



Marshall's

Creating Better Landscapes

UNITED NATIONS GLOBAL COMPACT
COMMUNICATION ON PROGRESS 2012



The United Nations Global Compact (UNGC) was launched in 2000 to harness the power of collective action in the promotion of responsible corporate citizenship. The Compact is a framework for businesses that are committed to aligning their operations and strategies with the ten universally accepted principles in the areas of human rights, labour, the environment and anti-corruption.

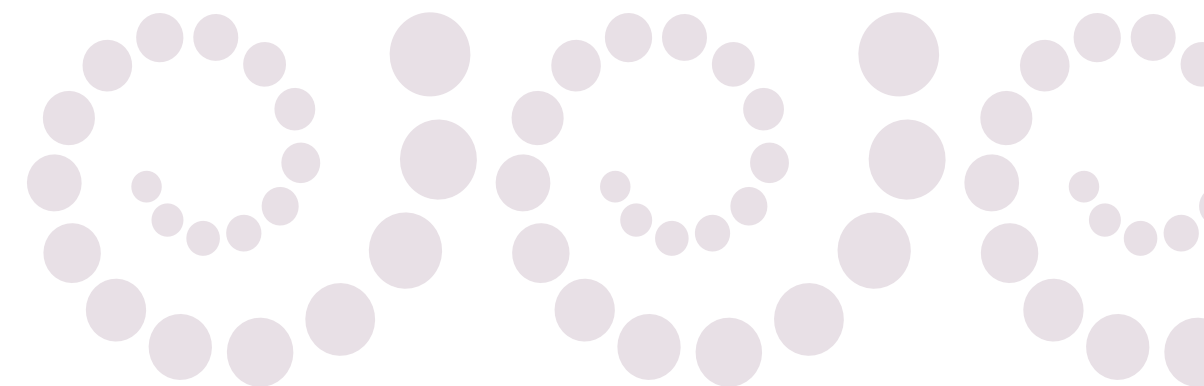
As the world's largest global corporate citizenship initiative, the Global Compact is concerned with demonstrating and building the social legitimacy of business and markets. Marshall's plc became a signatory of the UNGC in January 2009 and a member of the UK Network later the same year.

The Global Compact is a purely voluntary initiative with two objectives:

- 1 To mainstream the ten principles in business activities around the world;**
- 2 To catalyse action in support of broader UN objectives, such as the Millennium Development Goals.**

The UNGC is not a regulatory instrument, but rather a voluntary initiative that relies on public accountability, transparency and disclosure to complement regulation and to provide a space for innovation and collective action.

This is the Company's fourth Communication on Progress and outlines how Marshall's is aligned with the ten principles and how, throughout 2013, the plc intends to develop its activities in support of the framework laid out by the UNGC.



Human Rights

Principle 1:
Businesses should support and respect the protection of internationally proclaimed human rights;

Principle 2:
Make sure that they are not complicit in human rights abuses.

Labour

Principle 3:
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4:
The elimination of all forms of forced and compulsory labour;

Principle 5:
The effective abolition of child labour;

Principle 6:
The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7:
Businesses should support a precautionary approach to environmental challenges;

Principle 8:
Undertake initiatives to promote greater environmental responsibility; and

Principle 9:
Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10:
Businesses should work against all forms of corruption, including extortion and bribery.

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Graham Holden, Marshalls' CEO, Princes Ambassador, Chairman of the Yorkshire & Humber Regional Advisory Board of Business in the Community

Marshalls plc has been a UNGC signatory since early 2009. During the last four years the organisation has very tangibly experienced the positive impact of UNGC engagement.

Despite the on-going difficulties being experienced by the sector, Marshalls commitment to sustainability, to demonstrating the UNGC principles and to delivering the Leadership Blueprint for Corporate Sustainability has not wavered. Whilst focus has been on surviving the economics uncertainties, the mitigation of risk and the maximisation of opportunities, critical elements of our sustainability activity have been maintained.

UNGC participation has been a key influence in the development of our business strategy. This is very evident regarding our environmental approach and I am pleased to be able to tell you that at the end of 2012, with my full support, Marshalls committed to The CEO Water Mandate. This will see all of our activity in this area aligned to the water mandate as we work in the six identified areas; direct operations, supply chain and watershed management, collective

action, public policy, community engagement and transparency. It is also our aim to maintain our positive contribution to the issues regarding water through continuing innovative product development particularly in relation to the drainage challenges posed by increasing urbanisation.

The CEO Water Mandate is voluntary and aspirational and represents an excellent opportunity for Marshalls to engage, excel and to make a positive contribution to the water challenges which are very real and set to worsen. It also presents a platform from which to drive innovation and excellence within our business.

Throughout 2013, and guided by the UNGC framework, Marshalls will deepen its engage in issues of urbanisation, terrorist threat & security, climate change, air pollution, water & biodiversity; all identified as elements of megatrends moving forward.

Finally, I am delighted to tell you that Chris Harrop, Group Marketing Director responsible for sustainabilty, has been appointed as Chair of UNGC UK Network. Chris has worked long and hard to

develop the sustainability agenda within Marshalls and to drive positive change within the organisation and throughout the wider landscaping sector. I'm delighted that his passion and drive have been harnessed by UNGC. I wish him well during his three year term-of-office and look forward to seeing him further develop and grow UNGC membership here in the UK.

This Communication on Progress report outlines the strides that our business has made, the work that is underway and the long terms plans which are already in action. I look forward to updating you again next year regarding Marshalls' contribution to corporate sustainability in the world economy.



Chris Harrop, Marshalls' Group Marketing Director, (Responsible for Sustainability), UNGC UK Network Advisory Committee, ETI Non-executive Director

I'm delighted to hand over the baton to Chris and am confident that under his leadership the UNGC UK Network will continue to grow and to lead the way.

Outgoing UNGC Chair, Andrew Cave, Head of Sustainability at RBS.

I am extremely honoured and excited to take up this important post within the UNGC. I'm passionate about the role that the private sector has to play in sustainable development. I've found through experience that the UNGC offers a framework, like no other, which enables companies to address the complex issues of sustainability, supports them on their journey, provides intelligent challenge, first class education and ahead-of-the-wave debate and information.

The UNGC's principles in relation to human rights, labour, environment and anti-corruption, together with its Communication on Progress reporting provide an excellent framework for driving change within organisations and embedding sustainable practice.

Marshalls' relentless commitment to sustainability in all aspects of its business activities has enabled me to develop my own understanding, push the boundaries and has ultimately enabled me to take up this opportunity with the UNGC, for which I'm most grateful.

I believe that corporates will continue to lead the way regarding sustainability and during my tenure I will, with the support of the secretariat and network members;

// Focus upon increasing the number of organisations engaging with the UNGC framework and the UK network;

// Seek to forge links with other UN entities & initiatives which have the potential to support corporates in the effective delivery of UNGC principles;

// Focus network educational activities on the key issues of; women empowerment, children's rights & business principles, water, climate change & biodiversity.

I look forward to 2013 and to serving the UNGC UK Network to the best of my ability.



Chris Harrop, Marshalls' Group Marketing Director, Responsible for Sustainability, UNGC UK Network Advisory Committee, ETI Non-executive Director



“We are delighted to be able to recognise some of the brightest stars in corporate responsibility through our Game Changers award. As a campaigning membership organisation we are dependent on individuals from business to help us drive the agenda. Without the energy and passion of Game Changers like Chris I doubt very much if the UK responsible business movement would be quite so mature. They truly deserve this recognition which I hope will act as an inspiration to others.”

Stephen Howard,
Chief Executive at BITC,
December 2012

A warm welcome to all readers of Marshalls' fourth Communication on Progress (COP) detailing work that has been done, lessons learned, advances made and how Marshalls is preparing for the future.

Since Marshalls became a signatory of the UNGC in 2009 I have been continually impressed by the UNGC UK Network and the important contribution that it makes to signatories here in the UK. The high calibre education, dialogue & learning, facilitation and specialised work streams all continue to be an important source of information and feedback for Marshalls as we engineer our business to face the on-going challenges and to take advantage of the emerging opportunities. Without doubt the UNGC framework is now a fundamental part of Marshalls' long-term business strategy.

The majority of employees are aware of Marshalls' involvement in the UNGC and the businesses absolute commitment not only to sustainable business practice but also to demonstrating sustainability leadership. There continues to be an increasing understanding across the business of how sustainability relates to all areas of the business, especially as the Leadership Blueprint is rolled out across operations and divisions.

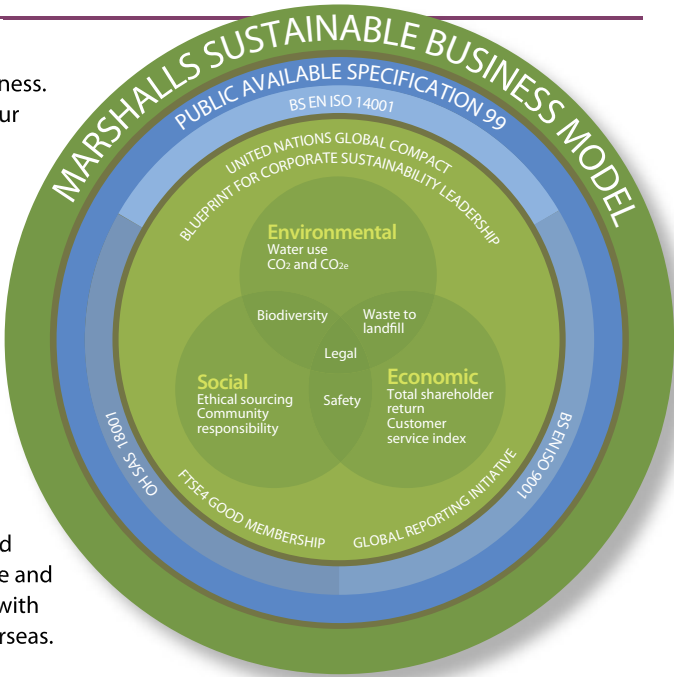
Each year many employees participate in a range of initiatives and activities aimed at achieving our collective sustainability goals and commitments. This year was no exception and employees have worked tirelessly to continue our good work in this important area. Initiatives include a diverse range of projects including; the planting 8,000 trees across eight acres to provide wood fuel onsite, rather than oil, leading to a lower carbon footprint; 20% of employees undertaking Marshalls new anti-bribery e-learning training module; the launch of a collaborative programme between local and international stakeholders in India to improve standards and welfare for workers in the quarrying industry; a new partnership with the Woodland Trust Carbon project; a biodiversity protection plan to prevent the Great Crested Newt from accessing harmful areas of quarry sites; working with school children during Fairtrade week to raise awareness of the work Marshalls is doing to improve the lives of workers in the Kota region of Rajasthan, sharing our findings and getting the views from young people in our community.

Chief Executive Graham Holden and Chief Operating Officer David Sarti continue to champion Marshalls' Sustainability Model, which may be familiar to regular reader of our previous COP's.

This model incorporates our membership of the UNGC and FTSE4GOOD, and our continued commitment to Integrated Management Systems. It also reflects our intention to actively engage in and respond to the Blueprint for Corporate Sustainability Leadership. Driven by myself, Group Marketing Director, responsible for sustainability, and embraced by all employees, it continues to be integral to how Marshalls' harnesses its values of trust, honesty and integrity in the name of business. It is now quite

simply how we do business. It has become part of our corporate DNA.

The three pillars of sustainability; economic, environmental and social continue to provide the focus for our activity. Marshalls aims to be a successful and profitable business whilst minimising our impact on the environment and looking after the people and communities we work with both in the UK and overseas.



Employees throughout the business continue to be actively involved:

In alphabetical order:



Andy Ackroyd
Commercial
Controller



Richard Capper
Energy
Management
Engineer



Gemma Chappell,
Head of Domestic
Marketing



Chris Frankland
International
Product Manager



Graham Holden
Chief Executive



Kevin Hull
Human Resources
Director



Jon Isherwood
Group Procurement
Director



Ian Manley - Group
Environmental
Conservation
Adviser



David Morrell
Group Head of
Sustainability



Steve Reddington,
Head of Commercial
Marketing



David Sarti
Chief Operating
Officer



Pete Stevens
Group Carbon &
Energy Manager

These employees work alongside those with special responsibilities including; Group Head of Sustainability David Morrell and Group Procurement Director Jon Isherwood.

Marshalls' progress is monitored thoroughly and on an ongoing basis against both internal and external measures. As a matter of course Marshalls seeks verification from third party organisations which include non-governmental organisations and independent auditors; The Carbon Trust, BSI, Wild Life Trust, ETI & BITC.

We continue to work closely with Indira Saxena regarding social issues in India and Sterling Smith of Just Solutions Ltd. Our on-going programme of Human Rights Impact Assessments also provides invaluable information and insights.

During 2012 key managers undertook a training and education programme which will allow us to undertake Global Reporting Initiative (GRI) monitoring

moving forward. GRI is the preferred reporting methodology for UNGC participants and will allow Marshalls to chart its progress and benchmark against other international organisations. It will also provide even greater transparency regarding the Company's activities.

I'm delighted to be able to report that during 2012 Marshalls retained its Superbrand status for the third year running; a feat which we are particularly proud of given the challenging climate.

Throughout this, our forth Communication on Progress, we want to share with you the endeavours that we have made to uphold the UNGC principles during 2012 and our enduring commitment to these principles as we move throughout 2013 and what promises yet again to be a challenging business climate.

All of Marshalls' activity is tightly focused upon meeting the challenges of the economic climate, of mitigating any risks and to the maximisation of opportunities. Commitment to sustainability has not wavered but financial considerations have meant that it has been necessary to extend timeframes for some areas of work to which we committed to undertake in 2012. The embedding of the Global Reporting Initiative for example has been deferred until the beginning of 2013.

As you read through this report you will see that we have set targets for each areas of activity in relation to the UNGC principles. This will make it clear as to what progress we have already made and our intentions for 2013.

I wanted to draw your attention here to three key areas for development throughout 2013; The CEO Water Mandate, Children's Rights & Business Principle Pilot Programme & the Women's Empowerment Principles.

Firstly, I'd like to share with you a brief update on Rio+20 and also to highlight the Global Megatrends which Marshalls is tracking as it continues to innovate to meet expected accelerating change in key areas, seeks to align current strategy and to address the needs of the customer of the future.



Rio +20 Overview

2012 saw world leaders convene at the Rio +20 UN Conference on Sustainability to build consensus on a more sustainable course for our world. When the United Nations hosted the Earth Summit in Rio two decades ago, few companies had even begun to explore the notion of sustainable business and what this might mean for them, let alone to the environment or to society at large.

Although today there are thousands of pioneering companies, like Marshalls, advancing corporate sustainability through a number of global initiatives - the UNGC is the world's largest corporate sustainability initiative, with approximately 7,000 business signatories from 135 countries, in addition to thousands of other key stakeholders - corporate sustainability has still not permeated the majority of businesses.

Rio +20 saw the launch of more than 200 commitments by business covering energy, finance, climate change, water, food, anti-corruption and women's empowerment, however, it is clear that there is still much to be done. Agreement by Governments to define a new set of Sustainable Development Goals that would extend and broaden progress already made in the context of the Millennium Development Goals was considered a much needed landmark outcome. A re-alignment so that sustainability is valued and profitable is still work in progress as is the depth of action needed to address the most pressing challenges facing us all.

The private sector has a critical role to play in this endeavour through progressive and promising work which is already underway and by making significant, innovative and lasting solutions. The insights from Rio +20 together with our own experience, market intelligence and the monitoring of global megatrends serves to strengthen Marshalls' understanding that sustainability is good for business.



"Rio+20 was a milestone in an essential journey that will define humanity's development and well-being for decades and more. The Rio+20 Corporate Sustainability Forum marked a new phase in the evolving relationship between the world of business and the needs of sustainable development. Increasingly we are looking to business not as a source of problems but as the place to go for solutions - as a key player in creating the future we want. A sizeable vanguard of the business community has brought sustainable development principles into the heart of their business models, and is poised to lead more businesses along the same path. As I said in my message to the Forum, 'transformation is under way.'"

Ban Ki Moon
Overview & Outcomes Summary
Report, Foreword

To read the full report 'Overview & Outcomes Rio +20 please visit http://www.unglobalcompact.org/docs/news_events/2012_CSF/Rio_CSF_Overview_Outcomes.pdf

GLOBAL Megatrends

Tracking Global Megatrends

It is generally agreed that global economics is being influenced by 6 megatrends: globalisation, consumption patterns, governance & activism, resources & environment, demographics, and technology & innovation.

