COUNTRY ROAD
CORPORATE & SOCIAL RESPONSIBILITY REVIEW 2010/11
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1. YEAR IN REVIEW

Corporate and Social Responsibility at Country Road is about taking a considered approach to the way we do business. We aim to better understand the social and environmental impacts of our operations continuously and identify innovative ways to do better.

In our 2009/10 CSR Review, Country Road committed to achieving the following:

- Increase employee and customer fundraising and volunteering through Community Committees and the CRSEE Retail Award;
- Continue our financial commitment to Redkite ($142,000) and undertake a partnership review;
- Grow Fashion Trade, by increasing the number of quality items donated to Red Cross in Australia and New Zealand;
- Continue MySchool contributions in South Africa;
- Roll out the Country Road ECoP to all primary manufacturing vendors;
- Sign up to the Australian Packaging Covenant and submit second Packaging and Waste Action Plan;
- Maintain our position on mulesing; and
- Increase responsible procurement.

We are pleased to report that these outcomes have been achieved.

Other 2010/11 achievements include:

- Attained 22% and 32% respective increases in employee and customer fundraising, resulting in total community donations of $216,000 (excluding Fashion Trade and product donations);
- Launched first community partnership in New Zealand with Red Cross, donating $21,000 to the organisation through direct corporate donations and employee fundraising;
- Diverted 4,720 garments from landfill through Fashion Trade;
- 3% in the number of stores that recycle plastic;
- Increased 50% recycled paper from form 45% to 73% of office total paper sourced; and
- Achieved a 4.3 rating out of 5 for our 2010 Australian Packaging Covenant Annual Report (up from 3.9 last year).

In 2011/12, Country Road will further embed the Company’s three-year CSR Strategy into the business and continue to enhance stakeholder communications both to employees and customers in a meaningful way.
2. COUNTRY ROAD’S APPROACH TO CORPORATE & SOCIAL RESPONSIBILITY (CSR)

OUR PHILOSOPHY & CSR STRATEGY

Country Road’s philosophy and practices have consistently demonstrated a commitment to responsible business. In 2008, the business launched an internal CSR Framework, Country Road Social Ethical and Environmental (CRSEE), which encompasses the following vision: “Corporate and Social Responsibility at Country Road is about taking a considered approach to the way we conduct business. Through our brand and people, we will innovate and create social, ethical and environmental changes in the world we live.”

The framework consists of six focal areas (see previous page), which together aim to help manage social and environmental impacts, minimise risk, engage employees and customers and protect long term shareholder value.

In 2009/10, three-year CSR measures and targets were established with the aim to drive performance in each focal area. These were integrated into the Corporate Strategy and divisional plans in 2010/11 and progress will be reviewed annually by Country Road’s Executive Committee and reported to stakeholders via this Review and the Country Road website.

CORPORATE GOVERNANCE

The Country Road Code of Conduct sets out the principles and standards for employees to uphold the highest standards of behaviour, ethics and responsibility when representing the Company. The Code has been endorsed by the Board and forms the foundation of behavioural objectives in the Group’s individual performance management framework.

The Board of Directors of Country Road Limited is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of Country Road Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

STAKEHOLDER ENGAGEMENT

Understanding and responding to the expectations of stakeholders – customers, employees, shareholders and others – is integral to Country Road operations. Over the past few years, the Company has engaged most stakeholder groups on the topic of sustainability, including employees, customers, not-for-profit organisations, and semi-government bodies (such as the Australian Packaging Covenant).

Views of certain stakeholder groups are tracked annually and reported to the business. This year employee perceptions about Country Road’s CSR activities increased, while customer perceptions remained constant on the prior year.

3. 2010/11 PROGRESS REPORT

i) Our People

Achieve success through our people

PEOPLE STRATEGY

Country Road is committed to attracting and retaining an inspired, committed and high performing workforce, while providing a healthy and safe working environment. Our People Strategy forms the basis of the Company’s Strategic Plan and performance against key ‘people’ measures are assessed quarterly by the Executive Committee.

EMPLOYEE OPINION:

In order to understand and better address our employees’ priorities, an annual employee opinion survey (EOS) is undertaken. The 2011 Employee Opinion Survey was positive resulting in an overall score of 75% employee satisfaction. Top performing categories include Teamwork and Cooperation, Fairness and integrity and Work/life balance. Opportunities for improvement were also identified and action plans put in place.
Providing strong career paths and development opportunities for employees remains a core focus for Country Road.

