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Company report review

Marks and Spencer

Corporate Social Responsibility
Report 2005

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Note

This review is based on the Marks and Spencer's Corporate Social Responsibility Report 2005. An electronic version of this document is available online at: <http://www2.marksandspencer.com>. This review is intended as a summary only and does not provide full and complete discussion of all the issues contained in the report.

1 Introduction

1.1 Company background

Marks and Spencer, a partnership formed in the late 1800s, is today one of the UK's leading retailers of clothing, food, home products and financial services. Employing 65,000 people, the company has 399 stores located throughout the UK, as well as a further 155 stores managed under franchise in 30 countries throughout the world (Europe, the Middle East, Asia and the Far East). While most Marks and Spencer food is sourced in the UK and Europe, as much as 90% of other products are now sourced elsewhere. Marks and Spencer products are almost entirely own-brand.

1.2 CSR rationale

Marks and Spencer cites in its report a number of reasons why 'CSR is integral to our business and informs everything we do in good times and bad'. In particular, the company emphasizes its strong tradition of CSR: 'our founders believed that building good relationships with employees, suppliers and wider society was the best guarantee of long-term success.' Addressing CSR is considered an intrinsic part of good management, allowing the company to identify potential risks, respond to shortcomings and recognize opportunities to differentiate itself from competitors. Marks and Spencer considers CSR management to be beneficial not only in creating value for shareholders, but also in attracting shoppers, attracting and retaining staff and being a partner of choice.

1.3 Key issues

Marks and Spencer has structured its report using the three principles of its approach to CSR, developed by its Board level CSR Committee in 2002:

- Principle 1: Products – relates to Quality Management Systems; Global Sourcing Principles; ethical trading; animal welfare; responsible products; sustainable sourcing.
- Principle 2: People – relates to workplace Global Sourcing Principles; ethical trading; community investment
- Principle 3: Places – relates to energy, water and waste; transport

2 Key activities and impacts

2.1 Business ethics

2.1.1 Governance

Marks and Spencer's CSR Committee is one of four Board level Corporate Governance groups meeting at least three times a year. Two networks of senior managers support the CSR Committee, namely the new 'Retail Forum' tasked with the Marks and Start flagship community programme, and the 'Head Office Forum' comprised of representatives from across head office based functions who help with stakeholder research and engagement. There is also a dedicated CSR team which helps to run the CSR Committee and Forums, oversees the development and management of CSR strategies and key projects, and facilitates external stakeholder engagement.

2.1.2 Ethical supply chain

Marks and Spencer has approximately 2000 direct suppliers of finished products (including 1500 non-food suppliers and 500 food suppliers). All suppliers are expected to adhere to the company's **Global Sourcing Principles**, up-dated in 2004/05 to reflect adoption of the Ethical Trading Initiative Case Code.

Marks and Spencer has published self-help guides in 11 different languages as well as detailed briefing notes on the employment legislation of 60 countries. Supplier performance is assessed through an extensive

system of audits (see report for details). A training programme of audit skills courses and local language workshops was held for suppliers, and will be continued in the coming year. Marks and Spencer also plans to introduce ethical trading training for employees involved in procurement as part of the 'Buying Academy' programme. Compliance manuals were distributed to franchise partners to be used for their self-assessments, and corrective actions have been agreed.

As a retailer, Marks and Spencer uses a huge range of raw materials. In November 2003, the company launched a new overarching set of standards '**Field-to-Fork**' to cover the management of its supply chain for fruit, vegetables and salads. The scheme covers traceability, minimising pesticide use, ethical trading, support for non-GM foods and food safety and is thought to go beyond assurance schemes used by other retailers. In 2004/5, Marks and Spencer communicated its farm standards and introduced a system of supplier self-assessments, to be carried out by major suppliers before the end of 2005.

In addition, Marks and Spencer is funding a four-year postgraduate research project on '**food miles**' at the University of Surrey. The research is focused on identifying and measuring the environmental impact of the company's sourcing policies across a range of foods.