(Source: A.T. Kearney)

Megatrends are connected and intertwined, like an 'eco-system'. It is important to identify and monitor the 'eco-system' of the megatrend for a number of reasons; to identify new market places, maximise growth opportunities, exploit opportunities, identify new business models, sustain a continuous flow of innovative new ideas, build contingency plans, be aware of new competition from non-traditional sources and to identify future customers.

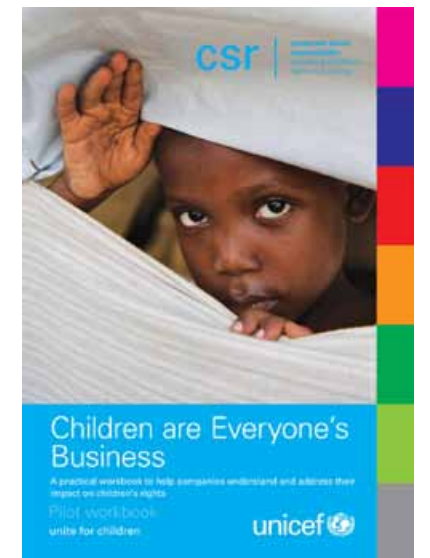
Later in this COP we will look at what makes a megatrend, which megatrends Marshall is tracking and what this means for our business in relations to our sustainability journey.

The CEO Water Mandate

In December 2012 Marshalls became a signatory of this UNGC special project, The CEO Water Mandate. This is an initiative by business leaders in partnership with the international community and its structure covers six key areas in a comprehensive approach to water management. Commitment to the Mandate will assist in the development and delivery of Marshalls' current water management approach to flooding, water quality and drought management throughout 2013.

THE CEO WATER MANDATE

An initiative by business leaders in partnership with the international community



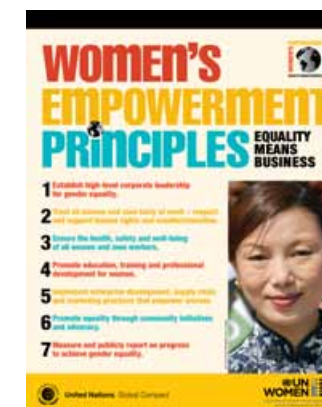
Children's Rights & Business Principles Pilot Project with UNICEF

Following the launch of The Children's Rights & Business Principles by Save the Children, UNGC and UNICEF, and building upon its work to abolish child labour in the Indian sandstone sector, Marshalls committed to embedding the principles and utilising the comprehensive framework for understanding and address the impact of business on the rights and well-being of children.

Working with business & NGO partners in the UK and overseas, and building upon its Human Rights Impact Assessment process, the organisation reviewed its impact on children in terms of the market place, work place, community and environment and has produced an initial report.

Marshalls has been invited to take part in a pilot process with UNICEF in Geneva in 2013 to assess and develop the implementation of the framework.

Chris Harrop,
Group Marketing Director, Marshalls plc



Women's Empowerment Principles

Empowering women to participate fully in economic life across all sectors and throughout all levels of economic activity is essential to: build strong economies; establish more stable and just societies; achieve internationally agreed goals for development, sustainability and human rights; improve quality of life for women, men, families and communities; and propel businesses' operations and goals. The Women's Empowerment Principles, (WEPS) developed in a partnership initiative between UN Women and UNGC, provides a set of considerations and framework to help the private sector focus on key elements integral to promoting gender equality in the

workplace, marketplace and community. It is Marshall's intention in 2013 to undertake an initial WEPS audit and to commit to the implementation of the WEPS both within the organisation and throughout its supply chain.

It is generally agreed that global economics is being influenced by 6 megatrends: globalisation, consumption patterns, governance & activism, resources & environment, demographics, and technology & innovation.

(Source: A.T. Kearney)

// Globalisation is shaking the foundations of the world as we know it and shifting economic power from 'north' to 'south.'

// The old rules of sale no longer apply, as the new consumer is fully mobile and could be anywhere at any time.

// Social media is emerging as a burgeoning marketplace and is giving consumers a say in developing their own products and services.

// On the commodities market, easy access to information is allowing consumers to put great pressure on suppliers.

// We are at a unique historical moment when every major global power is redefining itself.

// We are entering an era of heightened global demand for food, water and energy.

// Only sustainability will allow 8 billion people in 2040 to live at high standards on our planet.

// Knowledge work is an increasingly important component of the global economy.

// The supply of educated workers is increasingly coming from the developing world.

// Developed countries are investing heavily in research & development to stay competitive in the global economy.

// Megashocks – a major and sudden hard-to-predict event, such as a global pandemic or natural disaster, have the potential to causes far reaching change to an industry sector, social group or geographic region.

EMH to provide source reference for Blue box.



Megatrends are connected and intertwined, like an 'eco-system'. It is important as a business to identify and monitor the 'eco-system' of the megatrend for a number of reasons;

- // Identify new market places
- // Maximise growth opportunities
- // Exploit opportunities
- // Identify new business models
- // Sustain a continuous flow of innovative new ideas
- // Build contingency plans
- // Be aware of new competition from non-traditional sources
- // Identify future customers.

Here we look briefly at what makes a megatrend, which megatrends Marshalls is tracking and what this means for our business in relations to our sustainability journey.

World's most populous countries in descending order:

- China (1.3 billion);
- India (1.2 billion);
- Facebook (800 million);
- Skype (521 million);
- Twitter (380 million);
- United States (312 million)...

CSIRO Futures



What makes a megatrend?

A megatrend occurs at the intersection of many trends. A trend is defined as an important pattern of social, environmental and economic activity that will play-out in the future.

A megatrend is defined as a major shift in environmental, social and economic conditions that will substantially change the way people live.

Megatrends are relevant to contemporary decision making and may prompt a rethink of governance models, business processes and social systems.

So what turns a normal trend into a megatrend? Matthias Horx names four criteria:

1. A megatrend has a half-life of at least 30 years.
2. It must be apparent in all areas of life: in everyday life, in politics, in culture, in the economy.
3. Megatrends can be observed all over the world, i.e. they are a truly global phenomenon.
4. A megatrend can survive setbacks, and its influence may weaken temporarily.

Foresight, Decision Making and Strategy.

Foresight in business involves crafting evidence based narratives about the future in order to help organisations make wiser choices. Decision points in business are often critical and it is important to invest time in foresight and strategy research with the aim of improving the quality of decision making. This decision making then translates into strategy and the drive to achieve desired outcomes. Marshalls tracks all global megatrends and within these the trends of:

- // Aging

// Urbanisation

// Localism

// Globalisation

// Anxiety

// Personalisation

// Volatility
- // Digitisation

// Debt

// Sustainability

// Environmental Change

// Powershift

// Eastwards

Identify Opportunities	Megatrends enables companies to identify new uncontested marketplaces
Understanding the Connectivity and Synergetic Opportunities	Megatrends are connected and intertwined, which suggests "synergetic" opportunities exist between them. It is important to understand this synergy and interrelation between trends to maximize growth opportunities
Understanding the Entire Eco-system of Growth	In order to understand all encompassing factors that boost top-line growth, it is important to identify and monitor the eco-system of the megatrend and the elements of the value chain that are the most profitable
Identifying New Business Models	Megatrends help identify and understand new and emerging business models that are driven by cross-sectoral synergetic implications and opportunities
Sustaining a Continuous Flow of Innovative New Ideas	It is important to sustain a continuous flow of innovative new ideas arising from futuristic megatrends
Building Contingency Plans	Megatrends will help to build contingency plans based on probable scenarios and market patterns (scenario planning)
Becoming Aware of New Competition from Non-traditional Sources	Traditional approaches to market are no longer working; organisations must change and evolve with end-user needs and industry requirements or become extinct. Megatrends help organisations understand new competition arising from innovative and non-traditional sources
Emphasising Need for Champions Within an Organisation	Businesses need "Megatrend" champions and teams within their organisations to best exploit opportunities, to identify new innovations, to keep up with the accelerating pace of change in technology, and to improve business results
Identifying Future Customers	Megatrends will help innovate to meet expected accelerating change in future technology and align current strategy to address the needs of the "Customer of the Future"

“It suddenly struck me that that tiny pea, pretty and blue, was the Earth. I put up my thumb and shut one eye, and my thumb blotted out the planet Earth. I didn't feel like a giant. I felt very, very small.”

Neil Armstrong

Trends & Technology Timeline 2010+

TIME ZONES

ZONE 1: 2010-2015

ZONE 2: 2015-2020

ZONE 3: 2020-2025

ZONE 4: 2025-2035

ZONE 5: 2035-2050

Notes on time travel

This map is a broad representation of some of the trends and technologies currently visible. Improvement works are carried out at weekends and travellers should check to see whether lines are still operable before commencing any journeys. Helpful suggestions concerning new routes and excursions are always welcome.

If you wish to travel outside of Zone 1 you are advised to bring comfy shoes and a camera. Travellers are also advised to bring their own supplies of food and water although weapons are unnecessary if you keep to well trodden paths. Also note that travel into Zone 5 is not available for people aged over 75 years of age.

A3 and A2 Prints of this map

Full colour prints of this map are available to anyone that asks nicely. A small charge is levied to cover print and postage costs only. Contact - richard@nowandnext.com - stating whether you'd like A3 or A2 size and saying which country the map is to be delivered to. Delivery is available to anywhere in the world. Alternatively, just print this out yourself (A3 minimum recommended)

Sourced

Material for this map has been sourced from a number of publications including Future Files and What's Next

www.futuretrendsbook.com

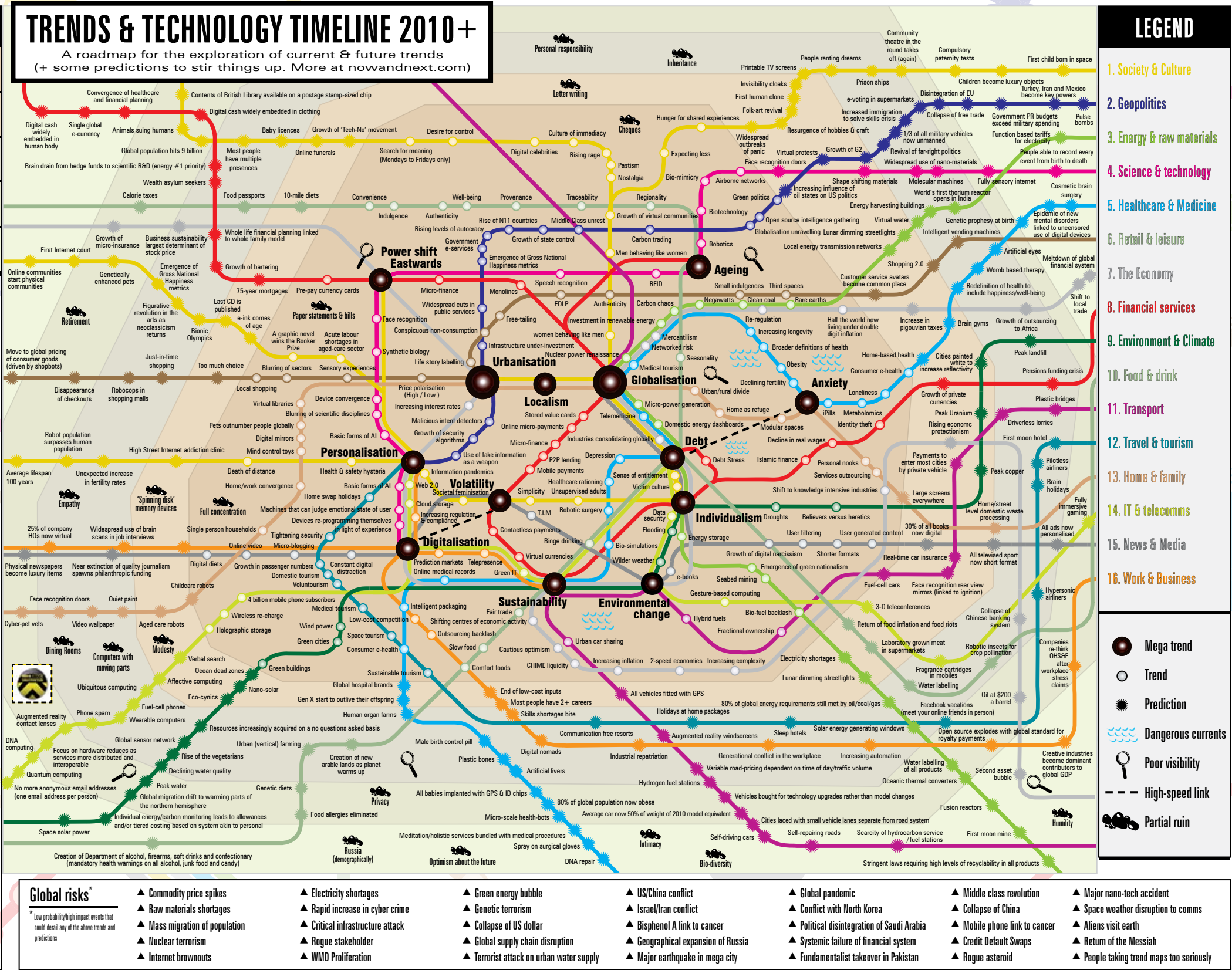
What'sNext
www.nowandnext.com

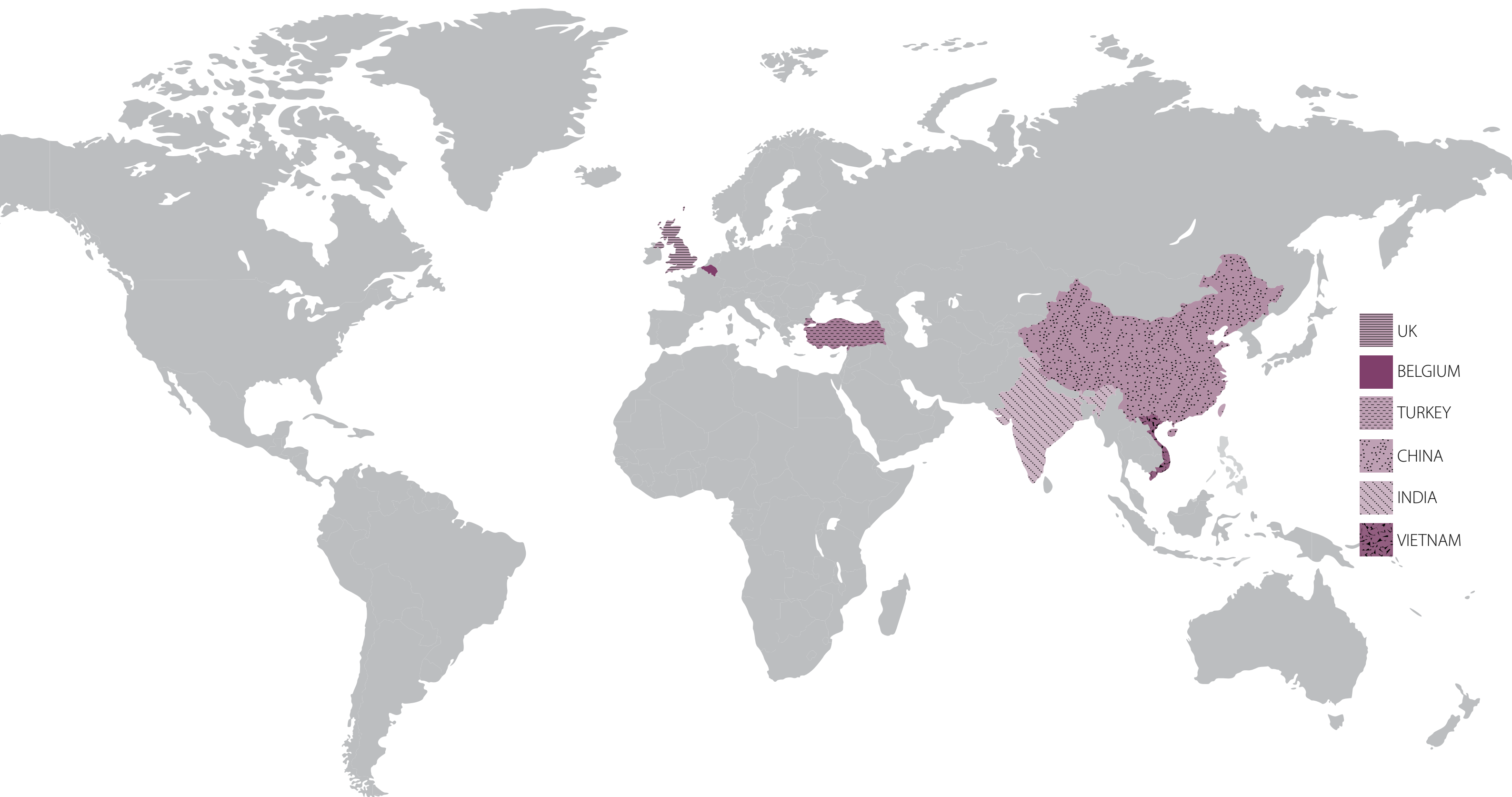
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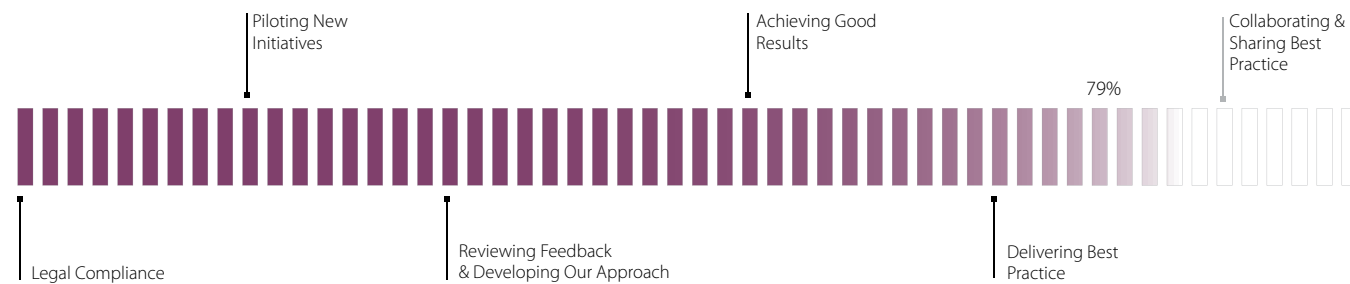
This map was conceived and created by Richard Watson at Nowandnext.com with some help from Benjamin Frazer at Snap. Also thanks to Oliver Freeman, Mike Jackson and Scott Martin.

