

Corporate Responsibility

Corporate responsibility, awareness and mitigation of adverse impact on our environment, and positive engagement with our community and employees have long been core values of Marshalls. We aim to align our business values, purpose and strategy with the social, economic and environmental needs of our stakeholders, embedding responsible and ethical business policies and practices in everything we do.

Our commitment to these values is driven by the Board, and David Sarti is the Director with primary responsibility for managing the key elements of the Group's policies relating to environmental and social matters, and reporting to the Board on progress against the Group's Corporate Responsibility KPIs.

The key aspects of Marshalls' approach to the risks and opportunities arising from environmental, social and governance matters are highlighted in this section of the Strategic Report, which explains how we have addressed these during 2013, and includes regulatory information relating to carbon emissions, employee diversity and our policies in relation to the recruitment of and engagement with employees. Marshalls' Corporate Responsibility Policy and the latest published Corporate Responsibility Report can be found on our website at www.marshalls.co.uk/sustainability. The Corporate Responsibility Report, which contains data independently audited by BSI, covers our activities in the UK and overseas and progress against our Corporate Responsibility KPIs.

People and Environment

The Group remained a constituent member of the FTSE4Good UK Index throughout 2013. The Group also continued to be a member of Business in the Community ("BITC"), a signatory of the United Nations Global Compact ("UNGC") and a member of the Ethical Trade Initiative ("ETI").

As a signatory of the UNGC, Marshalls commits to aligning its operations and strategies with the ten universally accepted principles in the UNGC. We are proud that Marshalls' Group Marketing Director, Chris Harrop has, since 2012, been the Chairman of the UNGC UK Network. Marshalls believes that the benefits from engagement include:

- being part of an established and globally recognised policy framework for the development, implementation, and disclosure of environmental, social, and governance policies and practices;
- sharing best and emerging practices to advance practical solutions and strategies to common challenges;
- advancing sustainability solutions in partnership with a range of stakeholders, including UN agencies, governments, civil society, labour, and other non-business interests;
- linking business units and subsidiaries across the value chain with the UNGC's Local Networks around the world;
- accessing the United Nations' extensive knowledge of and experience with sustainability and development issues; and
- utilising UNGC management tools and resources, and the opportunity to engage in specialised workstreams in the environmental, social and governance realms.



- Manage Risk
- Local Compliance
- Social licence to operate
- Do the right thing

- Gain Competitive Advantage
- Find and develop new market opportunities
- Grow long term
- Attract and Retain staff

- The world's largest voluntary corporate citizenship initiative.
- A commitment to an underlying universal set of principles to guide responsible business practice and connect with a global community.
- Launched in 2000, the UN Global Compact represents a Compact between business and United Nations agencies, labour, civil society and governments.
- **Its aim is to help drive competitive advantage through responsible business practice.**
- Currently over 10,000 signatories in over 145 countries.