The ‘Number of Internal Management Appointments’ is a key measure in the corporate strategic plan and succession plans are reviewed bi-annually.

In terms of investing in employees’ development, the Company has continued to partner with the Australian Institute of Management to offer employees Management and Leadership development programs. Employees who complete the course obtained a diploma of management and a graduate certificate in management. During the year, 13 employees were selected to participate in the Management Development Program and 10 were selected to join the Leadership Development Program.

In addition, Country Road’s study assistance policy enables employees to apply for financial aid and study leave in order to complete formalised study. In our retail stores the Retail Collective Agreement offers study leave to all team members.

Competitive Benefits

Every employee working at Country Road participates in a performance based incentive program from store team members, store managers, head office through to the executive team.

In 2011/12, the Company launches new head office and retail short term incentive programmes, both of which are performance based incentive programs.

Health & Safety

Country Road demonstrates a commitment to providing and maintaining a safe and healthy environment for anyone who associates themselves with the business – including employees, customers, contractors, suppliers and visitors. The Company regards compliance with legal requirements as minimum standard and works to actively promote well-being and safety by maintaining the very highest safety standards.

Equal Employment Opportunity:

From 1 July 2011 Country Road, as a listed entity, was required to comply with recent changes to the Corporate Governance principles and recommendations on Diversity, has therefore implemented a Diversity Policy (which is detailed in the Remuneration section of this year’s Annual Report).

Each year Country Road submits an Equal Opportunity for Women in the Workplace Agency (EOWA) report and in accordance with the guidelines, we report on the following areas:

- Country Road’s policies and conditions of service;
- HR statistical information;
- Review of the workplace profile; and
- Employee Opinion Survey results.

Both in 2009/10 and 2010/11, 86% of the Country Road workforce were women.

Country Road is committed to the principle of equal opportunity in employment for all regardless of attributes which include but are not limited to age, career status, disability, industrial activity, marital status, physical features, political belief or activity, pregnancy, race, religious belief or activity, gender or sexual preference or personal association with someone who has (or is assumed to have) one of these characteristics. Every employee at Country Road is responsible for preventing Discrimination and Harassment and promoting Equal Employment Opportunity.

Supporting the Next Generation of Retailers

For the past six years, Country Road has been a partner of RMIT’s Young Essentials Project (YEP), which aims to provide Fashion and Textiles students with exposure to the retail industry.

Three students groups were placed with Country Road’s design division in 2010/11 and required to complete and present an innovative product development and brand concept to the business. The project culminates with a final presentation and judging at the end of September.
ii) The Community
Support the community in which we work

COMMUNITY STRATEGY
Country Road is committed to supporting the communities in which we operate. The Company has a Community Policy in place, which offers employees volunteering leave and the opportunity to participate in workplace giving. Annual company donations are guided by employees’ community priorities and are comparable to our industry counterparts.