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// Collaborating & Sharing Best Practice
 // Delivering Best Practice
 // Achieving Good Results
 // Reviewing Feedback & Developing
 // Our Approach
 // Piloting New Initiatives
 // Legal Compliance

Throughout this and all other Marshalls Communication on Progress you will find a self assessment indication which represents what Marshalls believes it is achieving in relation to each of the principles. Marshalls will strive to improve its achievements year-on-year.

Marshalls initially developed its own indicators for its COP reporting rather than use an existing one, such as the Ethos Indicators and Global Reporting Initiative (GRI) methodology. Whilst it is Marshalls intention to introduce GRI methodology in subsequent COP reports it has left its own indicators in place for this 2012 report.

Each indicator is broken down in percentage terms, which allows any progress made to be identified by all readers of this report with ease. It is also intended to make any year-on-year comparisons clear, uncomplicated and informative.

Marshalls constantly monitors best practice in its sector, as well as in the field of corporate responsibility and sustainability reporting. Any informative developments and advancements in this area will be introduced into subsequent COP reports.

Global Reporting Initiative (GRI)



economic, environmental and social performance.

The goal of sustainable development is to 'meet the needs of the present without compromising the ability of future generations to meet their own needs.' (1)

As key forces in society, organisations of all kinds have an important role to play in achieving this goal.

'The urgency and magnitude of the risks and threats to our collective sustainability, alongside increasing choice and opportunities, will make transparency about economic, environmental, and social impacts a fundamental component in effective stakeholder relations, investment decision, and other market relations. To support this expectation, and to communicate clearly and openly about sustainability, a globally shared

framework of concepts, consistent language, and metrics is required. It is the GRI's mission to fulfil this need by providing a trusted and credible framework for sustainability reporting that can be used by organisations of any size, sector, or location'. (2)

Key executives, managers and individuals have undergone GRI accredited training and have formed a working party responsible for the delivery of GRI monitoring and reporting moving forward. Marshalls 2013 COP will contain GRI disclosure regarding economic, environmental, social – labour practices and decent work – human rights, society and product responsibility.

(1) World Commission on Environment and Development. Our Common Future. Oxford: Oxford University Press, 1987, p.43
 (2) GRI Sustainability Reporting Guidelines, 2011, p.2

Once this report is submitted to the UNGC and published online, it will be volunteered for peer-review by a randomly selected group of corporate members and observers of the UK Network of the UNGC. Any suggested changes will be made and the report will be re-submitted, if required, to the UNGC following the peer review process.

As indicated in the previous COPs Marshalls has sought to extend stakeholder engagement in the COP process by inviting feedback from employees, customers, suppliers, partners, NGOs, third parties and peers.

Marshalls looks forward to receiving comments from its wide range of stakeholders. Details of where to submit feedback via a dedicated survey can be found at the end of this report.



The Marshalls Brand Manifesto.

We are all influenced by our environments and the better our environment the better we can be.

Marshalls believe that we all need places that make us feel safer, happier and more sociable. Places to be ourselves, where we can live, play, create and grow. That belief drives us to be the best we can be. To design and produce new products which are better than anything else available. To make them from the best materials we can source and to care about the impact that our company and its products have on our society.

Above all, **our belief fuels the passion on which Marshalls is built.**

To architects, town planners, civil engineers, builders merchants, paving installers and home owners, we pledge a passion to bring to life all that you can imagine. A passion that will enable you to breathe new life into those corners of the landscape where potential lies unfulfilled and unchallenged.

Our passion pervades everything we do. We use our expertise to create integrated landscapes which promote wellbeing to the benefit of everyone. So, whether it's through fairly traded stone, providing products which alleviate flood risks, enabling our business partners to share in our success or creating innovative street furniture that protects us from attack, we proudly strive **to make our world a better place.** One stone, patio, pavement, town square or car park at a time.

 **Marshalls. Imagine Better**

During 2010 Marshalls underwent a process of brand development and evolution. A key element of this involved the emergence of a brand manifesto which reflects our strategy of maximising benefits and clearly states to all of the organisation's stakeholders the collective mission, beliefs and drivers.

The 2010 brand evolution firmly captures the organisation's desire to engage in creating and sustaining better landscapes by engaging in creative and innovative solutions to some of society's most pressing issues.

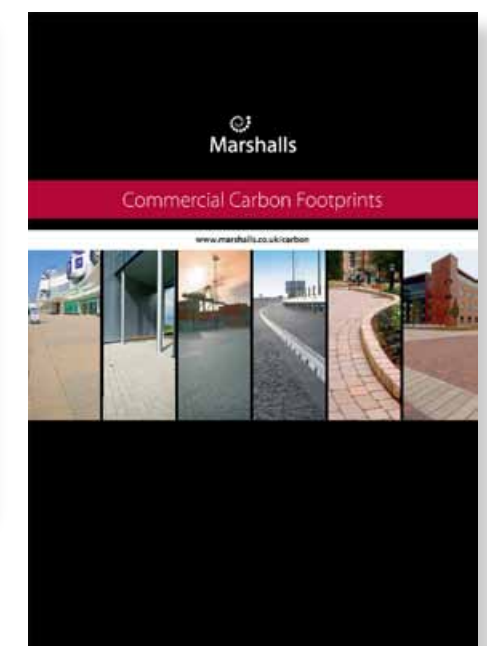
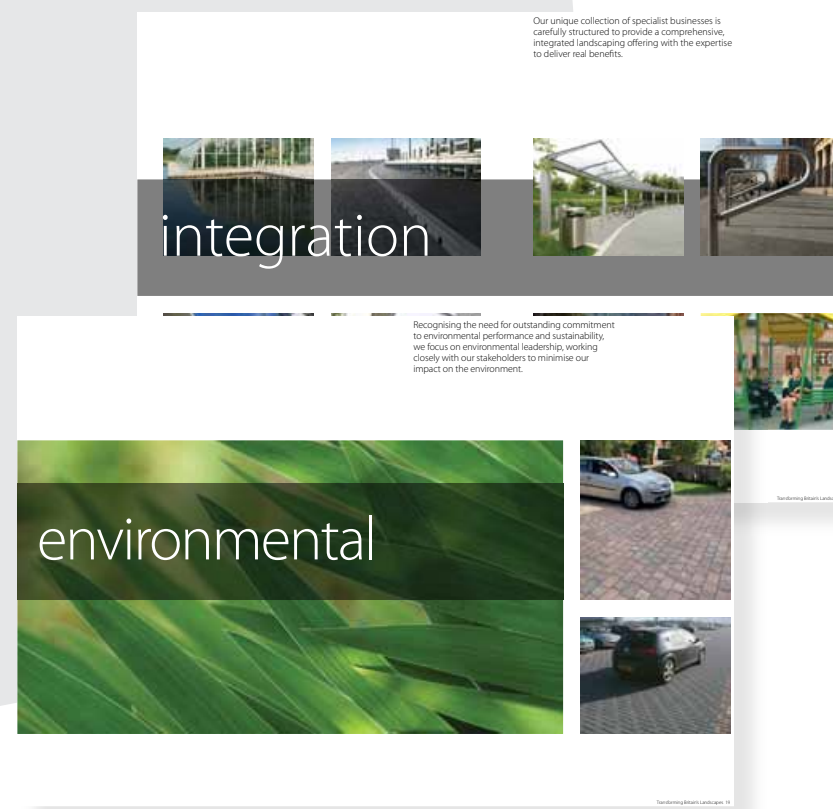
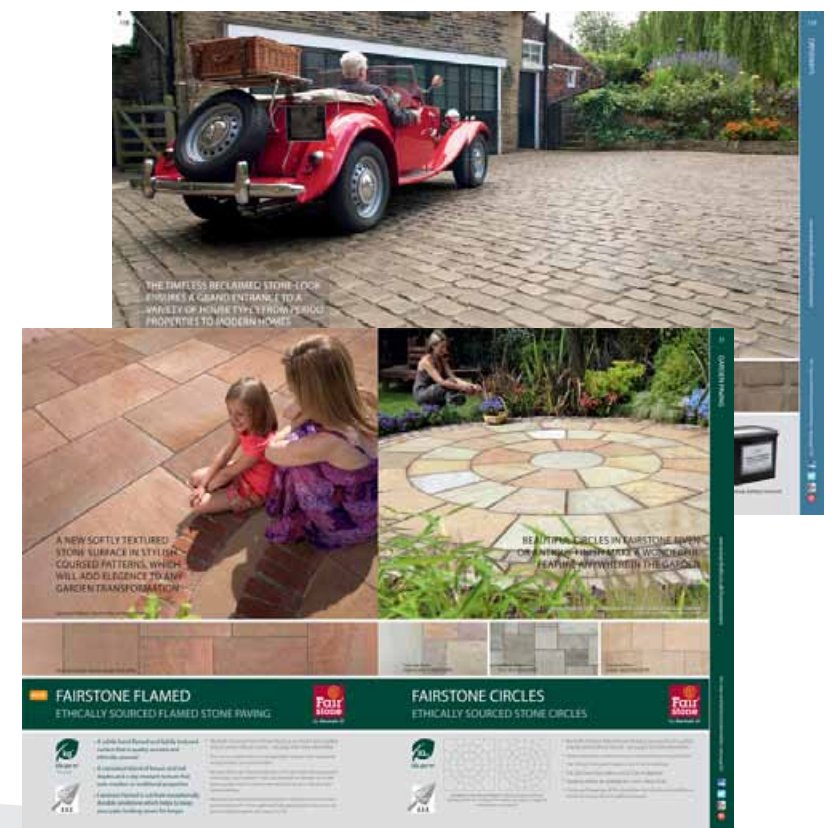


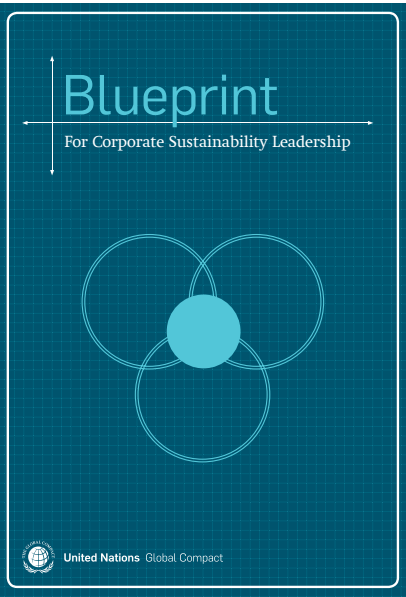
Marshalls
Creating Better Landscapes

Marshalls is proud to have retained its Superbrand status. Published annually since 1995 the Superbrands Annual documents some of the strongest consumer and business-to-business brands in Britain today. The book establishes how Superbrands manage to achieve outstanding success.

For clarity it is worth stating that brands can not apply or pay to be considered for Superbrand status. Only following a rigorous and independent selection process is the accolade awarded on an annual basis.

The 2013 Superbrand book provides insights into Marshalls' branding strategy and business success. Further information can be found at www.superbrand.uk.com





Marshalls continues to demonstrate that it is a leader in its field and stated in 2010 that it recognised that Blueprint for Corporate Sustainability Leadership offered a model for achieving even higher levels of performance and generating enhanced value through the UNGC.

The 2010 COP detailed the elements of the Blueprint together with why and how Marshalls has engaged. You can view all of Marshalls previous COP reports at www.marshalls.co.uk/sustainability/publications

Engaging in the Blueprint process has allowed Marshalls to effectively assess progress with respect to its commitment, strategy, implementation and communications as the organisation ascends the learning performance curve.

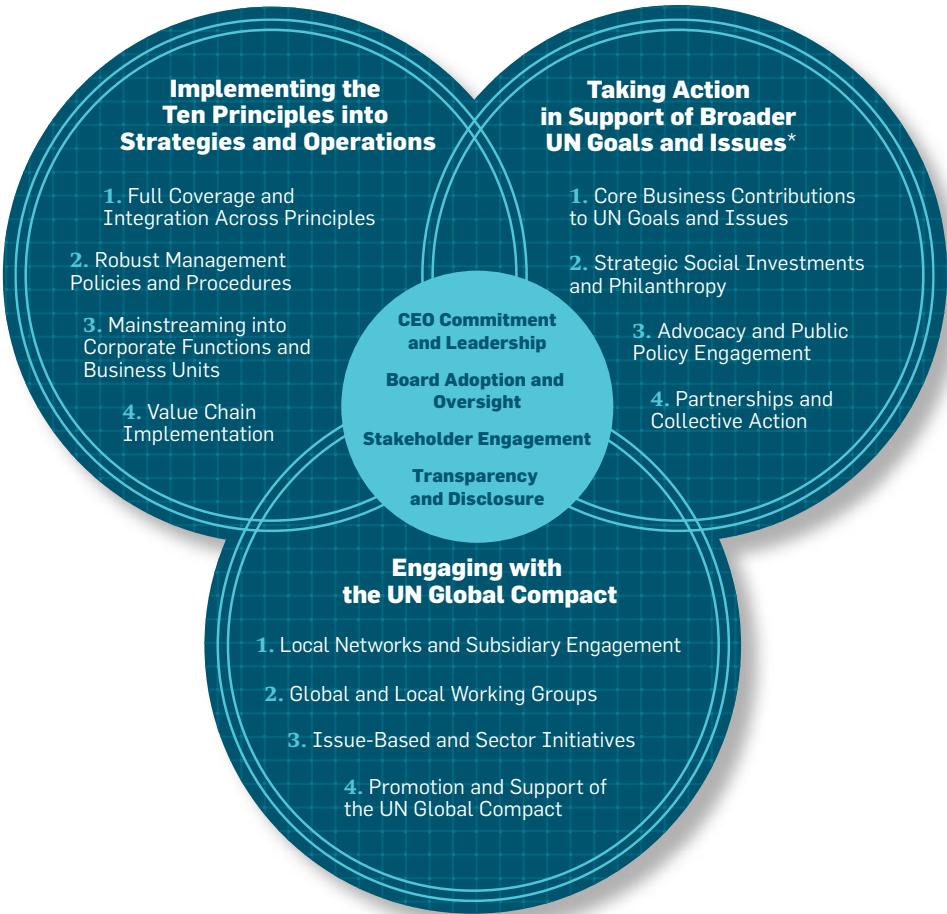
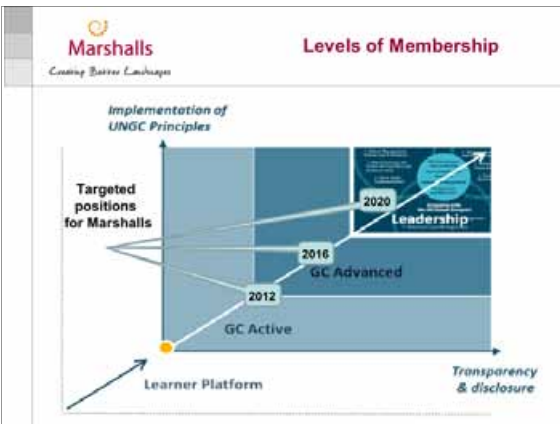
The Blueprint has been developed:

- To challenge and inspire companies to achieve higher levels of sustainability performance within the UNGC; and
- To evolve the UNGC and its engagement opportunities to deliver more value to leading participants.

