packaging sent for recycling and to landfill from onsite collection facilities (refer to KPI 16)

KPI 21A Consumer packaging from on-site collection which is sent for recycling

Total tonnes

6154

Percentage of total waste

25

KPI 21B Consumer packaging from on-site collection which is sent to landfill

Total tonnes

18461

Percentage of total waste

75

KPI 22A : Has the Environmental Code of Practice for Packaging been formally adopted ?

No

KPI 26A : Have you adopted a buy recycled purchasing policy or practices?

No

KPI 26B : Provide examples or quantitative data from this adoption

Total amount of product purchased that has recycled content (tonnes)

KPI 27A : Did you report indicative baseline data (where available), including qualifiers & assumptions, by 31st October 2006

No

KPI 27B : Have you reported established baseline data by 31 October 2007?

Yes

KPI 28A : Report lodged by 31 October each year and outline progress against baseline data, individual Action Plan commitments, targets and timelines.

Yes

KPI 29: Annual report clearly demonstrates continuous improvement and performance against individual targets and timelines in Action Plan.

Yes