



Transforming Britain's Landscapes

Marshalls Purchasing Policy Statement

1.0 Purchasing Objectives

Our purchasing activity always aims to deliver the **best possible value** at the **lowest possible overall cost**. Value includes not only the initial purchase price but on-going costs over the lifespan of the goods or service, such as financing and depreciation, maintenance, energy etc. Value also includes the quality and reliability of the goods or services and the punctuality and reliability of their delivery.

To improve all these aspects, we strive to work with our suppliers, all of whom are considered an integral part of our business. Where possible we shall establish long-term relationships based on mutual trust. We try to create and foster relationships within which we can learn how to make it easier for our suppliers to meet our requirements and they can be encouraged to invest in improving their products, prices, quality and service. We, our suppliers, customers and stakeholders all benefit from this.

The 'best possible value' is even wider than this. Both the goods and services we buy and the methods in which we procure them, must not infringe existing laws and must conform to the highest ethical, social and environmental standards.

We support the company's core values of honesty, trust and integrity and expect our suppliers to uphold similar values themselves.

2.0 Legality

Our activities must fully respect all applicable UK and European laws and regulations. This includes taxation law – while we will use any legal opportunity to reduce our tax burden, we shall not be a party to the evasion of income, sales or value added taxes, customs duties or other charges, either by ourselves or our suppliers.

In addition we must conform to, where relevant:

- International laws, agreements and treaties to which the UK government is party.
- The laws of other countries

3.0 Ethical, Social and Environmental Responsibility

Our purchasing will be conducted so that any supplier that has the necessary abilities to be of service to us has a fair opportunity to secure our business. In particular, we should ensure our procedures do not place unnecessary obstacles in the way of small companies, new companies and companies owned or managed by members of minority or disadvantaged groups.

We will, as far as possible, work only with suppliers that our own customers would be prepared to trade with. We will therefore avoid using companies, at home or overseas, that exploit child or sweated labour, that disregard basic health and safety provision, that 'pirate' the intellectual property of others, or that wilfully and avoidably damage the environment. With regard to the environment, our purchasing choices will favour products showing clear environmental advantages unless there are significant reasons for not doing so.

We have a responsibility to our suppliers. Wherever possible, when problems arise with a supplier's performance or behaviour, we shall work with the company concerned to help them meet our requirements.

We also have a responsibility to the community within which we work.

4.0 The Code of Conduct for Purchasing

We insist on ethical standards from our suppliers and in turn we must exhibit the highest ethical standards ourselves. We must not only be fair and lawful in our dealings but avoid any conduct which is capable of having an adverse interpretation put on it.

Outright corruption is fortunately rare in commercial life in the UK but does occur. Any improper approaches, whether in the form of inducements or threats, must be reported, even if they are sufficiently ambiguous to allow of an innocent construction. All our employees when undertaking any purchasing activity should consider themselves bound by the Code of Ethics of the Chartered Institute of Purchasing & Supply (Appendix I).

The following points should be particularly noted:

- Gifts, hospitality and other inducements:

Only gifts of small intrinsic value – pens, diaries and the like – may be accepted from actual or potential suppliers. Gifts of real worth should be reported and returned to the supplier with a polite explanation of why the offer is unacceptable. Suppliers who persist in making such offers should be made aware that our organisation will cease to deal with them.

On occasion, it may be necessary to both give and receive hospitality. However, any hospitality offered or accepted must be modest and proportional to the occasion and of the type and scale that we would offer if the situations were reversed.

Invitations to attend specialist conferences, association annual dinners, sporting events and the like, as the guest of a supplier should be treated with caution and approved by the employee's line manager. Invitations extended to a spouse or other guest will be declined except in exceptional circumstances which should again be approved by the employee's line manager. All invitations of this nature, whether accepted or declined, should be reported and registered (gillian.harley@marshalls.co.uk). This applies to all events and not just those held during working hours.

Some inducements are unavoidable, as they come packaged with the product eg petrol vouchers. All benefits gained through spending the organisation's funds are the property of the organisation and should be reported and surrendered (although if they are of no value to the organisation the employee's line manager may authorise the recipient to retain them).

- Conflicts of Interest

When dealing with suppliers, potential conflicts of interest can sometimes arise. Spouses or other relatives may be employed by the supply company and personal friendships may develop over time. Such potential conflicts should be reported to the employee's line manager as soon as they are identified. They will not normally prevent our trading with the company concerned but it may be in everybody's interests to arrange for the expenditure to be handled by someone else.