Marshalls will continue to work towards realising the elements within the Blueprint as identified in the targets for 2013. The organisation remains realistic that this will be a long term commitment.

The UNGC Blueprint for Corporate Sustainability Leadership document can be found at http://www.unglobalcompact.org/docs/news_events/8.1/Blueprint.pdf

Marshalls target position to 2020 and beyond demonstrates the long term nature of its commitment.



Key Dimensions and Components of Leadership – taken from the UNGC Blueprint document.

Moving forward Marshalls will work towards realising elements within the Blueprint as identified in the targets for 2012. The organisation is realistic that this will mean a long term commitment.

In order that readers have a full understanding of this commitment we have reproduced on the following pages the Corporate Action Plan from within the UNGC Blueprint for Corporate Sustainability Leadership.



IMPLEMENTING THE TEN PRINCIPLES INTO STRATEGIES AND OPERATIONS

Full Coverage and Integration Across Principles

- Implement all the ten UN Global Compact principles into strategies and operations.
- Design corporate sustainability strategy to leverage synergies between and among issue areas and to deal adequately with trade-offs.
- Ensure that different corporate functions coordinate closely to maximize performance and avoid unintended negative impacts.

Robust Management Policies and Procedures

- Assess risks and opportunities on an ongoing basis at both enterprise and product level and undertake due diligence to ensure that the company identifies any negative impacts caused by its operations and activities.
- Develop strategies and policies specific to the company's operating context – as well as scenarios for the future - and establish measurable short, medium, and long term goals.
- Engage and educate employees through training activities, the development and adjustment of business processes, and sound incentive schemes.
- Implement a system to track and measure performance based on standardized performance metrics.

Mainstreaming into Corporate Functions and Business Units

- Place responsibility for execution of sustainability strategy in relevant corporate functions (procurement, government affairs, human resources, legal, etc.) and ensure that no function is operating in conflict with sustainability commitments and objectives of the company.

- Align strategies, goals and incentive structures of all business units and subsidiaries with corporate sustainability strategy.

- Assign responsibility for corporate sustainability implementation to an individual or group within each business unit and subsidiary.

Value Chain Implementation

- Analyze each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts.
- Communicate policies and expectations to suppliers and other relevant business partners.
- Implement monitoring and assurance mechanisms within the company's sphere of influence.
- Undertake awareness-raising, training and other types of capability building with suppliers and other business partners.

TAKING ACTION IN SUPPORT OF BROADER UN GOALS AND ISSUES

Core Business Contributions to UN Goals and Issues

- Align core business strategy with one or more relevant UN goals / issues*.
- Develop relevant products and services or design business models that contribute to UN goals / issues.
- Adopt and modify operating procedures to maximize contribution to UN goals / issues.

Strategic Social Investments and Philanthropy

- Pursue social investments and philanthropic contributions that tie in with the core competences or operating context of the company as an integrated part of its sustainability strategy.

- Coordinate efforts with other organizations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors.

- Take responsibility for the intentional and unintentional effects of funding and have due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups.

Advocacy and Public Policy Engagement

- Publicly advocate the importance of action in relation to one or more UN goals / issues.
- Commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals / issues.

Partnerships and Collective Action

- Develop and implement partnership projects with public or private organizations (UN entities, government, NGOs, or other groups) on core business, social investments and/or advocacy.
- Join industry peers, UN entities and/ or other stakeholders in initiatives that contribute to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives that extend the company's positive impact on its value chain.

ENGAGING WITH THE UN GLOBAL COMPACT

Local Networks and Subsidiary Engagement

- Contribute to the building and operating of at least one UN Global Compact Local Network and help elevate performance of other companies through training, mentoring, COP peer review, etc.
- Encourage subsidiaries to engage with UN Global Compact Local Networks and to participate actively in events and activities.

- Publish sustainability information related to each individual subsidiary separately or reference it explicitly in the Communication on Progress of Corporate Headquarters.

Global and Local Working Groups

- Participate in relevant global or local working groups and share experiences, networks, tools and good practices with other UN Global Compact participants.
- Take active part in defining scope and objectives of new working groups when relevant.

Issue-Based and Sector Initiatives

- Join and help advance one or more existing UN Global Compact initiatives, e.g. Caring for Climate, CEO Water Mandate, Women's Empowerment Principles, and Global Business Initiative on Human Rights.
- Spearhead need-driven development of new issue-based or sector initiatives within the UN Global Compact and the wider United Nations.

Promotion and Support of the UN Global Compact

- Advocate the UN Global Compact to business partners, peers and the general public.
- Encourage suppliers and other business partners to join the UN Global Compact, and take on mentoring role on issues related to the initiative.
- Participate in activities to further develop and strengthen the UN Global Compact.

THE CROSS-CUTTING COMPONENTS

CEO Commitment and Leadership

- CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UN Global Compact.
- CEO promotes initiatives to enhance sustainability of the company's sector and leads development of industry standards.
- CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation.
- Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team.

Board Adoption and Oversight

- Board of Directors (or equivalent**) assumes responsibility and oversight for long term corporate sustainability strategy and performance.
- Board establishes, where permissible, a committee or assigns an individual Board member with responsibility for corporate sustainability.
- Board (or committee), where permissible, approves formal reporting on corporate sustainability (Communication on Progress).

Stakeholder Engagement

- Publicly recognize responsibility for the company's impacts on internal and external stakeholders.
- Define sustainability strategies, goals and policies in consultation with key stakeholders.
- Consult stakeholders in dealing with implementation dilemmas and challenges and invite them to take active part in reviewing performance.

- Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect 'whistle-blowers'.

Transparency and Disclosure

- Share sustainability information with all interested parties and respond to stakeholder inquiries and concerns.
- Ensure that Communication on Progress covers all aspects of the Leadership Blueprint and utilize, where appropriate, the Global Reporting Initiative framework.
- Integrate Communication on Progress into annual financial report or publish them together.
- Secure external verification of Communication on Progress or seek other methods for legitimization by external stakeholders.

** For companies without a formal Board, other governance or ownership body assumes these responsibilities

NOTE: Reproduced from the UNGC Blueprint document http://www.unglobalcompact.org/docs/news_events/8.1/Blueprint.pdf

Achievements 2012	Targets 2013
Core Business Contribution to UN Goals and issues: Aligning core business strategy with one or more relevant UN goals/issues. Developing relevant products and services that contribute to UN goals/issues. ✓	Core Business Contribution to UN Goals and issues: Continue to align core business strategy with one or more relevant UN goals/issues. Continue to develop relevant products and services that contribute to UN goals/issues. Adopt and modify operating procedures to maximize contributions to UN goals/issues..
Strategic Social Investments & Philanthropy: Pursuing social investments and philanthropic contributions that tie in with the core competencies or operating context of the company as an integrated part of its sustainability strategy. Taking responsibility for the intentional and unintentional effects of funding and having due regard for local customs, traditions, religions, and priorities of pertinent individuals and groups. ✓	Strategic Social Investments & Philanthropy: Continue to pursue social investments and philanthropic contributions that tie in with the core competencies or operating context of the company as an integrated part of its sustainability strategy. Continue to take responsibility for the intentional and unintentional effect for funding and having due regard for local customs, traditions, religions and priorities of pertinent in dividuals or groups. Co-ordinate efforts with other organisations and initiatives to amplify – and not negate or unnecessarily duplicate – the efforts of other contributors.
Advocacy and Public Policy Engagement; Publically advocating the importance of action in relation to one or more UN goals/issues. Committing company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goal/issue. ✓	Advocacy and Public Policy Engagement; Continue to publicly advocate the importance of action in relation to one or more of the UN goals/issues. Continue to commit company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goals/issues.
Partnerships and Collective Action; Developing and implementation partnership projects with public or private sector organisations on core business, social investments and/or advocacy. Joining industry peers, UN entities and/or other stakeholders in initiatives that contribute to solving common challenges and dilemmas at the global and/or local levels with emphasis on initiatives that extend the company's positive impact on its value chain. ✓	Partnerships and Collective Action; Continue to develop and implement partnership projects with public or private sector organisation on core business, social investments and/or advocacy. Continue to join with industry peers, UN entities and/or the stakeholders in initiatives that contribute to solving common challenges and dilemmas at the global and/or local levels with emphasis on initiatives that extend the company's positive impact on its value chain.
Local Networks & Subsidiary Engagement: Active participation in events and activities. Encourage subsidiary to engage with Un Global Compact Local Networks and to participate actively in events and initiatives. Actively participate in events and activities ✓	Local Networks & Subsidiary Engagement: Active participation in events and activities. Encourage subsidiary to engage with UNGC Local Networks and to participate in actively in events and initiatives. Contribute to the building and operating of at least one local network and help elevate performance of other companies through training, mentoring, COP peer review, etc.

Achievements 2012	Targets 2013
Global & Local Working Groups; Participate in relevant global or local working groups and share experiences, networks, tools and good practice with other UNGC participants. Take active part in defining scope and objectives of new working groups when relevant. ✓	Global & Local Working Groups; Continue to participate in relevant global or local working works and share experiences, networks, tools and good practice with other UNGC participants. Continue to take active part in defining scope and objectives of new working groups when relevant.
Issues-Based and Sector Initiatives; Join and help advance one or more existing UNGC initiative; e.g. Caring for Climate, CEO Water Mandate, Women's Empowerment Principles, and Global Business Initiatives on Human Rights. ✓	Issues-Based and Sector Initiatives; Advance one or more existing UNGC initiative – Children's Rights & Business Principles, Women's Empowerment Principles.
Promotion and Support of the UNGC; Advocate the UNGC to business partners, peers and the general public. Encourage suppliers and other business partners to join the UNGC, and take on mentoring role on issues related to the initiative. Participate in activities to further develop and strengthen the UNGC. ✓	Promotion and Support of the UNGC; Advocate the UNGC to business partners, peers and the general public. Encourage suppliers and other business partners to join the UNGC, and take on mentoring role on issues related to the initiative. Participate in activities to further develop and strengthen the UNGC.
Stakeholder Engagement; Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect whistle blowing. ✓	Stakeholder Engagement; Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect whistle blowing.
Transparency and Disclosure; Share sustainability information with all interested parties and respond to stakeholder inquiries and concerns. Ensure that COP covers all aspects of the Leadership Blueprint and utilize, where appropriate, the Global Reporting Initiative framework. Integrate the COP within the financial reporting or publish then together. ✓	Transparency and Disclosure; Integrate the COP within the financial reporting or publish them together.
CEO Commitment and Leadership: CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UNGC. ✓	CEO Commitment and Leadership: CEO publicly delivers explicit statements and demonstrates personal leadership on sustainability and commitment to the UNGC.
	Board Adoptions and Oversight: Board approves formal reporting on corporate sustainability.



The Millennium Development Goals are a set of time-bound targets, by which progress in reducing income poverty, hunger, disease, lack of adequate shelter and exclusion — while promoting gender equality, health, education and environmental sustainability — is being measured. They embody basic human rights — the rights of each person on the planet to health, education, shelter and security. The Goals are ambitious and together with the comprehensive United Nations development agenda, set the course for the world's efforts to alleviate extreme poverty by 2015.

GOAL 1: Eradicate Extreme Poverty & Hunger
<ul style="list-style-type: none">• Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day• Achieve full and productive employment and decent work for all, including women and young people• Halve, between 1990 and 2015, the proportion of people who suffer from hunger
GOAL 2: Achieve Universal Primary Education
<ul style="list-style-type: none">• Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
GOAL 3: Promote Gender Equality and Empower Women
<ul style="list-style-type: none">• Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015
GOAL 4: Reduce Child Mortality
<ul style="list-style-type: none">• Reduce by two thirds, between 1990 and 2015, the under-five mortality rate
GOAL 5: Improve Maternal Health
<ul style="list-style-type: none">• Reduce by three quarters the maternal mortality ratio• Achieve universal access to reproductive health
GOAL 6: Combat HIV/AIDS, Malaria and Other Diseases
<ul style="list-style-type: none">• Have halted by 2015 and begun to reverse the spread of HIV/AIDS• Achieve, by 2010, universal access to treatment for HIV/AIDS for all those who need it• Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
GOAL 7: Ensure Environmental Sustainability
<ul style="list-style-type: none">• Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources• Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss• Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation• By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers
GOAL 8: Develop a Global Partnership for Development
<ul style="list-style-type: none">• Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.• Address the special needs of least developed countries.• Address the special needs of landlocked developing countries and small island developing States.• Deal comprehensively with the debt problems of developing countries.• In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries.• In cooperation with the private sector, make available benefits of new technologies, especially information and communications.



Marshalls position is one of actively engaging and maximising benefit; both in terms of business performance, upholding the ten UNGC principles and supporting the delivery of the MDG's. Marshalls is working in international partnerships in India & China to tackle issues of labour rights, human rights, child labour, child education, women's empowerment and health. Marshalls will actively seek to make a positive contribution towards achieving the MDG's operating within its areas of influence to maximise impact.

GOAL 1: Eradicate Extreme Poverty & Hunger
<ul style="list-style-type: none">• Workers rights education in India.• Fairstone® product in India, China & Vietnam.• Community school development in India.• Collaboration with quarry owners, local government and NGO's in India regarding labour rights and fair pay
GOAL 2: Achieve Universal Primary Education
<ul style="list-style-type: none">• Foundation and continued funding for schools in Kota region of Rajasthan.• Informal community education programme.• Women's literacy programme.
GOAL 3: Promote Gender Equality and Empower Women
<ul style="list-style-type: none">• Girls education drive resulting in equal number of girls in education in Marshalls funded schools.• Women's literacy programme.• Development of 'Fit for Life; Fit for Work' informal education programme.
GOAL 4: Reduce Child Mortality
<ul style="list-style-type: none">• Vaccination programmes for children in India.
GOAL 5: Improve Maternal Health
<ul style="list-style-type: none">• Maternal health camps in India.
GOAL 6: Combat HIV/AIDS, Malaria and Other Diseases
<ul style="list-style-type: none">• AIDS/HIV education programme as part of health camps in India.
GOAL 7: Ensure Environmental Sustainability
<ul style="list-style-type: none">• CEO Water Mandate.• Biodiversity benchmark activity.• Water management programme.
GOAL 8: Develop a Global Partnership for Development
<ul style="list-style-type: none">• Product development• Extending Fairstone® to China and Vietnam.

Marshalls Fairstone® is an ethically sourced range of Natural Stone that has been quarried and produced in line with a clear set of ethical values and commitments.

FAIRSTONE® INDIA DEFINED



Marshalls knows where its quarried stone comes from. It knows how it is manufactured and that it has been produced in accordance with a clear and unequivocal set of ethical values and commitments. Specifically in the India supply chain:

- ✓ NO CHILD LABOUR IS USED
- ✓ INDIAN WORKERS RECEIVE LIVING WAGES
- ✓ HEALTH & SAFETY PRACTICES ARE IN PLACE

Marshalls employ a full time, field-based, Social Auditor in India who works with quarry owners and workers on a daily basis to ensure the ongoing implementation of the Ethical Trading Initiative Base Code and to monitor progress. Daily contact, weekly reporting, annual third party auditing and regular quarry inspections by Company employees allow Marshalls to ensure that Fairstone commitments are upheld.

Marshalls is committed to working in partnership with its sole supplier Stone Shippers India to achieve continuous improvement in supply chain conditions and to help deliver tangible benefits to all workers involved in stone production, their families and the wider community.

Since early 2007, and following community consultation, Marshalls has worked with local NGO Hadoti Hast Shilp Sansthan in partnership to:

- Develop and fund 6 Free Schools giving the children of migrant workers and local workers an education that they would not otherwise have had.
- Develop 6 free Health Centres and deliver monthly community health camps in the heart of the quarrying area in Bundhi. These services offer consultation, treatment, free medicines and referral pathways all of which would not otherwise be available.

FAIRSTONE® CHINA DEFINED



Marshalls knows where its quarried stone comes from. It knows how it is manufactured and that it has been produced in accordance with a clear and unequivocal set of ethical values and commitments:

Specifically in the Chinese supply chain;

- ✓ CHINESE WORKERS RECEIVE LIVING WAGES FOR A NORMAL WORKING PERIOD
- ✓ WORKING HOURS ARE NOT FORCED ECONOMICALLY OR PHYSICALLY
- ✓ HEALTH & SAFETY PRACTICES ARE IN PLACE

Through its local office in Xiamen Marshalls employees regularly visit quarries and factories to work alongside workers and managers to ensure that these three commitments are implemented. In addition a dedicated member of Marshalls Chinese team takes the lead on all ethical supply chain matters. Quality Controllers also play a critical role in improving worker conditions.