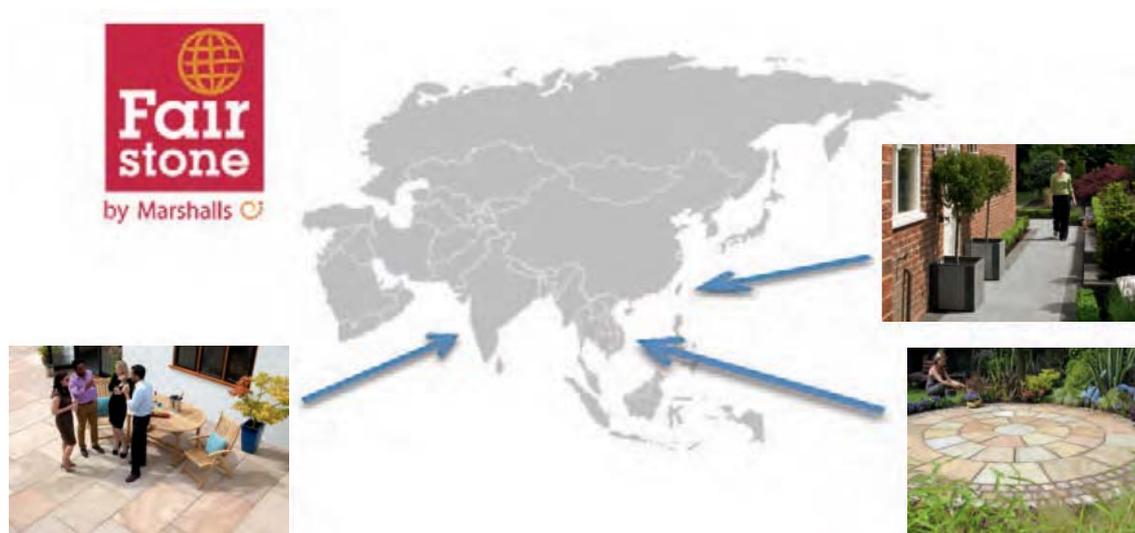


The UNGC incorporates a transparency and accountability policy known as the Communication on Progress ("COP"). The annual posting of a COP is an important demonstration of a participant's commitment to the UNGC and its principles. Participating companies are required to follow this policy, as a commitment to transparency and disclosure is critical to the success of the initiative. Marshalls' annual COP can be found on the UNGC website via our link www.marshalls.co.uk/cop2012.

During 2013, Marshalls adopted the Children's Rights and Business Principles developed by UNICEF, the UN Global Compact and Save the Children. The Children's Rights and Business Principles are the first comprehensive set of principles to guide companies on the full range of actions they can take in the workplace, marketplace and community to respect and support children's rights.

Ethical Trade Initiative

The Group has pioneered the ethical sourcing of natural stone paving from India, China and latterly Vietnam. With a local partner the Group has established schools, health facilities and health insurance programmes in India. Marshalls "Fairstone" products combine the attributes of fair trade and ethical sourcing. As part of its ongoing commitment to the ETI Base Code, the Group has been driving forward ethical best practice within its Indian and Chinese natural stone suppliers. Marshalls' ethical sourcing programme incorporates regular independent supply chain audits.



Community

Marshalls is an active member of and participant in Business in the Community ("BITC"). By participating, we give substance to our commitment to responsible business practice and engagement with employees, customers and the communities in which we operate. Marshalls has a consistent track record of active community initiatives. During 2013, we developed a programme under which our operating sites entered into partnerships with local schools as part of the BITC-sponsored "Business Class in Action" programme aimed at helping young people, some of whom have no family experience of work, to prepare for the working environment and support them in making career and training choices. Events have already taken place at 8 operating sites across the UK, with 3 further sites planning to launch in the near future.

The BITC CR Index helps companies systematically measure, manage and integrate responsible business practice, under which companies are assessed. Marshalls is pleased to have retained its "Gold" status in the 2013 results ranked against this assessment. The list of accredited companies can be found via the BITC website: <http://www.bitc.org.uk/our-services/benchmarking-recognition/cr-index>.

Carbon Emissions – GHG disclosure

Marshalls' Energy and Climate Change Policy confirms the Group's commitment to reducing the Energy and Carbon impact of its business. Our target is to reduce absolute CO_{2e} emissions in line with UK Government targets (34 per cent by 2020 and 80 per cent by 2050 from a 1990 baseline). Our progress indicates that reductions are in line with the 2020 and 2050 targets.



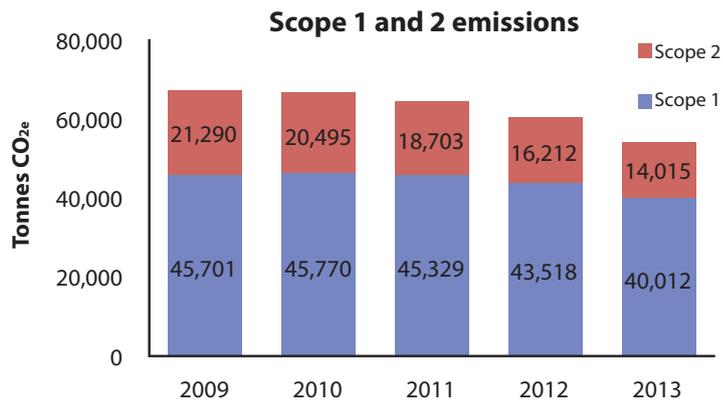
The Group complied with its legal obligation in the Government's Carbon Reduction Commitment Energy Efficiency Scheme ("CRC") by submitting its Annual Report and surrender of Carbon allowances for the period April 2012 to March 2013 within the time limit imposed by the legislation. The Group successfully recertified to the Carbon Trust Standard in the year. The Group continues to report voluntarily to the "Carbon Disclosure Project", which includes a wider carbon management performance over time and also provides an insight for shareholders regarding the Group's energy, carbon and climate change impact management programme.