<table>
<thead>
<tr>
<th>MEASURE</th>
<th>2010/11 ACTUAL</th>
<th>2009/10 ACTUAL</th>
<th>2008/9 ACTUAL</th>
<th>2010/11 TARGET</th>
<th>VAR TO TARGET</th>
<th>VAR TO 2009/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total value of community contributions (ex. Fashion Trade &amp; MySchool)</td>
<td>$ 263,642</td>
<td>$ 276,024</td>
<td>$ 255,871</td>
<td>$ 218,100</td>
<td>21%</td>
<td>(-4%)</td>
</tr>
<tr>
<td>Value of direct company donations to Redkite</td>
<td>$ 84,000</td>
<td>$ 84,994</td>
<td>$ 88,711</td>
<td>$ 82,000</td>
<td>2%</td>
<td>(-1%)</td>
</tr>
<tr>
<td>Value of direct company donations to other organisations</td>
<td>$ 61,300</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Employee fundraising (ex. WPG)</td>
<td>$ 10,690</td>
<td>$ 8,770</td>
<td>$ 4,100</td>
<td>$ 20,000</td>
<td>(-47%)</td>
<td>22%</td>
</tr>
<tr>
<td>Customer fundraising</td>
<td>$ 50,389</td>
<td>$ 38,081</td>
<td>$ 30,577</td>
<td>$ 45,000</td>
<td>12%</td>
<td>32%</td>
</tr>
<tr>
<td>Employee funds raised through workplace giving</td>
<td>$ 10,030</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Total donations to Redkite</td>
<td>$ 140,135</td>
<td>$ 131,800</td>
<td>$ 82,000</td>
<td>$ 142,000</td>
<td>(-1%)</td>
<td>25%</td>
</tr>
<tr>
<td>Cotton bags sales (donations to Redkite and NZRC)</td>
<td>$ 16,526</td>
<td>$ 17,759</td>
<td>$ 8,577</td>
<td>$ 19,535</td>
<td>(-15%)</td>
<td>(-7%)</td>
</tr>
<tr>
<td>Approx. resale value of garments donated through Fashion Trade</td>
<td>$ 23,445</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>17%</td>
<td>NA</td>
</tr>
<tr>
<td>Funds raised through MySchool</td>
<td>$ 20,000</td>
<td>$ 6,000</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>237%</td>
</tr>
<tr>
<td>No. employees participating in on-going workplace giving</td>
<td>24</td>
<td>23</td>
<td>22</td>
<td>40</td>
<td>(-40%)</td>
<td>4%</td>
</tr>
<tr>
<td>Participation in volunteer leave (no. hours)</td>
<td>94</td>
<td>43</td>
<td>34</td>
<td>100</td>
<td>(-6%)</td>
<td>119%</td>
</tr>
<tr>
<td>Product donations (at cost price)</td>
<td>$ 47,133</td>
<td>$ 129,187</td>
<td>$ 132,475</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
NATURAL DISASTERS
Australia and New Zealand have experienced an unprecedented level of natural disasters this year. Country Road has responded promptly by donating $50,000 to the Queensland Premier’s Disaster Relief Appeal and $10,000 to the New Zealand Red Cross Canterbury Earthquake Appeal. In addition, Country Road, has managed to maintain all employees from its destroyed Christchurch store within the business, employing them at other stores in the region.

REDKITE
Country Road entered into a partnership with Redkite children’s charity in 2008 and committed to donating $336,000 over three years to support their Red Bag program. Over that period, Country Road employees surpassed that target, donating $375,000 to Redkite.

In 2010/11, total donations to Redkite increased 25%, which was driven by a 21% increase in employee fundraising and a 12% increase in customer fundraising (through in-store reusable cotton bag sales and gold coin donations at Christmas).

Looking forward, the business entered into a second partnership with Redkite in July 2011 and will donate $377,000 to the organisation over three years. This will include a direct annual corporate donation of $82,000 and the difference will be attained through employee and customer fundraising.

1 Excludes workplace giving
RED CROSS – FASHION TRADE

Country Road and Red Cross (in Australia and New Zealand) joined forces in July 2010 to launch Fashion Trade, a clothing exchange program that rewards customers for donating their pre-loved clothing to Red Cross.

Given that only 7% of the clothes donated to Red Cross via collection bins are of acceptable quality for re-sale, this initiative aims to encourage good quality clothing and accessories donations, while diverting textiles waste from landfill and raising revenue for Red Cross community programs.

4,700 garments were donated during 2010/11, amounting to a potential Red Cross re-sale value of $23,000.

RED CROSS BEYOND FASHION TRADE IN NEW ZEALAND

Country Road teams began actively fundraising for New Zealand Red Cross in 2010/11 and in doing so, raised $7,700 by selling re-usable cotton bags and encouraging customers to provide gold coin donations in stores.

4,700 garments were donated during 2010/11, amounting to a potential Red Cross re-sale value of $23,000.

MYSCHOOL – SOUTH AFRICA

MySchool is one of South Africa’s most successful community support programs, focused on improving education and social development, by raising and delivering essential funding to schools and charities. All Country Road and Treney standalone stores and concessions (within Woolworths stores) in South Africa participate in MySchool, allowing our customers to use their MySchool supporter cards whenever they make a purchase. Country Road or Woolworths then donates a small percentage of each purchase to the customer’s chosen school or charity.

During 2010/11, Country Road’s two standalone stores in South Africa contributed approximately $20,000 to South Africa schools and charities via MySchool.
PRODUCT DONATIONS
In 2010/11, $47,000 worth of product (at cost value) was donated to Red Cross for sale in their retail stores.

COMMUNITY COMMITTEES
Country Road community committees have been established in NSW, VIC, WA, SA & NZ and are driving fundraising and volunteering in their regions. 2010/11 achievements included:

- The NSW team raising $1,670 through their participation in the NSW City-to-Surf
- The WA team raising $1,815 through their participation in the NSW City-to-Surf
- The Head Office team raising $2,400 through the annual Redkite Quiz

VOLUNTEERING:
Most Australian and New Zealand employees are eligible for volunteer leave.