Marshalls is committed to working in partnership with its suppliers in China to achieve continuous improvement in supply chain conditions and to help deliver tangible benefits to all workers involved in stone production, their families and the wider community.

- Marshalls ensures that every quarry and factory in its supply chain has an appropriate first aid kit.
- Marshalls has also specifically funded the training of a nominated worker at each quarry and production facility in first aid practices.
- Marshalls funds regular cultural community events for workers, their families and the wider community.

ETI Base Code

Marshalls is committed to the principles of the ETI Base and the application of its elements in its supply chains. The implementation of the Base Code is a journey to which Marshalls is committed;

- Child labour shall not be used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practised
- There is freedom of association
- No-one should be forced to work
- Working conditions are safe & hygienic
- No harsh or inhumane treatment is allowed
- Regular employment is provided

FAIRSTONE® VIETNAM DEFINED



Marshalls Fairstone® is an ethically sourced range of Natural Stone.

Fairstone® means that Marshalls knows where its quarried Vietnamese stone comes from, how it is manufactured and that it has been produced in accordance with a clear and unequivocal set of ethical values and commitments based on the ETI Base Code and UNGC Principles;

- ✓ BONDED LABOUR IS NOT USED, I.E. PRISON LABOUR
- ✓ LIVING WAGES ARE PAID FOR A NORMAL WORKING PERIOD
- ✓ WORKING HOURS ARE NOT FORCED ECONOMICALLY OR PHYSICALLY
- ✓ NO CHILD LABOUR IS USED
- ✓ HEALTH & SAFETY PRACTICES ARE IN PLACE

The Fairstone® Manager takes the lead on all ethical supply chain matters and the co-ordination of the in-field Quality Controllers who play a critical role in monitoring and improving worker conditions.

Marshalls works with a small number of suppliers in Vietnam and is committed to building relationships which promote shared learning, best practice and the continuous improvement of conditions throughout the supply chain for workers.

Marshalls has ensured that every quarry and production facility in its supply chain has the appropriate first aid kit and has specifically funded the training of a nominated worker in first aid practices.

Marshalls has pioneered regarding the ethics of Indian sandstone since 2007. In 2009 the organisation launched its Fairstone brand to enable consumers with a conscience to initially buy Indian sandstone which is clearly identified as ethically sourced. Since its introduction to the range Fairstone has seen a substantial increase in market share.

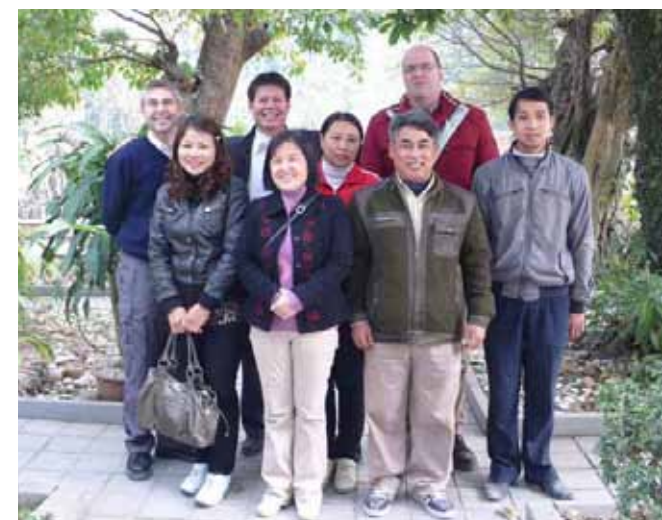
Marshalls' commitment to Fairstone has never wavered, even in the difficult economic climate of recent years, and the organisation remains at the forefront pushing boundaries and tackling important issues.

"We can clearly and confidently say that Fairstone® involves no child labour, that workers receive living wages and that health & safety practices are firmly in place. Our ongoing research, engagement with commitment to our Indian partner organisations has enabled us to achieve this landmark position."

Chris Harrop, Marshalls Group Marketing Director

"The development and co-ordination of the work to bring Fairstone® to market represents a great deal of work between Stone Shippers, Marshalls and Hadoti. It has meant a substantial commitment, not only in terms of money, but of time and effort. The progress made should be acknowledged as brave and forward looking. Marshalls pioneering work has often been met with resisted and disbelief by the sector both in the UK and in India. However, the benefits are clear to see and the launch of Fairstone® is wholly positive. Indian sandstone is among the best in the world and the fact that it can now be purchased with a clear conscience should bring peace of mind to those consumers in the UK who care enough to use their influence for the benefits of communities across the globe."

Rajiv Bazaz, Managing Director, Stone Shippers



Quality controllers and factory owner with China office manager
Karel Perriens and Chris Harrop

In India Marshalls continues its work in delivering an education programme through six schools for children of the mining community of Kota, Rajasthan, run by local NGO Hadoti. The ongoing work by the Indian Government regarding the implementation of the National Commission for Protection of Children's Rights has meant that more children are

gaining places in state run schools and it is our intention to respond to requests from the community to transform the schools into community education spaces. Working closely with the community, our NGO partners and other stakeholder we aim to progress this during 2013.

Marshalls will seek key local partners in order to develop and support a community driven response to the request for community education. Initial consultations with the local community indicate that they would like support in addressing young unemployment, girls education and women's literacy.



The UNICEF report card on adolescents 2012 report states that adolescent girls in India who are married and have children at an early age fail to get education, employment or have an income generating activity and are at risk of poverty, exploitation, violence, and not fulfilling their potential. In addition they have fewer chances to be able to correctly take care of their babies once they are born therefore creating increased rates of child morbidity and mortality.



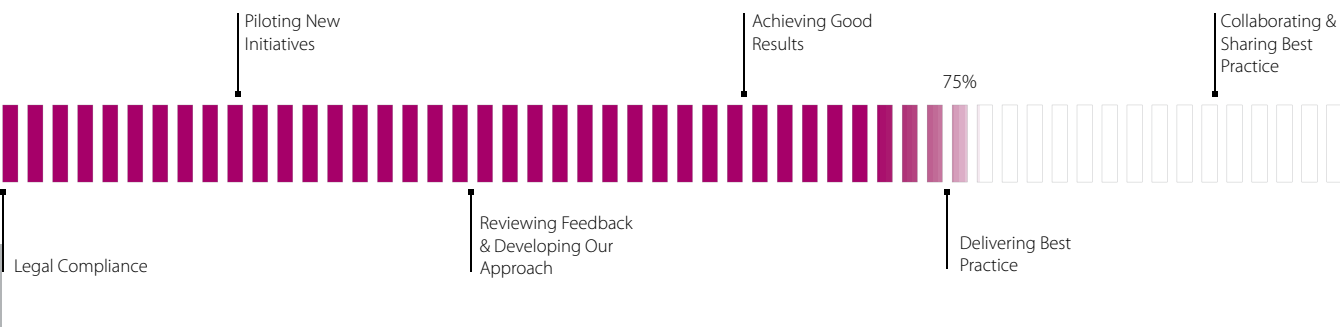
During 2012 Marshalls launched its Fairstone China range. Marshall has established an office in China, has employed a team including the Fairstone China manager and has been working with its suppliers in China for a number of months; implementing the ETI Base Code, undertaking supplier education, undertaking a series of audits, establishing links with the local community and developing relationships with quarry &

factory owners and workers. Laying the foundations for an ethical supply chain has been the focus of activity.

During 2012 Marshalls has been working hard in Vietnam to build upon the lessons learned in the development of the Fairstone product programme in both India & China. The focus so far has been on reviewing and assessing the supply chain. The result has been that a strategic

decision was made to collapse the supply chain into three main suppliers. This will allow Marshalls to work closely with each of its Vietnamese suppliers to implement the ETI Base Code and ultimately deliver a Fairstone product to market.





Marshalls continues to deliver on its commitment to a four year Human Rights Impact Assessment (HRIA) programme. HRIA's undertaken in India and China have been reviewed and updated annually. An executive summary is available online and can be found at:

www.marshalls.co.uk/sustainability/publications

MARSHALLS POLICY ON HUMAN RIGHTS

As a consequence of the HRIA process, Marshalls has developed a policy regarding its approach to human rights;

Marshalls supports human rights consistent with the Universal Declaration of Human Rights. In conducting its business activities across the globe Marshalls respects these rights and seeks to uphold, preserve and promote them.

Marshalls works to ensure that its presence cultivates fair and sustainable relationships.

Marshalls respects and values the dignity, well being and rights of employees, their families and the wider community. The Company actively works and collaborates with employees, elected employee representatives, communities, non-governmental and other appropriate stakeholders to

uphold and promote these rights.

Where human rights are under threat Marshalls' works to uphold local laws, promote international standards and strives to have international standards upheld by the appropriate governments, institutions and agencies.

Marshalls embraces opportunities to promote a broader understanding of human rights values working within its sphere of influence.

Marshalls actively seeks to collaborate with appropriate organisations to promote respect for human rights in a manner which is consistent with the role of business.

Children's Rights & Business Principles

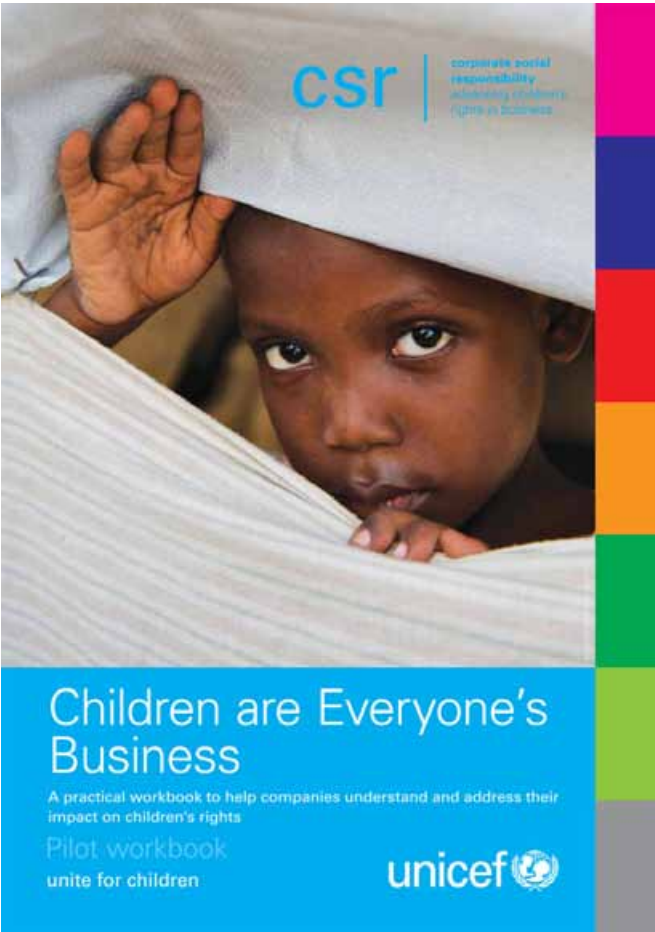
The CRBP are rooted in the CRC, which is the most widely ratified UN human rights treaty. The CRC contains a broad range of rights for all children (defined as persons under the age of 18) and is the first legally binding international instrument to incorporate the full range of human rights – civil and political, economic, and social & cultural rights. More than 10 years in the making, the CRC was adopted by the UN General Assembly in 1989 and has since been ratified in 193 states. The CRC places primary responsibility on states, but it also acknowledges that other actors with a role in the lives of children – including parents, teachers, institutions and business – are accountable to children for protecting their rights.

Spelled out in 54 articles, the CRC comprises a set of minimum and legally binding standards for all children everywhere that apply equally to all children, from the most privileged to the most excluded and poverty stricken, including stateless children and others denied birth registration and access to citizenship. Reaching the most marginalised, invisible and out-of-reach children is one of the CRC's critical tenets. All rights in the CRC have the same value; no right is more important than the other.



Four core principles of the Convention on the Rights of the Child:

- 1** The right to life, survival and development;
- 2** Non-discrimination (all children should enjoy their rights without discrimination of any kind, irrespective of sex, race, language, disability, nationality, ethnic or social origin, etc.);
- 3** The best interests of the individual child should be a primary consideration in all decision and action that affect the child (rather than the convenience or best interest of adults, including business; and
- 4** The right of children to express and have their views heard, as well as to participate in decisions and activities that affect their lives, depending on age and level of maturity.





Marshall's supports children's rights consistent with the UN Convention on the Rights of the Child (CRC). The CRC sets out the basic human rights that children everywhere have; the right to survival; to develop to the fullest; to protection from harmful influences, abuse and exploitation; and to participate fully in family, cultural and social life.

Marshall's acknowledges its corporate responsibility to respect and support children's rights and actively seeks to implement the Children's Rights & Business Principles (CRBP) thereby supporting children's rights in the workplace, market place and community.

As a signatory of the UNGC Marshall's seeks to uphold the ten guiding UNGC principles which act in support of child rights. In conducting its business activities across the globe Marshall's respects children's rights and seeks to uphold, preserve and promote them wherever possible.

Marshall's has a Children's Rights Ambassador on the board that is responsible for ensuring that the company's Children's Rights Policy is implemented across the business.

Marshall's Human Resources Department provides detailed information and guidance through the Company's induction process regarding the avoidance of violence, abuse and exploitation of children. Annual training workshops on child rights and the implementation of

CRBP also take place. Additional training and guidance is given to those employees who have greater involvement with or exposure to potential children's rights issues, e.g. procurement personnel, those travelling overseas, etc.

Guidance material for all employees about avoiding violence, abuse and exploitation of children, plus specific guidance regarding children working for company employees, is available on the Company intranet.

The CRC states that children have the right to a voice in matters that concern them and to have their opinions given due weight based on their capacity and level of maturity. To ensure that any consultations with children follow ethical standards and are effective and meaningful for children, and useful for the organisation, Marshall's engages with in-country NGO's and/or community-based organisations to organise safe and respectful consultation with children. The Company also consults with other experts on children such as UNICEF, human rights organisations, national authorities and independent experts.

Marshall's has an established protocol regarding the use of children's images which demands that consent is given by a child parent/guardian.

As a member of the Ethical Trade Initiative (ETI) Marshall's commits to the ETI Base Code which states that interpretation of the child labour clause of the Code should be done bearing in mind ILO conventions. In

addition, the ETI Code states that where national law and the code differ, the correct procedure is to adhere to the standard that offers workers the highest level of protection. Marshall's therefore follows the ETI Code, and ILO standard, and will not permit children under 18 to work in its supply chain.

In addition the Company provides information regarding issues of child labour and human rights guidance for all of its stakeholders, including its suppliers, which is available in the publications section at [HYPERLINK "http://www.marshall's.co.uk/sustainability"](http://www.marshall's.co.uk/sustainability) www.marshall's.co.uk/sustainability.

The Company has a programme of engagement with its suppliers regarding the implementation of UNGC principles and the CRBP. All suppliers have received a copy of this Children's Rights Policy and the Children's Rights & Business Principles.

Where child rights are under threat Marshall's works to uphold local laws, promote international standards and strives to have international standards upheld by the appropriate governments, institutions and agencies. Marshall's embraces opportunities to promote a broader understanding of children's rights working within its sphere of influence. Marshall's actively seeks to collaborate with appropriate organisations to promote children's rights in a manner which is consistent with the role of business.

In 2012 HRIA activity has focused upon further developing Marshall's response to the rights of children, namely the Children's Rights & Business Principles (CRBP) which were launched in March 2012 in the UK by Save the Children, UNGC and UNICEF.

As a leader in its field with a proven commitment to protecting the rights of children and working on the ground to implement change, Marshall's was invited by UNICEF to take part in its global pilot programme using and assessing a range of CRS tools developed by the organisation. This pilot is still work-in-progress and Marshall's aims to join other participants in Geneva later in the year to share knowledge and experience of implementing the CRBP and the challenges overcome by organisations committed to ensuring that children's rights are respected and supported.

Marshall's has undertaken an initial CRBP assessment which it has shared with UNICEF for feedback. This is Marshall's first review has allowed the company to:

Assess Marshall's business impacts on children.

Inform strategic decisions and actions in protecting and supporting children's rights.

Inform the Company's existing Human Rights Impact assessment process.

Use the process as a platform for informing and educating Marshall's range of stakeholders; employees, suppliers, partners, consumers, etc.

A summary of Marshall's CRBP assessment will be published online following the conclusion of UNICEF's pilot programme.

Work on CRBP will be on-going as Marshall's continues to embed children's rights within its operations.