Marshalls has a mandatory duty to report its annual Greenhouse Gas Emissions ("GHG") under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013. Marshalls uses the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and the latest DEFRA published CO_{2e} conversion factors to measure its GHG emissions. The Group reports its scope 1 and 2 GHG emissions for its UK operations. It can only report CO₂ emissions for Marshalls NV, its Belgian business, as CO_{2e} conversion factors are not available. The Group audited its UK fugitive emissions during 2013 and found these to be less than 0.5 per cent of the Group total emissions: accordingly these are excluded from the report.

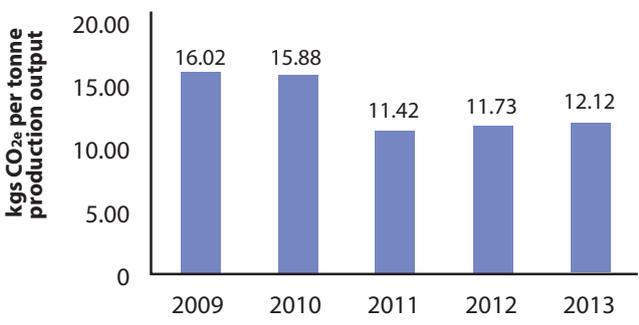


Bespoke Granite Benches, Olympic Village

This chart illustrates the Group's UK absolute CO_{2e} emissions in tonnes, including transport activities, between 2009 and 2013



Relative CO_{2e} per tonne production scopes 1 and 2 (kgs CO_{2e} per tonne)



This chart illustrates the Group's CO_{2e} intensity emissions as a proportion of production output, including transport activities, between 2009 and 2013.

The disposal of our aggregates business in April 2013, which has a lower intensity of CO₂ emissions per tonne of production, was the main reason for the change between 2012 and 2013. The Group reports that it is responsible for the GHG emissions of Marshalls NV. The CO₂ emissions from Marshalls NV activities in 2013 were (absolute) 1,117 tonnes and (intensity) 11.84 kg per tonne of production.

Marshalls publishes its environmental key performance indicator ("KPI") performance for the financial year in a separate document, the Marshalls' Environmental KPI 2014 Report. This covers our energy performance in more detail, together with reporting of our Environmental Governance, Policies, Management and key environmental impact areas such as waste, water and packaging. The Environmental KPI 2014 Report also includes details of our work with internationally recognised expert bodies such as the Carbon Trust, the Wildlife Trust and the Woodland Trust (see www.marshalls.co.uk/EnvKPI2014).

This section of the Annual Report has been audited by a qualified verifier on behalf of BSI. On the basis of the work undertaken, the GHG emissions statement above is considered to be a fair reflection of the Group's performance during 2013 and contains no misleading information.



Employees

Our success depends on our people. Our Statement of Values and Principles, which sets the standard for all employees, gives guidance on business practice, employee relations and equality of opportunity and emphasises the importance of trust, honesty and integrity, leadership, ownership and excellence in everything we do.

Equality and Diversity

In our recruitment and selection processes we recognise the benefit of diversity within our workforce. We are committed to promoting and maintaining a working environment based on mutual respect, where individual talent is recognised and valued, and to providing training designed to raise levels of awareness and sensitivity to matters of equality and dignity at work. We have fair and merit-based employment policies and we adhere to relevant legislation including measures for the effective prevention of discrimination against individuals with protected characteristics under the 2010 Equality Act. We welcome and give full and fair consideration to applications from individuals with recognised disabilities and will ensure they are provided with equal opportunity for employment and career development. Wherever reasonably practicable, training is offered and adjustments are made to ensure that employees with disabilities or those who become disabled, are not disadvantaged in the workplace.