In 2010/11 employees engaged in the following volunteering activities:

- Helping families in Christchurch clean up their houses after the Canterbury earthquake;
- Volunteering in Queensland after the Floods;
- Volunteering at the Queensland Redkite Quiz and during Redkite Redbag packing days.

WORKPLACE GIVING:
Country Road offers a workplace giving program, which enables employees to make a monthly (on going or once-off) donation via payroll. In Australia, these donations are directly tax deductible from pre-tax pay and in New Zealand, deductions can be made from post tax pay.

Employees participating in on-going giving increased from 23 to 24 in 2010/11, and funds donated totalled $5,828. An additional $4,205 once-off donations were made by employees over the year, of which 97% was donated to the Queensland Premiers Disaster Relief Fund.

New Zealand team volunteering in Christchurch after the Canterbury earthquake.
iii) Environment
Reduce our environmental impact

ENVIRONMENT STRATEGY

Country Road is committed to understanding, managing and, where possible, reducing the environmental impacts of our operations.

Due to our size and structure, Country Road’s environmental strategy focuses predominantly on reducing our direct impacts (from core operations), while managing and incrementally reducing our indirect impacts (by working with our supply base). The strategy aims to reduce impacts in three focus areas: packaging and waste; energy use and carbon emissions; and responsible sourcing.

2010/11 progress in each area is described below.

PACKAGING & WASTE

Country Road is Signatory to the Australian Packaging Covenant (APC), a national initiative between the government and packaging supply chain, focused on reducing the amount of used packaging that reached landfill. Signatory responsibilities include the submission and execution of a packaging and waste Action Plan and submission on an Annual Company APC Report.

In 2010/11, Country Road attained a 4.3 rating (out of 5) from the APC (an increase from 3.9 during the prior year) and submitted a second three-year Action Plan, which aims to help the business:

1. Design better take-home packaging;
2. Increase sustainable sourcing;
3. Reduce and recycle; and
4. Communicate progress and lessons effectively.

Other 2010/11 achievements included:

- 90% of Country Road’s take-home packaged goods were recyclable
- The percentage of total office paper that is 50% recycled increase from 45% to 73%
- An 3% increase in the number of stores that recycle plastic
- 4,700 garments diverted from landfill through Fashion Trade
- IT facilitated the recycling of discarded IT equipment
- All marketing materials were printed on sustainably certified paper
- 16,526 re-suable cotton bags were sold in store, resulting in the equivalent donation ($16,526) to Redkite.

Areas for improvement have been identified as follows:

- Identifying opportunities to reduce secondary and tertiary packaging in the supply chain
- Reducing paper use per FTE

2 Based on an internal assessment of packaged Homeware and Accessories goods
ENERGY AND CARBON

Two carbon audits have been completed for the business by external consultants to date. The second audit (in 2010) showed positive progress against the 2008 baseline results.

From this, internal energy efficiency measures and targets were established for and 2010/11 results exceeded these targets. This was predominantly a result of incremental implementation of more efficient lighting options in stores.

Opportunities exist to further improve the energy efficiency and will remain a focus of the business.

RESPONSIBLE PROCUREMENT & SUSTAINABLE RAW MATERIALS

Wool Sourcing

Country Road has taken a proactive approach towards sourcing a sustainable supply of non-mulesed wool, by engaging in ongoing consultation with wool industry groups and relevant industry bodies. Country Road is committed to generating real change in this area, by encouraging the adoption of commercial alternatives to current industry practices.

85% of the Winter 2011 Lambswool and Merino key volume programs for both Country Road and Treery brands, were sourced from both non-mulesed and ceased-mulesed wool top.

Moving forward, the aim is to work with the industry to feasibly and incrementally increase the proportion of our wool products that some from non mulesed sources.

Other 2010/11 progress includes:

- IT implemented an e-waste purchasing and disposal policy (which includes procurement criteria)
- 31% of office products that purchases from Country Road’s major office supplier, Corporate Express, were “EarthSaver” products

WATER

Water tanks with a capacity of 39,000 litres were installed at Country Road head office in 2008.