Sometimes, former employees may be potential suppliers – indeed their knowledge of our operations may make them particularly suitable. It is important that they do not receive or expect to receive special consideration. If their 'inside knowledge', for example of our cost structures, appears to give them an unfair competitive advantage, it may be desirable to take steps to ensure fair competition among all suppliers.

Employees should avoid as far as possible dealing with our suppliers in their private affairs, particularly if this is likely to put them under some obligation to the supplier. Where such arrangements are unavoidable, it is essential that they ensure that they are not offered any sort of deal which is not commonly available and which could be construed as a reward for actions taken in the course of their employment.

- Anti-competitive Behaviour

Certain types of anti-competitive agreements and conduct are illegal under UK competition laws and have severe consequences, including the voidness and unenforceability of agreements and the possibility of fines and liability to third parties. In addition, some forms of agreement and conduct may lead to criminal sanctions for the individuals involved and/or the disqualification of directors of the companies involved.

It is our policy at all times to comply with all applicable laws, including competition laws and we must consider them when we are dealing with our suppliers.

We may come across agreements or conduct on the part of suppliers, such that they may infringe UK competition laws, such as:-

- Cooperation between suppliers to fix prices, limit production or divide up markets;
- Refusals to supply on the part of a dominant supplier;
- Unfair pricing policies on the part of a dominant supplier;
- Unfair discrimination between customers on the part of a dominant supplier.

We will not collude with, or participate in, any form of anti-competitive behaviour. Any suspicions of any such conduct or any similar conduct on the part of suppliers which might give rise to competition issues (on the part of any person, whether within Marshalls or on the part of our suppliers, competitors or customers, and whether or not this has any impact on our business) should be reported immediately to the Head of Group Purchasing.

In addition, some forms of cooperation between buyers, or conduct on the part of buyers may infringe UK competition laws. This could arise in the context of cooperation between buyers, for example, where this may eliminate suppliers, or have effects on downstream markets. Buyers should consult with the Head of Group Purchasing before discussions over the possibility of joint purchasing arrangements. Any agreements, arrangements or conduct that may infringe UK competition laws, and put Marshalls' interests at risk, will be regarded with the utmost seriousness and should be reported immediately to the Head of Group Purchasing.

- **Serious Concerns**

It is our policy to support, protect and where possible, preserve the anonymity, or any of our employees who report apparently questionable activity, even if their fears subsequently prove to be unfounded. Early reporting is essential, so that, where appropriate, legal advice can be taken and both the individual and the company, protected. The Company's Serious Concerns Policy, as approved by the Audit Committee, sets out how individuals should raise their concerns. A copy of this policy is available via the Group Intranet, the Group Human Resources Director or Company Secretary.

5.0 Structure and Authority

This purchasing policy is approved by the Board and implemented through the Head of Purchasing and the Group Purchasing Department.

Purchasing takes several forms:

The Group Purchasing Department undertakes the procurement of those goods and services of strategic importance to the company (not solely those of the highest value). Such contracts are often put out to tender among our preferred suppliers for the particular commodity.

Group Purchasing often negotiates with suppliers, a number of 'framework' or 'call off' agreements covering common goods and services, on which our sites/departments can place orders to meet their requirements, up to specified values. These agreements should be used wherever possible, both to reduce administrative costs and to ensure that we receive the highest possible levels of discount. A current list of agreements and the goods and services they cover, is available via the Group Intranet, on the Group Purchasing website, <http://web/GroupPurchasing/>. Sometimes it may seem that a particular item covered by such an agreement could be bought more advantageously elsewhere. Such instances should be reported to the Group Purchasing Department but the call-off arrangement should nonetheless be used – bulk discounts, rebates, consolidated deliveries and administrative simplicity may well be giving us advantages which outweigh the savings on particular items. Equally though, Group Purchasing needs to know of these circumstances so it may, where appropriate, renegotiate with the supplier.

In certain instances, Group Purchasing may authorise the procurement of goods or services, outside the scope of a pre-arranged call-off or framework agreement.

Directors/Managers/Department Heads/Budget Holders/designated members of staff, may have delegated authority to purchase other goods and services not covered by call-off agreements and not reserved to the Group Purchasing Department, subject to financial limits. Note that it is never permissible to split a contract in order to circumvent authority limits.

Some employees have the use of Corporate Credit Cards. Procedures for their use are available via the Group Intranet, on the Group Purchasing website, <http://web/GroupPurchasing/>.