Our total workforce was 2,079 as at 31 December 2013, and the gender balance breaks down broadly as follows:

	Male	Female
Total Workforce	85%	15%
Senior Managers	86%	14%
Directors	100%	0%

We believe that the high proportion of male employees is due to the Sector in which we operate, the manufacture of construction materials, where there have traditionally been fewer female applicants for jobs. In striving for a better workplace for all, we expect to make a positive impact towards improving gender balance. Our approach to diversity at Board level is explained in the Corporate Governance Report.

Employee Engagement

There is a dedicated resource within the Marshalls HR team focusing specifically on co-ordinating and framing our engagement activities through interaction with local management teams and employee focus groups. We communicate the Group's financial results, performance and overall direction by means of our internal intranet, monthly newsletter, site notice boards and regular face to face briefings between senior management and various employee groups. Through our employee "Options" platform we offer a wide range of employee-focused benefits, including Childcare Vouchers, and we also offer access to other benefits such as "Cycle to Work" schemes from time to time.

In 2013, the Group participated for the third successive year in the Best Companies Workplace Engagement Survey. Almost 70 per cent of all employees participated, a notable increase on 2012 and 2011. The results showed continued progress against previous workplace engagement targets, and provide valuable data and employee commentary on all areas of the business where focused action plans can then be developed to drive improvements in the coming year.

We operate a structured consultative and collaborative interaction with recognised trades unions and with our broader employee base. In 2013 a 3 year agreement covering pay and employment terms throughout the period 2013 – 2015, was successfully negotiated with elected representatives and full time officers, thereby establishing a significant degree of certainty in terms of employment costs during 2014 - 2015.

New, more flexible employment practices and deployment of human resources have been agreed across selected sites with trades unions and employees. This is designed to respond to increased levels of demand for product across our manufacturing sites and to provide greater alignment of our working practices with customer requirements. The Group's "Dignity at Work" programme, designed to raise awareness of the dangers of bullying and harassment in the workplace, is proactively communicated and universally well-received across Group sites.

This joint collaboration with recognised trades unions and ACAS will continue into 2014. The Group's "Serious Concerns Policy", which is displayed on the intranet and at all sites, provides a framework for employees to raise any matters of concern confidentially and securely and ensures that any matters raised are properly investigated.

Training and Development

Marshalls re-launched its Development Review process during 2012 and this has been extended throughout 2013. The process provides an opportunity for all employees to have a one-to-one discussion with their manager, covering work objectives, performance, personal development and career aspirations. This is supported by an on-line programme of training and awareness-building, designed to focus on the importance and quality of these conversations and open dialogues between employees. Training modules are delivered online and by means of site-based toolbox talks. There is a continuous programme across Group sites to support the development of Marshalls' employees through NVQ accreditation and the Group's commitment to "Investors in People" continued to progress in 2013 with the successful accreditation of our Street Furniture business.



Demelza House Children's Hospice, Sittingbourne

Health and Safety

Marshalls remains committed to meeting the highest safety standards for all its employees, to reinforce and develop its safety processes, and to develop a competent workforce with a view to achieving long term improvement gains, and this remains a key priority for the business.

The Group continues to strive to improve the quality and safety of the working environment for employees. Achievement of annual Health and Safety improvement targets is directly linked to the remuneration of the Executive Directors and senior management, as explained in the Remuneration Committee Report.

Our Safety, Health and Incident Prevention ("SHIP") teams, consisting of employee representatives and managers, are the cornerstone of the safety management system at site level, and meet regularly to support and develop our safety programme and objectives. The Group's operating sites have been progressively implementing Integrated Management Registration systems accredited by the British Standards Institution incorporating accreditation to OHSAS ("Occupational Health and Safety Accreditation Standard") 18001:2007. At the end of 2013 all but 3 operational sites within the Group held a BS OHSAS (18001:2007) registration, with 2 further sites scheduled for registration in 2014. Training throughout the year focused on the development of managers and supervisors to proactively manage health and safety in the workplace through visible felt leadership.

The Group has a published Health and Safety Policy which sets out the principles regarding the health and safety of employees, and their application throughout the business. Health and Safety performance is monitored by the Board on a monthly basis, with David Sarti being the nominated Director with Board responsibility for Health and Safety.