The report focuses in particular on **organic products** and **ethical sourcing of fish, wood and peat**.

- **Organic products:** The Marks and Spencer range of organic products was re-launched in 2003 and includes roughly 180 products, both food and clothing. The company is an 'active supporter' of the Global Organic Cotton Exchange and has set a target for at least 5% of all cotton to be organic by 2010.
- **Fish:** Marks and Spencer sells fish approved under the environmental scheme of the Marine Stewardship Council (MSC) and avoids selling endangered fish listed on the MSC's Good Fish Guide. In 2004/5, the company identified an improved salmon feed which it will evaluate in the coming year.
- **Wood:** Following a challenge from Greenpeace about the wood used in garden furniture, Marks and Spencer developed a Solid Wood Sourcing Policy for Home Products. To help implement the policy, the company has joined Tropical Forest Trust and the WWF backed Forest and Trade Network. A range of garden furniture certified by the Forest Stewardship Council will be available in 2005.
- **Peat:** In 2003, Marks and Spencer announced plans to gradually reduce the amount of peat used to grow flowers and plants, and since then has increased the amount of non-peat growing media (such as bark and wood fibre) from 15 to 39%, with a target of 50%.

2.1.3 Animal welfare

In 2004/5, Marks and Spencer appointed external specialists and developed a draft of new welfare standards for meat production, namely 'Green Pastures'. The company was rated the best performing food retailer in the Royal Society for the Prevention of Cruelty to Animals (RSPCA) 2004 Conscientious Consumer Guide across a number of products. The company also developed a new animal welfare policy detailing its position on animal products used in clothing, footwear, home and beauty products.

2.2 Human rights and labour standards

2.2.1 Professional development

Marks and Spencer's two training priorities in 2004/5 were to improve customer services, notably through the launch of the 'chip-n-pin' system and disability awareness, and support '**Business Change Programmes**', a set of 'people principles' to promote fairness and effective solutions in employee consultations. The company also launched the '**Buying Academy**' programme, the first phase of training on new buying processes for over 800 employees. In the coming year, the company plans to investigate effective measurements of training performance.

2.2.2 Diversity and equal opportunities

Marks and Spencer has written commitments on equal opportunities in all the main areas (age, disability, race, gender etc.). In 2004/5, Marks and Spencer agreed and implemented a 'Diversity Action Plan', including the launch of disability awareness training.

Roughly 25% of employees are aged over 50 and the majority of employees (78%) and managers (68%) are female. Overall, the workforce reflects the ethnic make-up of the UK population with 13% coming from ethnic minorities.

2.2.3 Health and safety

Marks and Spencer reports on activities in the areas of: occupational health; fire, health and safety; health reporting; and key relationships in the area of health and safety. Some of the main highlights are as follows:

- Line managers continued to participate in 'WorkWell', a targeted stress management programme. The company also participated in the Corporate Health and Performance industry research programme and set up an inter-departmental 'stress forum' to plan the implementation of new stress standards.
- Marks and Spencer introduced measurements for Fire, Health and Safety performance, based on a combination of self-assessment and specialist inspections every three months. An improved asbestos management plan has also been introduced.

2.3 Stakeholder engagement

2.3.1 Community investment

Marks and Spencer has run a variety of community investment programmes over the last years, concentrating on four key issues – employability, education, health and community safety. The overall philosophy is 'helping people to help themselves'. Marks and Spencer was a founding member of Business in the Community and is a signatory of its PerCent Club by which companies commit themselves to investing at least 1% of pre-tax profits in community project.

'Marks and Start' is the company's new flagship community programme which aims to enable over 2,500 people each year to prepare for the world of work. It is aimed at the homeless, people with disabilities, the young unemployed, school children, including those in deprived areas, students who are the first in their family to aim for higher education, and parents wanting to return to work. As part of the programme, every participant receives a two to four week placement in a Marks and Spencer store or office in the UK or Ireland; a 'buddy' (a Marks and Spencer employee) to help them adjust; travel expenses, lunch, a uniform and a reference.