To date, 1,760,000 litres of water has been captured and used to service the building, consisting of 401,000, 692,000 and 667,000 litres in 2008/9, 2009/10 and 2010/11 respectively.
iv) Ethical
Be an ethical trading partner

COUNTRY ROAD ETHICAL TRADE STRATEGY

Country Road sources clothing and accessories from various countries around the world and aims to ensure that suppliers adhere to ethical and responsible business practices that are aligned to the Company’s Code of Conduct. Further, the Company aims to better understand the potential environmental and social impacts associated with suppliers’ operations and where possible, work with suppliers to address these. Steps taken to date are outlined below.

HUMAN RIGHTS & LABOUR STANDARDS FOR VENDORS

All Country Road vendors are required to be signatory to the Country Road Code of Labour Practice (CoLP), which is based on the International Labour Organisation (ILO) conventions and aims to prevent vendors from using child labour, paying unfair wages, or exploiting workers in any way. Our primary vendors are audited on an ongoing basis against the CoLP by a recognised auditing authority. Vendors are responsible for ensuring that both their own facilities and those of their third party suppliers are adhering to the CoLP.

ENVIRONMENTAL AND CHEMICAL STANDARDS FOR VENDORS

In 2009/10, the Company developed an Environmental Code of Practice (ECoP) for the Dyeing, Printing and Finishing of Goods supplied to Country Road, which aims to ensure that within existing technology, no dyes or chemicals used in the production of garments, fabrics, leather and/or textile related products present an unacceptable risk to health or the environment during their manufacture, use or disposal. Primary product vendors will be required to be signatory to the ECoP and will be responsible for ensuring that both their own facilities and those of their third party suppliers are adhering to the ECoP.

SUSTAINABLE PACKAGING

Country Road launched a Sustainable Packaging Policy and Guide in 2009/10, which aims to integrate sustainable principles into packaging design. The Policy and Guide was communicated to all primary product vendors and the Company aims to work with vendors to identify and adopt more sustainable packaging options Country Road our products where feasible.

PRODUCT SAFETY

Country Road has an obligation to ensure that all products offered for sale are as safe as can reasonably be possible for the purpose of which they are intended, and must comply with current Australian & New Zealand legislation. Country Road product must be designed with safety guidelines in mind, so vendors are advised of the Company’s Product safety standards and internal product risk evaluations are undertaken where necessary.
4. 2010/11 CRSEE AWARD WINNERS

Country Road has in place an annual “Most CRSEE Outstanding CRSEE Award,” which aims to recognise employees who demonstrate commitment to Country Road’s sustainability program. One Award is provided to individuals or teams in each Australian State and New Zealand at the Company’s Annual Retail Awards.

2011 winners were as follows:
- NSW - Adrienne Tilley (Human Resources)
- QLD - Daniella Iacovella (Chermside store)
- NZ - Alexandra Goddard (Trenery Newmarket store)
- WA - Karrinyup Store Team
- VIC - Dez Maddafieri (Camberwell store) and Ragan O’Donnell (The Glen store)

5. 2011/12 FOCUS

In 2011/12, Country Road will further embed the Company’s three-year CSR Strategy into the business and continue to enhance stakeholder communications both to employees and customers in a meaningful way.

COMMUNITY
- Further embed relationship with Redkite (Phase Two) and ensuring annual financial commitment to Redkite ($116,000 in 2011/12)
- Re-enter partnership with Red Cross to implement the second year of Fashion Trade (in Australia and New Zealand)
- Evolve partnership with New Zealand Red Cross, by increasing employment engagement in fundraising, volunteering and workplace giving
- Further engage retail staff through established state Community Committee and by leverage fundraising and volunteering opportunities through community partners
- Continue to support MySchool in South Africa

ENVIRONMENT:
- Enhance ongoing sustainability campaign at head office (focused on energy, waste and paper use)
- Explore energy efficient lighting opportunities for new and refurbished stores and continue to track energy use
- Achieve Australian Packaging Covenant (APC) Action Plan commitments and submit 2011 Annual Report to the APC
- Maintain position on mulesing

ETHICAL TRADING
- Extend CoLP to secondary supply base (dye houses and mills)
- Continue to ensure all primary manufacturing suppliers are signatory to the CoLP and hazardous waste/ chemicals policy for vendors

STRATEGY:
- Improve communications to employees and customers

FIND OUT MORE

For more information on Country Road and our work in this area, please contact us, or visit the CSR page on our website:
HTTP://WWW.COUNTRYROAD.COM.AU/#/ABOUT_US/CORPORATE_RESPONSIBILITY