The headline target for 2013 was a 10 per cent reduction in days lost resulting from workplace incidents against 2012. The actual reductions achieved were:

- **14.8 per cent** reduction in days lost resulting from workplace incidents (Table 1 and Figure 4).
- **5.6 per cent** reduction in all incident frequency rate.
- **12.9 per cent** reduction in lost time incidents ("LTI's") recorded (Table 1 and Figures 1 and 2 respectively).
- **41.0 per cent** reduction in incidents reportable to the HSE under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations ("RIDDOR") (Table 1 and Figure 3).

The primary target for 2014 will again be a 10 per cent reduction year on year in days lost resulting from workplace accidents. Table 1 below shows the KPIs used by the Group to monitor performance, and progress against those KPIs over the last 5 years.

Table 1

Incident Frequency and Severity Rates (per 100,000 hrs worked)	2009	2010	2011	2012	2013
All Incidents	10.43	9.49	8.32	6.95	6.56
All Lost Time Incidents	2.16	1.60	1.55	1.40	1.22
All RIDDORs	1.11	0.94	0.81	0.61	0.36
All Days Lost	25.18	14.76	20.44	13.45	11.46
Average headcount	2,464	2,391	2,456	2,252	2,055

Figure 1

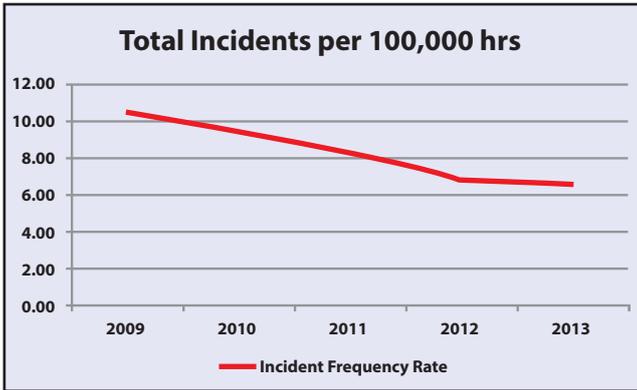
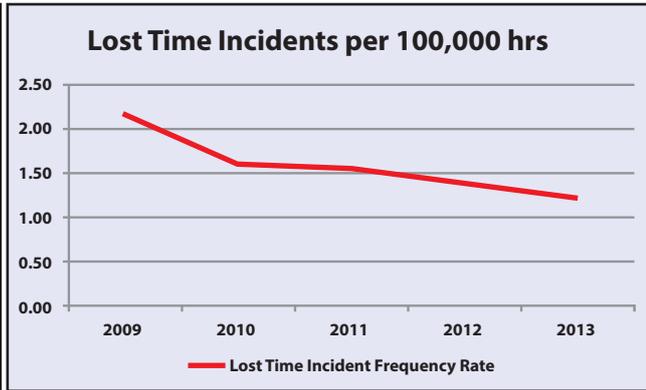


Figure 2



- **14.8 per cent** reduction in days lost resulting from workplace incidents
- **5.6 per cent** reduction in all incident frequency rate
- **12.9 per cent** reduction in lost time incidents (LTI's) recorded
- **41.0 per cent** reduction in incidents reportable to the HSE

Figure 3

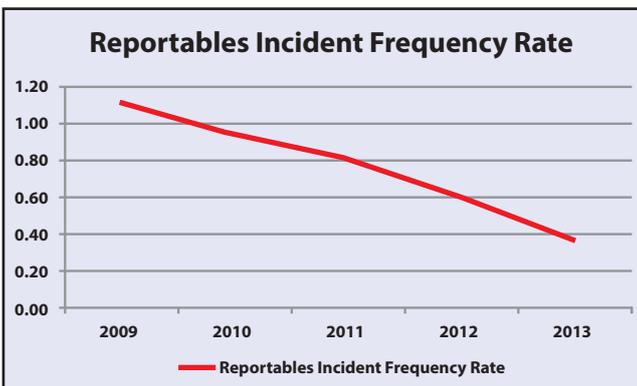


Figure 4