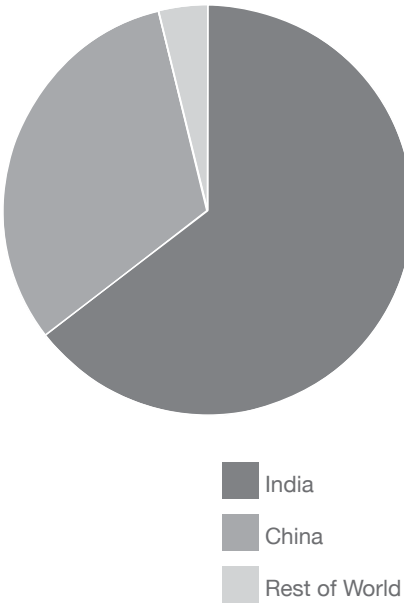
Empowering women to participate fully in economic life across all sectors and throughout all levels of economic activity is essential to: build strong economies; establish more stable and just societies; achieve internationally agreed goals for development, sustainability and human rights; improve quality of life for women, men, families and communities; and propel businesses' operations and goals.

The Women's Empowerment Principles, (WEPS) developed in a partnership initiative between UN Women and UNGC, provides a set of considerations and framework to help the private sector focus on key elements integral to promoting gender equality in the workplace, marketplace and community.

It is Marshall's intention in 2013 to undertake an initial WEPS audit and to commit to the implementation of the WEPS both within the organisation and throughout its supply chain.

Also during 2013 focus will be upon Marshalls supply chain in Vietnam. HRIA for India and China will also be reviewed and updated.


The 2014 will see a HRIA undertaken in the UK. The order of these impact assessments has been influenced by the percentage of product imported by Marshalls.



WOMEN'S EMPOWERMENT PRINCIPLES

EQUALITY MEANS BUSINESS

- 1 Establish high-level corporate leadership for gender equality.
- 2 Treat all women and men fairly at work – respect and support human rights and nondiscrimination.
- 3 Ensure the health, safety and well-being of all women and men workers.
- 4 Promote education, training and professional development for women.
- 5 Implement enterprise development, supply chain and marketing practices that empower women.
- 6 Promote equality through community initiatives and advocacy.
- 7 Measure and publicly report on progress to achieve gender equality.



United Nations Global Compact

UN WOMEN

Where Women Stand: Facts and Figures

Women at Risk

- More people have been 'thrust out of poverty in the last 50 years than in the previous 500; yet more than 1.2 billion still subsist on less than \$1 per day.' According to some estimates, women represent 70% of the world's poor.
- The International Fund for Agriculture and Development (IFAD) reports that in the developing world, the percentage of land owned by women is less than 2%.
- According to U.S. Government-sponsored research completed in 2006, approximately 800,000 people are trafficked across national borders annually. Approximately 80% of transnational trafficking victims are women and girls and up to 50% are minors.
- An estimated 27% of the world's 23 million refugees are women and children.
- Every minute somewhere in the world a woman dies due to complications during pregnancy and childbirth.

Violence against Women

- The most common form of violence experienced by women globally is physical violence inflicted by an intimate partner. On average, at least 8 out of 10 women are beaten, coerced into sex or otherwise abused by an intimate partner in the course of their lifetime.
- It is estimated that, worldwide, 1 in 5 women will become a victim of rape or attempted rape in her lifetime.
- Women experience sexual harassment throughout their lives.

Women and HIV/AIDS

- The AIDS epidemic has a unique impact on women, exacerbated by their role within society and their biological vulnerability to HIV infection – more than half of the estimated 33 million people living with HIV worldwide are women.
- The prevalence of violence and of HIV/AIDS is intertwined. Women's inability to negotiate safe sex and refuse unwanted sex is closely linked to the high prevalence of HIV/AIDS. Women who are beaten by their partners are 48% more likely to be infected with HIV/AIDS.

Women and the Business Case

- Investing in women can yield a significant 'gender dividend'.

Women and Education

- About two-thirds of the estimated 776 million adults – or 16% of the world's adult population – who lack basic literacy skills are women. In developing countries, nearly 1 out of 5 girls who enrols in primary school does not complete her primary education.
- The Women's Learning Partnership (WLP) estimates that worldwide, for every year beyond fourth grade that girls attend school, wages rise 20%, child deaths drop 10% and family size drops 20%.

Targets 2012	Targets 2013
<ul style="list-style-type: none">Continue to ensure that ETI base code is adhered to and that no child is employed in the supply chain. ✓	<ul style="list-style-type: none">Continue to ensure that ETI base code is adhered to and that no child is employed in the supply chain.
<ul style="list-style-type: none">Continue to gather weekly reports from the social auditor in India.Develop, together with Chinese partners, a suitable reporting process which seeks to uphold human rights in the manufacturing context. ✓	<ul style="list-style-type: none">Develop the reporting process undertaken by the social auditor in India.Continue to receive social auditor reporting from China.Develop social auditor reporting in Vietnam.
<ul style="list-style-type: none">Continue to receive monthly reports from NGO in Kota. ✓	<ul style="list-style-type: none">Develop the reporting and monitoring provided by the NGO in India.
<ul style="list-style-type: none">Ongoing monitoring and evaluation of HR in India.Undertake HRIA in China in relation to the manufacturing process. ✓	<ul style="list-style-type: none">Ongoing monitoring and evaluation of HR in India.Annual review of HRIA India.Ongoing monitoring and evaluation of HR in China.Annual review of HRIA China.Undertake HRIA for ROW in relation to Marshalls activities.Undertake HRIA in Vietnam
<ul style="list-style-type: none">Process of embedding human rights within the organisation; achieving the goals set out within the HRGD. ✓	<ul style="list-style-type: none">Further develop the process of embedding human rights within the organisations; achieving the goals set out within the HRGD.
<ul style="list-style-type: none">Undertake a report which clarifies Chinese laws regarding employment, human rights and environmental rights. ✓	

Marshall’s approach to labour rights continues to be driven by the Ethical Trading Initiative Base Code, the UNGC Labour principles and the organisations commitment to sustainable business.



The ETI Base Code states that:

1. Employment is freely chosen

- 1.1 There is no forced, bonded or involuntary prison labour.
- 1.2 Workers are not required to lodge “deposits” or their identity papers with their employer and are free to leave their employer after reasonable notice.

2. Freedom of association and the right to collective bargaining are respected.

- 2.1 Workers, without distinction, have the right to join or form trade unions of their own choosing and to bargain collectively.
- 2.2 The employer adopts an open attitude towards the activities of trade unions and their organisational activities.
- 2.3 Workers representatives are not discriminated against and have access to carry out their representative functions in the workplace.
- 2.4 Where the right to freedom of association and collective bargaining is restricted under law, the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining.

3. Working conditions are safe and hygienic.

- 3.1 A safe and hygienic working environment shall be provided, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.
- 3.2 Workers shall receive regular and recorded health and safety training, and such training shall be repeated for new or reassigned workers.
- 3.3 Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.
- 3.4 Accommodation, where provided, shall be clean, safe, and meet the basic needs of the workers.
- 3.5 The company observing the code shall assign responsibility for health and safety to a senior management representative.

4. Child labour shall not be used.

- 4.1 There shall be no new recruitment of child labour.
- 4.2 Companies shall develop or participate in and contribute to policies and programmes which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until no longer a child; “child” and “child labour” being defined in the appendices.
- 4.3 Children and young persons under 18 shall not be employed at night or in hazardous conditions.
- 4.4 These policies and procedures shall conform to the provisions of the relevant ILO standards.

5. Living wages are paid.

- 5.1 Wages and benefits paid for a standard working week meet, at a minimum, national legal standards or industry benchmark standards, whichever is higher. In any event wages should always be enough to meet basic needs and to provide some discretionary income.
- 5.2 All workers shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment and about the particulars of their wages for the pay period concerned each time that they are paid.
- 5.3 Deductions from wages as a disciplinary measure shall not be permitted nor shall any deductions from wages not provided for by national law be permitted without the expressed permission of the worker concerned. All disciplinary measures should be recorded.

6. Working hours are not excessive

- 6.1 Working hours comply with national laws and benchmark industry standards, whichever affords greater protection.
- 6.2 In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7 day period on average. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate.

7. No discrimination is practiced.

- 7.1 There is no discrimination in hiring, compensation, access to training, promotion, termination or retirement based on race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation.

8. Regular employment is provided.

- 8.1 To every extent possible work performed must be on the basis of recognised employment relationship established through national law and practice.
- 8.2 Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting, subcontracting, or home-working arrangements, or through apprenticeship schemes where there is no real intent to impart skills or provide regular employment, nor shall any such obligations be avoided through the excessive use of fixed-term contracts of employment.

9. No harsh or inhumane treatment is allowed

- 9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

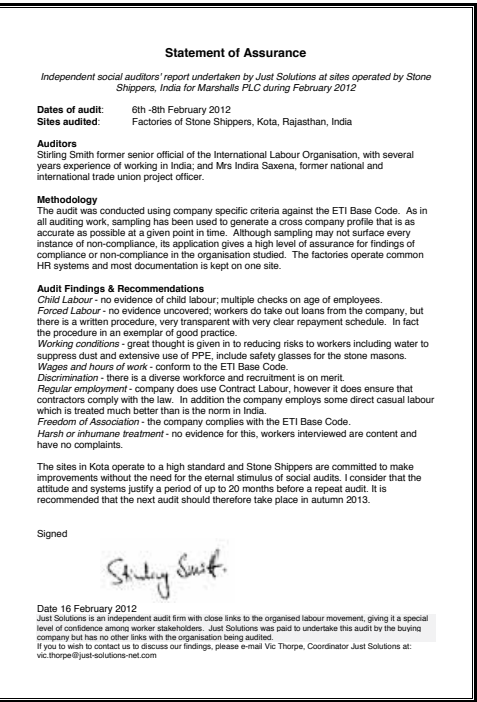
The provisions of this code constitute minimum and not maximum standards, and this code should not be used to prevent companies from exceeding these standards. Companies applying this code are expected to comply with national and other applicable law and, where the provisions of law and this Base Code address the same subject, to apply that provision which affords the greater protection.

Social Auditors

Central to ensuring that the ETI base code is implemented and embedded within its supply chain and operations are Marshall’s social auditor in both India and China. The social auditors works on a daily basis with quarry owners, factory owners, managers and workers to ensure the ongoing implementation of the ETI Base Code.

Marshall’s head office has daily contact with the social auditors who provide weekly reporting on all aspects of the Base Code; for example the amount workers are paid, the hours that they work, the conditions they work in, health and safety measures that no child labour is used and that there is no harsh or inhumane treatment of workers

During the first half of 2013 Marshall’s will appoint a social auditor to work with its three suppliers in Vietnam. The social auditor will work closely with suppliers to embed the practice and principles of Fairstone which are routed in the ETI Base Code and the UNGC principles.



Health

- The total number of beneficiaries of the health programme reached 55,647 in 2012.
- Continuing improvements to the monitoring and reporting process have made allowing Marshalls to monitor for the needs of the community particularly in relations to HIV & AIDS screening and malaria.
- The total number of beneficiaries of the dedicated maternal health programme is not 1,729.
- 12,671 people received treatment at the monthly health camps during 2012.
- 7750 people received treatments on a door-to-door basis during 2012.
- 521 people received specialist treatment.
- 207 children have received immunisation and vaccination at the health camps and at school during 2012.

Insurance

- Since 2007, Marshalls has enabled Hadoti to provide insurance to over 4000 workers.
- The number of beneficiaries is still increasing year-on-year as labourers fully understand the value of having insurance cover.
- After communicating and lobbying local government together with Hadoti since 2006, Marshalls is delighted that the Local government in Kota has ordered compulsory social security insurance for mining labourers.

Education

- In 2012 423 children attended 5 regular schools and 5 street schools operating in Gawar, Bewadia, Gararda, Kanwarpura, Palka Mines, Kewadiya, Palka and Ganeshpura.
- Summer & winter education camps were again held in 2012.
- School students continues to receive medical health check-ups and vaccinations during school hours.

Women's Empowerment Programme

- Marshalls financial commitment in the area of social security can now be phased out and costs will be met by Government. In response to local community consultations Marshalls funds are being re-directed into a women's empowerment project.
- A pilot women's literacy project is already underway at each of the Marshalls funded schools.
- The schools are firmly established as an important part of the community.
- Literacy is of key importance if women in the community are to be empowered and encouraged to participate fully in the running of their communities.

'The social security programme is now ultimately sustainable due to Marshalls education programme and funding. Government rules now insist that all mine owners have to provide insurance for workers.'

'The important work of providing an education for the children of the quarry workers and wider community, including migrant children, has made a huge impact. The schools have enabled children to achieve the required level in order to get admission to Government run schools. Children from the Marshalls funded schools are now flowing through to the Government run schools. This represents a successful and sustainable approach.'

Mrs Joshi, programme co-ordinator at Hadoti reporting on one of the children who received primary education at Marshalls funded schools.

Targets 2012	Targets 2013
<ul style="list-style-type: none">• Maintain accreditation to Integrated Management Systems. ✓• Continue researching, reporting and embedding relevant information regarding labour laws and their implications; both in India, China and Vietnam. ✓	<ul style="list-style-type: none">• Maintain accreditation to IMS.• Continue researching, reporting and embedding relevant information regarding labour laws and their implications; both in India, China and Vietnam.
India <ul style="list-style-type: none">• Maintain funding for NGO.• Develop the NGO monthly reporting process.• Continue schools programme and seek collaborative partners.• Continue workers rights education.• Seek partners for social security programme.• Continue the community health camps with a sharp focus on maternal health.• Pilot a women's empowerment project in Kota.• Seek engagement with UNICEF.• Annual review of HRIA.• Undertake research regarding slave/ bonded labour. ✓	India <ul style="list-style-type: none">• Maintain funding for NGO.• Continue schools programme and seek collaborative partners.• Continue workers rights education.• Continue the community health camps with a sharp focus on maternal health.• Pilot a women's empowerment project in Kota.• Seek engagement with UNICEF.• Annual review of HRIA.
China <ul style="list-style-type: none">• Put in place a social auditing process in China. ✓	China <ul style="list-style-type: none">• Maintain social auditing.• Launch Fairstone China.
	Vietnam <ul style="list-style-type: none">• Embed Fairstone programme.• Develop social auditing programme.

Due to Marshalls plc status the environmental key performance indicators will be published alongside the annual report in April. This will be available online in due course.

At the heart of Marshalls' sustainable business model, shown earlier in this report, is an approach which combines key business issues and KPIs with third part verification, legislation and industry

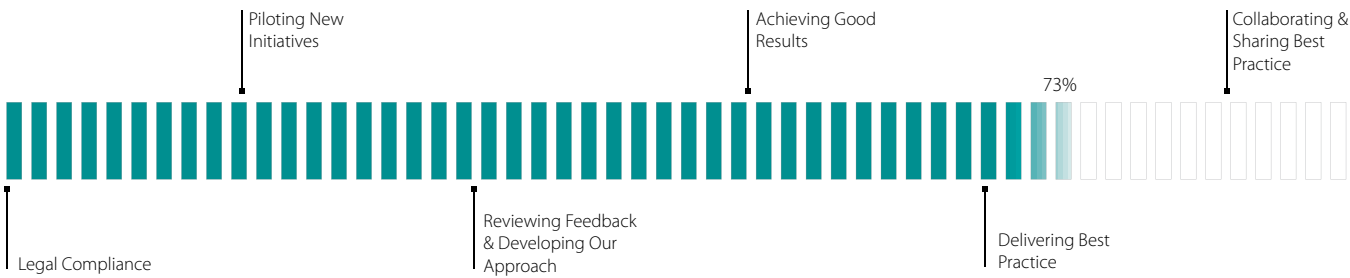
standards including ISO14001 for environmental management.

Key environmental targets and drivers for our business are determined by legislative requirement and also the Company's commitment to sustainability, cost efficiency and shareholder value.

Marshalls environmental targets relate to strategic plans which are driven by board executives and implemented by a

large internal resource. Systems, which represent a significant investment, are in place throughout the business and allow the real time monitoring of energy consumption and how this relates to carbon reduction measures.

Marshalls Environment & Climate Change Policy documents the related key performance indicators:



Environmental Policy Statement

Marshalls plc is committed to achieving the highest standards of environmental performance, preventing pollution and minimising the impact of our operations. The Group's aim is to minimise the environmental damage that occurs as a result of our activities and policies are being implemented to ensure that all our operations meet or exceed the requirements of legislation and applicable best practice.

Marshalls regards compliance with relevant environmental laws, and the adoption of responsible standards where no legislation exists, as an integral part of our business strategy and we are committed to considering the environmental impacts associated with our products throughout their life cycle. The Group aims to make most efficient use of raw materials and to maximise use of recycled and secondary raw materials, and production residues, where appropriate. The environmental stewardship of our major raw material suppliers is reviewed as part of the Group's ongoing commitment to Responsible Sourcing.