In 2004/5, Marks and Spencer exceeded its target by providing 2,635 work placements and aims to do the same again in the coming year. The company received five best practice 'Big Tick' awards from Business in the Community.

In addition, Marks and Spencer raised almost £1.5 million for Breakthrough Breast Cancer Awareness by selling a range of lingerie and pins.

2.4 Environment

The report pays special attention to the issue of responsible technology use. Other environment-related issues, notably energy and waste management, are covered briefly in a summary section at the end of the report.

2.4.1 Responsible use of technology

In this section of the report, Marks and Spencer discusses 'intelligent labels', genetically-modified food, and use of chemicals, including pesticides, dyeing and PVC, with some of the following highlights:

- **Intelligent labels:** Marks and Spencer began to use Radio Frequency Identification Devices (RFID) – a technologically advanced form of paper bar codes – in 2002. Using RFID tags can improve stock control, but civil society groups have expressed concerns that it could be used unethically to track people and their behaviour. In 2004, Marks and Spencer carried out a large scale trial on men's suits and distributed a customer leaflet addressing privacy concerns. In the coming year, Marks and Spencer plans to extend the trial to 42 stores and develop a formal policy.
- **GM foods:** Marks and Spencer intends to continue its policy not to sell foods made with GM ingredients or derivatives.
- **Chemicals:** Marks and Spencer has developed a Chemicals Strategy and a (recently up-dated) Code of Practice on Dyeing which list all chemicals the company has banned, those for which it is seeking replacements and those which are being monitored. The lists are available on the company's website.

2.4.2 Reducing energy, water and waste

Marks and Spencer report on emissions from transportation and use of energy, water, refrigeration and air conditioning, and waste. A number of developments in 2004/5 are of note:

- Energy Management Policy up-dated.
- Energy efficiency training and awareness programmes held for employees.
- Participation in UK Emission Trading Scheme for head office locations.
- Continued store renewal programme, such that 80% now operate with non-HCFC refrigeration and 60% with non-HCFC air conditioning systems.
- Centralised management of waste collections.

3 Third party recognition

3.1 Awards

In 2004/5, Marks and Spencer was ranked as the leading retailer in the global Dow Jones Sustainability Indexes for the third consecutive year. It was also named Business in the Community's Company of the Year.

3.2 Assurance

A moderately detailed assurance of the report has been carried out by an independent third party, based on interviews with relevant managers, review of relevant documents provided by the company, and review of CSR data capture processes. The assurance team did not interview company employees, not test data accuracy or completeness.

4 Our comment

Rating: ★★★★★

Marks and Spencer has managed to produce a second CSR report that is both wide ranging and highly focused. Under the headings of Product, People and Places, each issue is broken down into targets set for the reporting year, performance in the current year and future goals. This approach is highly effective in terms of presenting a clear and thorough picture of the broad scope of Marks and Spencer's CSR related activities. This is in contrast to the company's previous CSR report which focused on a handful of key issues identified by customers (through a formal consultation process) as of particular interest.

The present report represents a new approach to CSR reporting, more closely resembling that used in financial reports. It is less discursive than other CSR reports, and relies more heavily on factual information, with effective use of relevant data but no pictures or diagrams. Assurance is provided by an independent third party, in line with best practice. Surprisingly, the report does not refer to indicators of the Global Reporting Initiative.

On the one hand, Marks and Spencer's approach can be seen to work well, allowing the outstanding content of the report to speak for itself. However, the lack of discussion of the issues and their relevance to the company, and the absence of anecdotal evidence normally provided in case-studies arguably makes for a less interesting read. There is a limited sense of the challenges faced in the process of developing and implementing some of the measures described.



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