6.0 Payment

We pay suppliers promptly and in accordance with agreed terms of trade – our preferred payment method is through BACS. Our suppliers are entitled to receive their payment provided their goods or services have met our contractually agreed specifications. Unreasonable delaying of payment benefits us little financially, can cause significant cash-flow problems to our suppliers, especially smaller firms, generates an unnecessary and unpleasant administrative burden in dealing with irate suppliers and erodes the atmosphere of mutual trust which we are trying to establish. It is the duty of everyone involved in purchasing to ensure that the information necessary to generate payment is passed through as quickly as possible.

If a supplier has failed to complete 'paperwork' to the level required to allow us to make payment, he must be informed of this and what corrective action he needs to take, in a timely manner.

If a supplier has failed to supply goods or services to our satisfaction and it is thus necessary to withhold payment, this must be reported to the Accounts Payable Department along with all supporting documentation, irrespective of who or which site/department placed the original order. Any delivery of goods, or provision of service,

requires 'receipting' on to our computer system. Any delivery not acknowledged by the required 'receipt' shall automatically be taken as a request to withhold payment. The originating site/department will be responsible for ensuring that the supplier rectifies his omissions before payment is authorised.

Group Purchasing should be made aware of any instances where a supplier causes major upset or is unable to improve an unsatisfactory record of under performance.

7.0 Intellectual Property and Commercial Information

Our organisation's intellectual property – designs, patents, trade marks and know-how – is valuable to us. This information must never be passed to a supplier, for whatever reason, without the approval of an appropriate Director of the organisation, or the Head of Purchasing. Whenever such information is required to be passed over, the recipient must have signed a confidentiality agreement.

Our suppliers can often be involved in design and development work on our behalf, either alone or in conjunction with our own staff. Wherever this is the case, the contract must specify the ultimate owner of the intellectual property so created. This may include rough drafts, supporting calculations, prototypes, mock-ups and in the case of printed material, plates, stereos & artwork etc.

In any instance where we are buying from a supplier something which we, or our customers, are likely to need to reproduce or copy at a later date, the contract must make clear our right to do so.

Similar considerations extend to all forms of commercial information. Our employees must never pass to suppliers, information that they do not need to know. We must respect the confidentiality of information we learn about from our suppliers.

Suppliers must also be aware that they are not allowed to use our name, or information about any work they may have performed for us, in any sort of promotional material without prior approval.

8.0 Information and Reporting

Good intelligence work is vital to effective purchasing. Everyone involved in purchasing on our behalf has the opportunity to contribute to our knowledge and to benefit from the information held in the Group Purchasing Department.

To recap, the following should be reported to the Group Purchasing Department:

- any actual or potential unethical approach or inducement, evidence of restrictive practices, possible conflicts of interest
- information on illegal or unacceptable practices by a supplier which could be to our discredit if we were known to be a customer

- any suspicions of anti-competitive behaviour
- as deemed appropriate, failure by a supplier to meet our requirements, in terms of quality, quantity or delivery performance
- all requests by a supplier to vary the terms of a contract after it has been agreed
- occasions where the prices or other terms offered by a preferred supplier or under a call-off agreement, appear to be less favourable than is available elsewhere in the marketplace
- warranties, guarantees, service agreements etc must be lodged with the Group Purchasing Department.

In addition, employees are encouraged to report the following:

- new sources of supply, new products or services that may meet our needs
- instances of outstanding good work by suppliers
- ideas for further streamlining and improving our efficiency.

In return the Group Purchasing Department offers advice, guidance and information on sourcing, negotiation and contracts. It maintains lists of preferred suppliers, of framework and call-off contracts.

Appendix I

Code of Ethics

This code is based on that subscribed to by all members of the Chartered Institute of Purchasing & Supply.

Persons engaged in any aspect of purchasing on behalf of Marshalls group shall never use their authority for personal gain and shall seek to uphold and enhance the standing of Marshalls by:

- maintaining an unimpeachable standard of integrity in all their business relationships both inside and outside Marshalls.
- fostering the highest possible standards of professional competence amongst those for whom they are responsible.
- optimising the use of resources for which they are responsible to provide the maximum benefit to their employer.
- complying both with the letter and the spirit of:
 - the law of the country(ies) in which they operate and with which they deal.
 - all contractual obligations incurred by or on behalf of their employer.
- rejecting any business practice which might reasonably be deemed improper.