Marshalls is committed to monitoring and measuring our environmental performance, using appropriate external guidelines wherever practicable. We uphold the objectives defined by the Sustainable Concrete Forum. Each operating site has assessed the environmental aspects of its activities and objectives and targets have been set with a view to improving the overall environmental impact of those activities. These will be reviewed on at least an annual basis.

This policy applies to all Marshalls businesses and requires Marshalls to:

- Reduce the volume of mains and extracted borehole water to 0.05m³ per tonne of production by 2015
- Develop a Biodiversity Strategy and associated Action Plans
- Reduce the weight of packaging per tonne of production by 2% per annum over a 3 year cycle to a level where pack and product safety is not compromised
- Reduce the % of total waste to landfill per production output by 3% per annum on a 3 year rolling average

Marshalls will continue to raise environmental awareness within the Group through the development and training of our employees and will communicate openly and consult with customers, suppliers and other stakeholders on relevant environmental matters.

Marshalls strives to protect and enhance biodiversity and natural habitats within our landholdings where possible. We also recognise the need for sympathetic restoration and after-use of quarry and other operational sites and consider the character of the local environment and the concerns of the local community and other stakeholders when planning such matters.

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Graham Holden, Chief Executive
January 2013

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The key environmental issues for Marshalls are climate change, water and biodiversity.

These are particularly significant because Marshalls is aware of its contributions to man-made climate change (as detailed by the Inter-Government Panel on Climate Change) and as such is committed to helping reduce it.

Biodiversity is also key because of the activities Marshalls carries out – extracting material has an impact on the environment and it's only by working with the land that we can manage our impact on the land.

Water as a resource is becoming scarce and Marshalls has identified clean water shortage as one of the biggest challenges of the future.



Carbon Reduction

Marshalls has already demonstrated good energy management by achieving The Carbon Trust Standard and is now well equipped for the Government’s Carbon Reduction Commitment Energy Efficiency Scheme (CRC), which was launched in April 2010.

Marshalls already voluntarily discloses information on its greenhouse gas emissions, risks, opportunities and plans via the Carbon Disclosure Project and The Prince’s May Day Network. The company is also addressing alternatives such as renewables, as well as committing to reducing consumption through a number of energy management programmes.



Energy

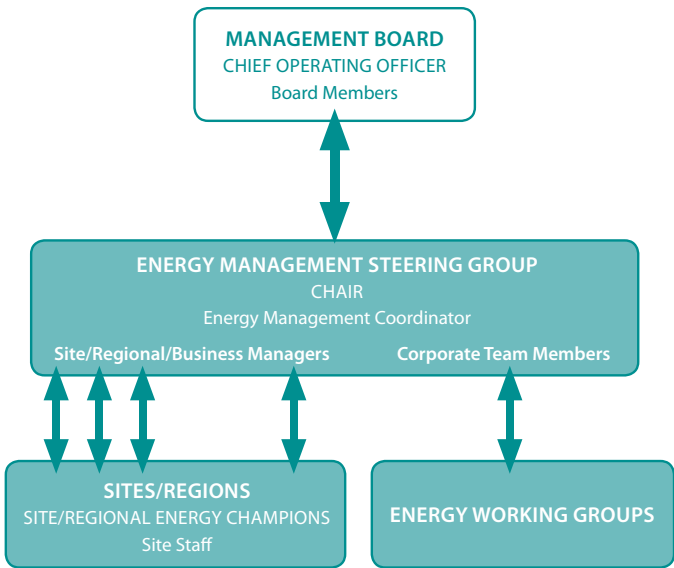
Climate change is one of Marshalls’ KPIs from the sustainable business model. Marshalls has made a commitment to reduce emission of greenhouse gases by 80% by 2050 by employing energy management systems, reviewing processes and keeping abreast of new technologies, reporting progress, and developing carbon tools to allow our customers to measure their impact.

In 2009, Marshalls announced carbon footprints for all its commercial products, bringing the total carbon labelled products to over 2,000 commercial and domestic hard landscaping products – the most of any company in the world at the time. Since then, Marshalls has continued to work to reduce those product footprints

Now in its fifth year, the Energy Management Steering Group promotes Marshalls’ carbon reduction policy throughout the organisation. Chaired by the Board Director who reports on sustainability, the group meets quarterly to:

- Identify current inefficiencies
- Advise on setting of company and site specific targets
- Oversee training practices relevant to energy
- Summarise progress for annual report and investors
- Review energy management procedures

From the group, ideas and projects get filtered through sites and corporate teams to a team of 60+ energy champions who are based on site.

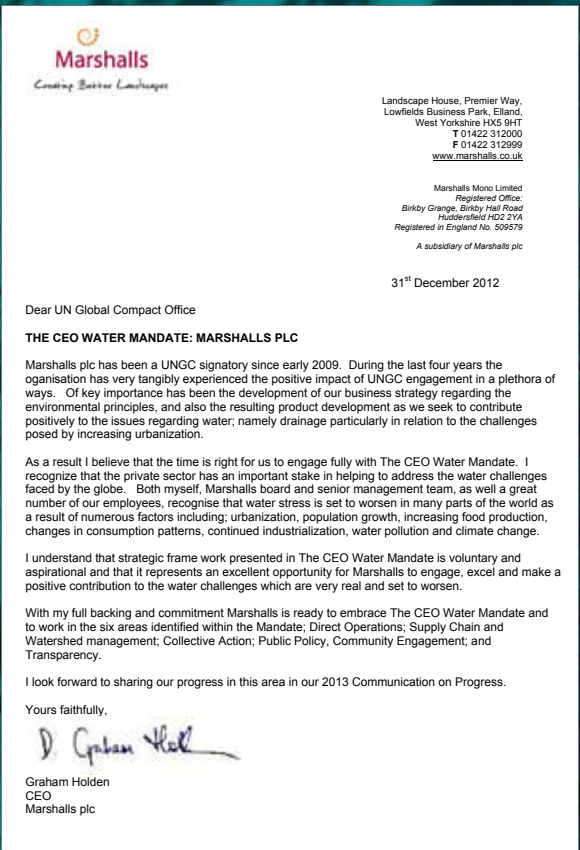


Water

Marshalls is on track to reduce its water consumption of 0.053m3 per tonne of product by 2012.

Marshalls has committed to The CEO Water Mandate, an initiative by business leaders in partnership with the international community. Its structure covers six key areas in a comprehensive approach to water management will develop Marshalls current water management approach to flooding, water quality and drought management.

1. Direct Operations
2. Supply Chain
3. Watershed Management
4. Collective Action
5. Public Policy
6. Community Engagement & Transparency

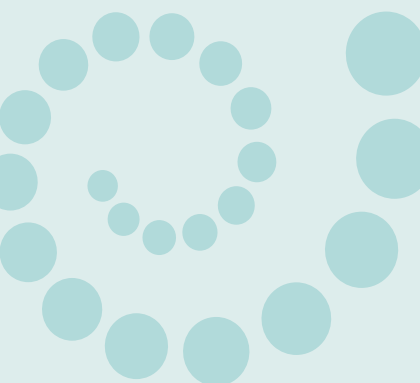


Biodiversity

Marshalls has drafted a biodiversity strategy, in consultation with external stakeholders, documenting a systematic approach to our legal, protection and enhancement commitment to the biodiversity on its sites. This strategy includes a priority approach to defining appropriate sites together with evaluation of the biodiversity ecosystem services delivered. Marshalls is on plan to deliver the Biodiversity Action Plan (BAP) target by the end of 2012.

Waste Reduction & Packaging

During 2012 Marshalls continued to measure the amount of waste leaving site and is ontrack to achieve its aim of reducing wate by 3% per annum avearged over a three year period. The target for packaging is to reduce by 2% per annum over a three year period. The Company continues to carefully monitor the sourcing of timber by pallet suppliers having worked with them to achieve Forestry Stewardship Counsel accreditation at the end of 2009.



Sustainable Procurement

Marshalls sustainable procurement approach and its procurement policy and procedures guard against the organisation procuring from suppliers that ‘willfully and avoidably damage the environment’. Though its sustainable procurement journey Marshalls continues to engage and collaborate with suppliers on environmental issues, expectations, shared learning and the potential for innovation.

During 2012 Marshalls successfully retained its registration to the Responsible Sourcing framework standard BES6001 at a ‘very good’ level for all commercial concrete manufacturing sites. The BES6001 Framework Standards for the Responsible Sourcing of Construction Products, along with an associated independent third-party certification scheme, was developed by BRE Global to certify sustainable products and services. Marshalls achieved higher than average performance rating in each of the categories of organisational management, supply chain management and environmental & social issues.

BES 6001
Responsible Sourcing
www.greenbooklive.com

Energy Crops Scheme:


Employees worked hard to secure a grant to plant 8,000 trees across an 8 acre site at Marshalls Cromwell Quarry. The Energy Crops Scheme, run by Natural England, aims to encourage the planting of certain approved high energy cops. The grant was secured following on-going trials at West Lane site to use wood, a renewable fuel, rather than oil in industrial scale heaters. This initiative will lead to a considerable further reduction in the company’s carbon footprint. Planting began in December and it is estimated that 20,000 tonnes of wood will be harvested and trees replanted on an ongoing basis.

Employee Engagement

Marshalls’ employees regularly contribute their time, ideas and innovative approach to a more environmentally sustainable way of working, by taking part in a number of different activities:


Collaborating to Provide Shelter:

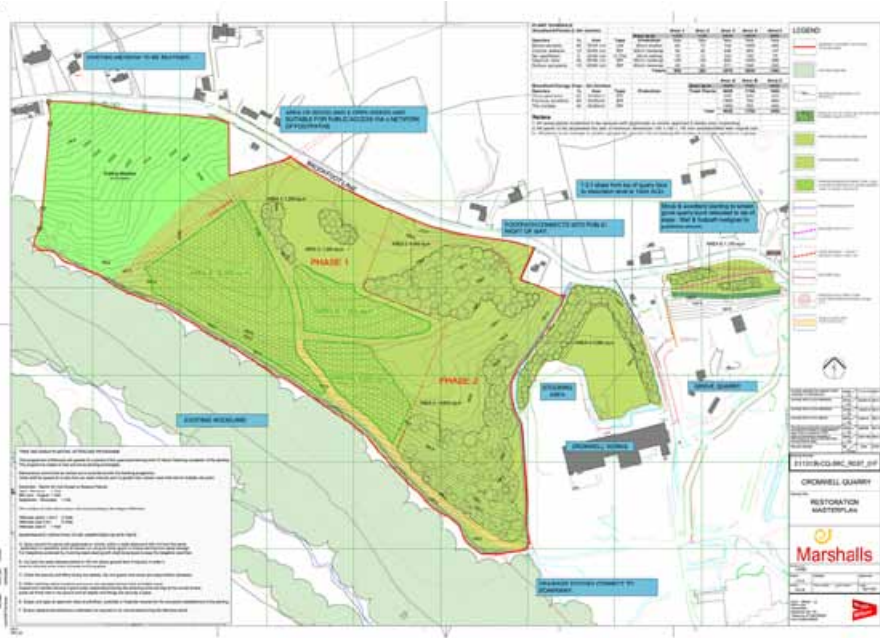
In July Marshalls sustainability and operations team collaborated with supplier Tarmac to create a new shelter for children to use all-year-round at the Eaglescliffe Forest School in the northeast.



Biodiversity Top of the Agenda:

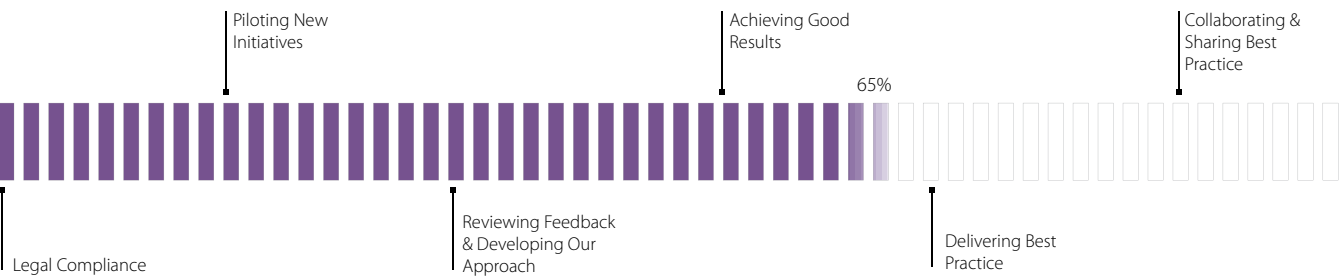
Marshalls Lloyds Fron Haul quarry opened its doors in June and employees welcomed local residents, the North Wales Wildlife Trust, the RSPB, Flintshire Ecological Department and Clwyd Natural History Group. All engaged in a range of activities focusing upon biodiversity and sustainability.





Targets 2012	Targets 2013
To reduce emissions of CO2 in line with Government targets; 80% by 2050 and 34% by 2020. ✓	To reduce emissions of CO2 in line with Government targets; 80% by 2050 and 34% by 2020.
Carbon footprinting of 500 consumer products and 1565 commercial paving products ✓	Carbon footprinting of 500 consumer products and 1565 commercial paving products
Uphold the BITC May Day Network pledges ✓	Uphold the BITC May Day Network pledges
Marshalls Energy Savings Week ✓	Marshalls Energy Savings Week
Reduce use of water from mains and licensed boreholes to 0.05m3 per tonne of production by 2015 ✓	Reduce use of water from mains and licensed boreholes to 0.05m3 per tonne of production by 2015
Develop biodiversity plans for all appropriate sites by 2012 ✓	Develop biodiversity plans for all appropriate sites by 2012
Reduce by 3% the total waste-to-landfill per production output per annum on 3 year rolling average. Reduce by 2% per tonne of production output per annum over a 3 year cycle to a level where pack and product safety is not compromised. ✓	Reduce by 3% the total waste-to-landfill per production output per annum on 3 year rolling average. Reduce by 2% per tonne of production output per annum over a 3 year cycle to a level where pack and product safety is not compromised.





The UK Bribery Act 2010 came into force on the 1st of July 2011. It amends and reforms UK criminal law and provides a modern legal framework to combat bribery in the UK and internationally.

The Bribery Act creates the following offences:

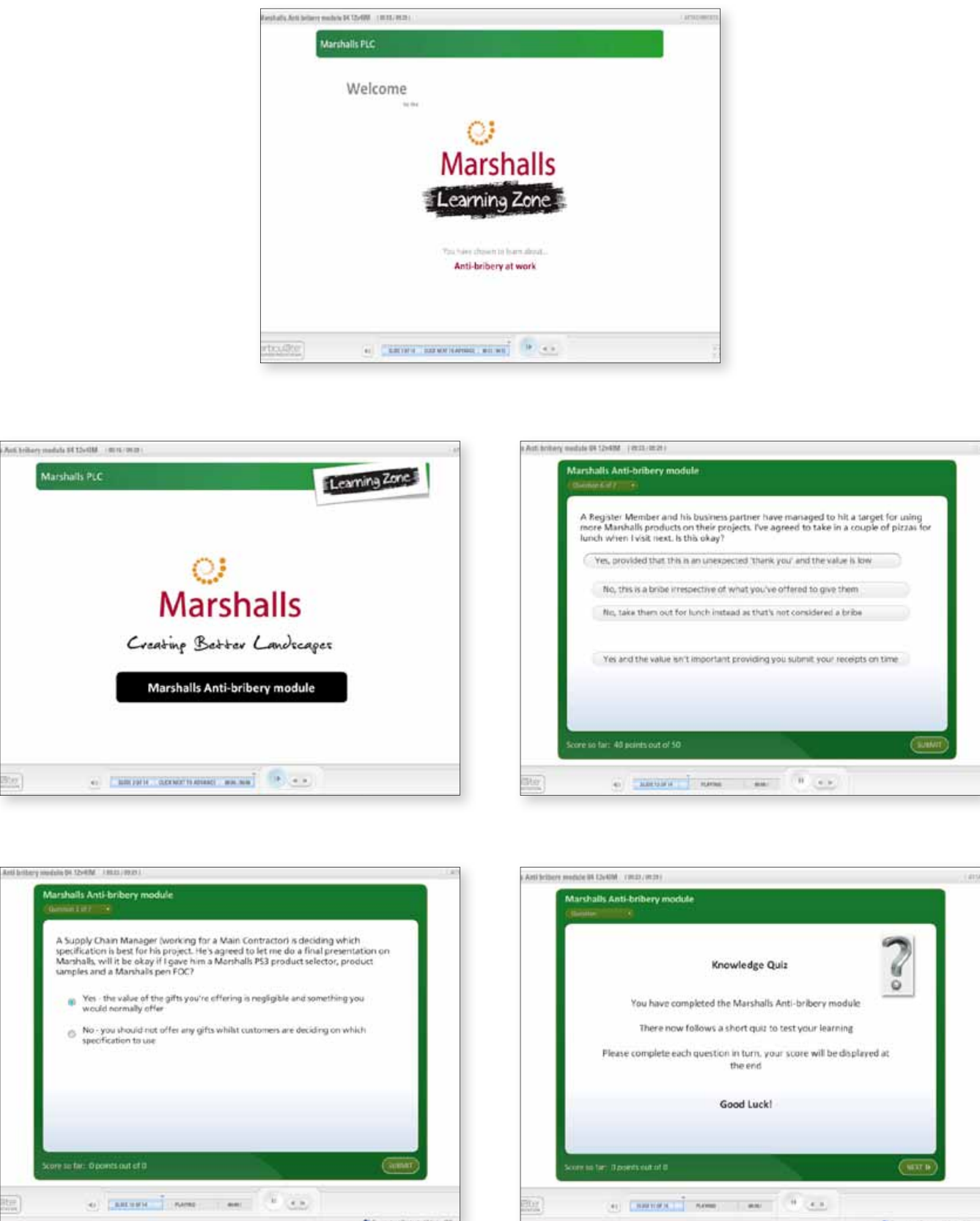
- 1 Active bribery: promising or giving a financial or other advantage.
- 2 Passive bribery: agreeing to receive or accepting a financial or other advantage.
- 3 Bribery of foreign public officials.
- 4 The failure of commercial organisations to prevent bribery by an associated person (corporate offence).

Throughout 2011 there was great focus by the UNGC UK Network on Anti-Corruption with a number of events and speakers attending education events open to UK Network members. Marshalls took advantage of these opportunities with a range of individuals from within the organisation attending and reporting back.

The UNGC tenth principle commits signatories not only to actively avoid bribery, extortion and other forms of corruption but to develop policies and concrete programmes to address corruption and related risks. Marshalls understands that bribery is not a victimless crime and that it discourages developmentally effective trade and siphons off funds away from projects designed to help the most disadvantaged. It tarnishes reputations, drains corporate motivation and distorts competition.

Marshalls procurement policy can be viewed at: www.marshalls.co.uk/sustainability

During 2012 Marshalls employees undertook an online workshop focusing specifically on anti-corruption and anti-bribery



1. In this Code, “Marshalls” means Marshalls plc and its subsidiary companies.

2. Marshalls is committed to conducting its business with the utmost integrity and in accordance with the principles set out in the UK Bribery Act 2010.

Marshalls plc is a signatory of the UN Global Compact, which informs and governs the way in which we do business. Marshalls expects its employees and business partners to respect and support our core values of trust, honesty and integrity and to recognise and implement this Code.

3. Marshalls does not tolerate the offering, giving, requesting, receiving or acceptance of bribes in any form.

A bribe is a financial payment or other form of reward that is intended to induce or influence an individual, company or public body to perform their functions improperly. This may include showing partiality, acting in bad faith or acting in a way that is inconsistent with a position of trust.

Bribes, for the purpose of this Policy, include facilitation payments, kickbacks and any other reward, favour or payment designed to induce or influence the recipient to perform his or her functions improperly.

In the case of a foreign public official, it is not permitted to offer a payment or other reward to a foreign public official that may influence that official to give an advantage to our business, whether or not intended to induce improper performance.

Hospitality designed to improve business relations which is proportionate to the circumstances and which is not for an improper purpose is not usually regarded as a bribe. Further guidance can be found in the Procurement Policy Statement and the Hospitality Guidelines.

No employee, agent, consultant or business intermediary acting for Marshalls may offer, give, request, receive or accept any bribes, whether directly or indirectly.

What does this mean for me?

- Any alleged or suspected incident of bribery will result in a formal investigation, and may result in disciplinary action for

any employee involved. Any activity or behaviour by an employee that is unlawful or prohibited by this Code will constitute gross misconduct and may result in dismissal. Employees may be suspended while investigations are carried out.

- Employees who engage or do business with third parties who act on behalf of Marshalls or represent Marshalls should ensure that this Code is drawn to their attention. Marshalls expects such third parties to comply with this Code and with the applicable law relating to bribery.
- Marshalls reserves the right to terminate immediately any contract or business relationship with any agent, consultant, or other business intermediary where bribery has occurred.

4. Our Policies and Procedures

Marshalls has adopted policies and procedures intended to address the potential risk of bribery and corruption. These include:-

- The Group Procurement Policy Statement;
- The Code of Ethics;
- Guidance on hospitality and gifts, and the maintenance of a hospitality and gifts register;
- The Serious Concerns Policy.

These are regularly reviewed and updated, and should be read together with this Code. This Code and these policies can be accessed via the Marshalls intranet. The hospitality and gifts register is maintained at Birkby Grange (contact Gillian Harley/Jill Bedford).

Among our procedures to mitigate risk are the following:-

- Supplier and customer risk assessments;
- Training for employees and those working for Marshalls or representing Marshalls in a business capacity ;
- Written commitments from those we work with to engage with the principles in this Code.

5. Marshalls will work with its business partners worldwide to develop and improve good practice and to seek to eliminate

bribery and corruption. It will select business partners who have adopted similar policies and objectives and will avoid doing business with those who act unlawfully or in a way that is not consistent with ethical business principles.

6. Monitoring and Compliance

- The Board of Marshalls plc has approved this Anti-Bribery Code and will set standards in relation to its principles and their application across the Marshalls Group.
- The Audit Committee of the Board will review procedures across the Group and will monitor their effectiveness.
- Designated individuals within each business area, together with the Company Secretary (who oversees day to day compliance) have responsibility for the implementation and development of such procedures.
- All employees have an obligation to comply with this Code and support and promote its principles in their business function.

7. Any employee having a question or concern in relation to this Code, the administration of Marshalls policies and procedures designed to prevent bribery, or any issue where guidance is sought on a particular set of circumstances may raise it with their line manager or the Company Secretary (Cathy Baxandall, Birkby Grange, Birkby Hall Road, Huddersfield HD2 2YA: Tel: 01484 438930: email cathy.baxandall@marshalls.co.uk)

8. Any employee who suspects that bribery has occurred or that there has been any other breach of this Code should report it in accordance with the procedure in the Serious Concerns Policy so that it can be formally investigated.

Adopted by the Board on 5 October 2011.
Graham Holden
Chief Executive Chairman

Targets 2012	Targets 2013
Make the Procurement Policy Statement available online ✓	Develop procurement for sustainability strategy which has anti-corruption measures woven throughout.
Brief the procurement department on the UNGC and specifically the Anti-Corruption principles. ✓	Develop and publish sustainable procurement guidance.
Engage procurement personnel in UNGC activities. ✓	Ensure that this guidance is circulated to all suppliers.
Produce an Anti-Corruption Guidance Document for multiple stakeholders. ✓	Ensure that this guidance is made publicly available for all stakeholders.
Make the Anti-Corruption Guidance Document available online. ✓	Continue to undertake a series face-to-face briefing and workshops with key suppliers.
Ensure the Anti-Corruption Guidance Document is part of the procurement policy process. ✓	Communicate Marshalls Anti-Corruption policy internally and externally.
Communicate with all existing suppliers regarding the Anti-Corruption Guidance Document. ✓	Continue to review and develop anti-corruption processes and procedures.
Identify key overseas partners/suppliers and undertake face-to-face briefing/working sessions to identify areas of risk and to develop appropriate plans. ✓	
Review and develop anti corruption processes and procedures ✓	



BES 6001 Responsible Sourcing



Independent third party scrutiny and verification is a key component to Marshalls' approach to business, as is award recognition from external bodies. It is of great importance to Marshalls that the awards entered both showcase and challenge the company's pioneering approach.

Marshalls has included this table of awards from the end of 2011 and 2012 to highlight the third party recognition of its achievements.

DATE	AWARDING BODY	CATEGORY	RESULT
December 2012	Business in the Community	Game Changer Accolade	GAME CHANGER
June 2012	Business in the Community	Sustainable Marketing	RE-ACCREDITED
June 2012	Ethical Corp Magazine Awards	Supply Chain Excellence	SHORTLISTED
June 2012	Ethical Corp Magazine Awards	Sustainability Commercialised	SHORTLISTED
June 2012	Ethical Corp Magazine Awards	Sustainability Executive of the Year	SHORTLISTED
May 2012	British Precast Concrete Federation	Concrete Targets 2015	GOLD AWARD WINNER
May 2012	British Precast Concrete Federation	Sustainability Award	RUNNER UP
March 2012	Teeside neBusiness Awards	Heart of the Community	WINNER
March 2012	Teeside neBusiness Awards	Manufacturing	RUNNER UP
June 2011	Business in the Community Awards	Sustainable Marketing	BIG TICK NATIONAL EXAMPLE OF EXCELLENCE
June 2011	Business in the Community Awards	Coffee International	BIG TICK NATIONAL EXAMPLE OF EXCELLENCE SHORTLISTED
June 2011	Business in the Community Awards	Skills in the Workplace	RE-ACCREDITED
May 2011	British Precast Concrete Federations	Biomass Trials	HIGHLY COMMENDED
May 2011	British Precast Concrete Federations	Sustainability	RUNNER UP
April 2011	Ethical Corp	Best Collaboration	WINNER
April 2011	Natural Stone	Sustainability Awareness	WINNER
April 2011	Wildlife Trust	Biodiversity Benchmark	AWARDED

Auditing

In the past, Marshalls has worked with generally recognised auditors for its work in India. Whilst working in India however, Marshalls found it really needed to work with auditors with specialist knowledge of trade unions and ILO (International Labour Organisation) standards. The auditing process for Marshalls is not just about hitting the baseline and doing the minimum, it's about going the extra mile and ensuring the process is as thorough and rigorous as possible. Marshalls' supply chain strategy follows the ETI Base Code, which is based on the International Labour Organisations

Conventions. In embedding the Base Code in the supply chain Marshalls has implemented processes to ensure compliance and improvement.

Marshalls employs full time social auditors in both India and China. Working on the ground alongside quarry & factory owners, managers, workers, unions and non-governmental organisations, the auditor ensures all areas of the ETI Base Code are upheld.

Marshall's works with Just Solutions in order to gain a consistent approach to auditing its supplier network and ensure supply chains remain ethical and best practice is shared where possible. Led by expert supply chain auditing specialist Stirling Smith, Just Solutions, is an SAI listed consultant who works to develop and extend the SA8000 standard and the ETI BasenCode. The company relies upon the hard core of convinced companies to engage stakeholders and professionals together in an agreed programme.

Audits are carried out at least annually, by a two-person team over two days. A qualified Marshalls assessor goes to India and China five to six times a year to audit informally. If non-compliance is found, an action plan is agreed to ensure rectification takes place and this is followed up by an external audit.

Accreditation

Marshalls only works with reputable and reliable suppliers in terms of accreditation

We are particularly keen to gain frank feedback from a range of our stakeholders as we further engage in a drive for corporate sustainability leadership throughout 2012 and beyond. The link below allows you to give feedback on each of the areas of activity. It also includes a section for any other comments that you'd like to share.

<http://www.surveymonkey.com/s/PTH6P7F>

Ongoing Stakeholder Consultation:

Marshall's would like to thank all of its stakeholders who had input into this third UNGC Communication on Progress, namely Marshall's employees, customers, suppliers, partners, NGOs.

2012 COP Feedback
Survey

As a valued stakeholder Marshalls would very much appreciate your feedback and comments on its 2012 Communication on Progress (COP.) You may be aware that Marshalls became a signatory of the UNGC in January 2009. Our commitment to the UNGC requires that we submit an annual COP to the UN office in New York. This and all other COP's can be found in at www.marshalls.co.uk/sustainability/publications

Our 2009 COP received a 'notable' status from the UNGC, an acknowledgement made to only a small percentage of signatories. We will make this 2012 COP's available for UNGC UK Network peer review again this year.

GRI Indicator	Indicator Description
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
EC3	Coverage of the organisations defined benefits plan obligations.
EN8	Total water withdrawal by source.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.
EN22	Total weight of waste by type and disposal method.
LA1	Total workforce by employment type, employment contract, and region, broken down by gender.
LA4	Percentage of employees covered by collective bargaining agreements.
HR6	Operations and significant suppliers identified as having significant risk for incidents of child labour, and measures taken to contribute to the effective abolition of child labour.
HR7	Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.
HR10	Percentage and total number of operations that have been subjected to human rights reviews and/or impact assessments.

UNGC Commitment Indicators

GRI 3.1 Disclosure	UNGC COP Element Addressed
Strategy and Analysis	Profile Disclosure 1.1 – Statement from the most senior decision-maker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy Statement of Continuing Support
Organisational Profile	Profile Disclosure 2.1 – Name of the organization Profile Disclosure 2.2 – Primary brands, products, and/or services Profile Disclosure 2.3 – Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures Profile Disclosure 2.4 – Location of organization’s headquarters Profile Disclosure 2.5 – Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report Profile Disclosure 2.6 – Nature of ownership and legal form Profile Disclosure 2.7 – Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries) Profile Disclosure 2.8 – Scale of the reporting organization Profile Disclosure 2.9 – Significant changes during the reporting period regarding size, structure, or ownership Profile Disclosure 2.10 – Awards received in the reporting period No Specific COP Requirement
	Profile Disclosure 3.1 – Reporting period (e.g., fiscal/calendar year) for information provided Profile Disclosure 3.2 – Date of most recent previous report (if any) Profile Disclosure 3.3 – Reporting cycle (annual, biennial, etc.) Profile Disclosure 3.4 – Contact point for questions regarding the report or its contents Profile Disclosure 3.5 – Process for defining report content Profile Disclosure 3.6 – Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers) Profile Disclosure 3.7 – State any specific limitations on the scope or boundary of the report Profile Disclosure 3.8 – Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations Profile Disclosure 3.10 – Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement Profile Disclosure 3.11 – Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report No Specific COP Requirement

GRI 3.1 Disclosure	UNGC COP Element Addressed
Governance, Commitments and Engagement	Profile Disclosure 4.1 – Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight Profile Disclosure 4.2 – Indicate whether the Chair of the highest governance body is also an executive officer Profile Disclosure 4.3 – For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members Profile Disclosure 4.4 – Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body Actions Taken to Implement Principles 1-10
Governance, Commitments and Engagement	Profile Disclosure 4.14 – List of stakeholder groups engaged by the organization Profile Disclosure 4.15 – Basis for identification and selection of stakeholders with whom to engage Sharing the COP with the Company’s Stakeholders
Economic	Disclosure on Management Approach – Economic Provide a concise disclosure on the following Management Approach items: goals and performance; policy; additional contextual information. Actions Taken to Implement Principles 1, 4, 6 and 7
	EC1 – Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. No Specific COP Requirement
	EC3 – Coverage of the organization’s defined benefit plan obligations No Specific COP Requirement
Environmental	Disclosure on Management Approach – Environmental Provide a concise disclosure on the following Management Approach items: goals and performance; policy; organizational responsibility; training and awareness; monitoring and follow-up; additional contextual information. Actions Taken to Implement Principles 7, 8 and 9
	EN8 – Total water withdrawal by source Outcomes from Implementing Principle 8
	EN18 – Initiatives to reduce greenhouse gas emissions and reductions achieved Actions Taken and Outcomes from Implementing Principles 7, 8 and 9
	EN22 – Total weight of waste by type and disposal method Outcomes from Implementing Principle 8
Labor Practices and Decent Work	Disclosure on Management Approach – Labor Practices and Decent Work Provide a concise disclosure on the following Management Approach items: goals and performance; policy; organizational responsibility; training and awareness; monitoring and follow-up; additional contextual information. Actions Taken to Implement Principles 1, 3 and 6
	LA1 – Total workforce by employment type, employment contract, and region No Specific COP Requirement
	LA4 – Percentage of employees covered by collective bargaining agreements Outcomes from Implementing Principles 1 and 3
Human Rights	Disclosure on Management Approach – Human Rights Provide a concise disclosure on the following Management Approach items: goals and performance; policy; organizational responsibility; training and awareness; monitoring and follow-up; additional contextual information. Actions Taken to Implement Principles 1, 2, 3, 4, 5 and 6
	HR6 – Operations identified as having significant risk for incidents of child labor and measures to contribute to eliminate child labor Actions Taken to Implement Principles 1, 2 and 5
	HR7 – Operations identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of forced or compulsory labor Actions Taken to Implement Principles 1, 2 and 4
	HR10 - Percentage and total number of operations that have been subjected to human rights reviews and/or impact assessments. Actions Taken to Implement Principles 1, 2, 4 and 5.



Marshalls

Creating Better Landscapes

For more information on Marshalls, visit
www.marshalls.co.uk/sustainability

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