



Marshall's

Creating Better Landscapes

UNITED NATIONS GLOBAL COMPACT
COMMUNICATION ON PROGRESS 2010





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. Marshalls 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.

This is the Company's second Communication on Progress (COP) and outlines how Marshalls is aligned with the ten principles and how, throughout 2011, the plc intends to develop its activities in support of the framework laid out by the UNGC.

UNGC Ten Principles

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.

Contents

■ Statement of Support for the UNGC by Graham Holden, Marshalls Chief Executive Officer	2
■ Foreword and Focus for 2011 by Chris Harrop, Marshalls Group Marketing Director	3
■ Achievement Indicators	8
■ Third Party Assurances	10
■ Marshalls: Brand Manifesto	12
■ Marshalls The Superbrand	14
■ Leadership Blueprint	16
■ Human Rights	26
■ Labour	32
■ Environment	38
■ Anti-Corruption	44
■ Third Party Recognition & Awards	46



Graham Holden - Chairman of The Yorkshire and Humber Regional Advisory Board of Business in the Community.

Statement of Support for the UNGC

Graham Holden, Chief Executive Officer

The UNGC is the key driver of corporate responsibility and sustainability and is fast becoming the international standard. With the UNGC's mandate to increase signatories from the current 8000 to 20,000 by 2020 I'm delighted that its positive influence is set to increase exponentially in the months and years ahead.

Since our participation in early 2009 Marshalls has tangibly experienced the positive impact of UNGC engagement. The introduction of the 'differentiation programme' and the launch of The Blueprint for Corporate Sustainability Leadership has further inspired our organisation and a key commitment for 2011 will be embedding the UNGC principles deep within the fabric of our business at both a strategic and operational level. I look forward with enthusiasm to reporting on Marshalls success in our 2011 Communication on Progress.



Chris Harrop - Member of the UNGC UK Network Advisory Committee and non executive Director of the Ethical Trading Initiative

Foreword and Future Focus

Chris Harrop, Group Marketing Director

Welcome to all readers of Marshalls' second Communication on Progress (COP) detailing the advances that we have made during 2010. Marshalls was delighted to receive a 'notable' status for its first COP in 2009 and has been further inspired by the UNGC framework and the Blueprint for Corporate Sustainability Leadership, launched at the Leaders Summit in New York in June 2010.

I was extremely honoured and proud to be asked to attend this Leaders Summit on behalf of Marshalls in the capacity of a UK Network Champion. I had the opportunity to communicate the valuable work that our organisation is undertaking as well as our ongoing efforts in upholding the UNGC principles. You can view this by going to <http://www.un.org/webcast/globalcompact/leaderssummit2010/index.asp?mediaID=1s> and clicking on my name.

The Leaders Summit was both provocative and invaluable in terms of the evident thought leadership. The subsequent sharing and processing of this experience has inspired a strategic shift in thinking for our business away from a position of simply minimising harm to one of actively engaging and maximising benefit, both in terms of business performance and upholding the ten principles. I hope that what this means in practice will become evident as you read this COP in particular the pioneering research, development and launch of two new products which directly address the pressing issues of climate change specifically in relation to minimising and eradicating CO² emissions and dealing with the increasing problem of rainfall, drainage and flooding in urban areas across the globe.

Foreword and Future Focus

In the UNGC Marshalls has found its natural home, a forging framework, thought leadership and the active support that we need as we drive forward with our sustainable business strategy. We also appreciate and relish the challenges presented by the UNGC in encouraging businesses to build upon the progress which has been made in the last decade since the foundation of the UNGC, and through the Blueprint for Corporate Sustainability Leadership.

The leadership, education and facilitation offered by the UNGC UK Network has been most welcomed by us in particular during 2010 as we begun a four year programme of assessing our human rights impacts throughout our global operations and developing and embedding our human rights policies throughout the business. We were also delighted to see the beginning of a UK regional outreach series of events which is to be continued into 2011.

Marshalls' sustainability model is fundamental to the way in which the Company operates and this approach drives actions throughout the business. Throughout 2011 the model will be further developed in order to reflect the organisation's own learning journey.

The vast majority of Marshalls' employees are aware of our involvement in the UNGC and the business's commitment to sustainable business practice. Most of them have participated in a range of initiatives and activities during 2010 aimed at achieving our collective goals and commitments.

Marshalls' Sustainability Model incorporates our commitment to the UNGC membership of 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



Sustainability for Marshalls is based on three elements - economic, environmental and social. This means that we aim 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.

The sustainability model is widely embraced throughout the organisation and is championed by Chief Executive Officer Graham Holden and Chief Operating Officer David Sarti and is driven by myself, Group Marketing Director Chris Harrop.

Foreword and Future Focus

An increasing number of employees throughout the business have become involved during 2010; Andy Ackroyd (Commercial Controller), Richard Capper (Energy Management Engineer), Neil Davidson (Group Corporate Social Responsibility 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), Christine Morris (Environmental Manager), David Sarti (Chief Operating Officer), Pete Stevens (Group Carbon & Energy Manager). The increasing involvement of key individuals is fundamental to Marshalls engagement in the Blueprint process.

In alphabetical order:



Andy Ackroyd
Commercial Controller



Richard Capper
Energy Management Engineer



Neil Davidson
Group Corporate Social Responsibility 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



Christine Morris
Environmental Manager



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 Corporate Social Responsibility Manager Neil Davidson.

Our progress is monitored thoroughly and on an ongoing basis against internal measures. As a matter of course Marshalls seeks verification from third party organisations which include non-governmental organisations and independent auditors. These include The Carbon Trust, BSI and Business in the Community and the Wildlife Trusts. We work particularly closely with Vicky Chan of IHLO and Sterling Smith of Just Solutions Ltd.

I'm delighted to report that during 2010 we achieved Super Brand status for the second year running, a feat which we are particularly proud of given the challenging economic climate.

Throughout this, our second Communication on Progress, we want to share with you the strides that we have made to uphold the UNGC principles during 2010 and our enthusiasm and appetite in seeking to make further progress in the face of the challenges and opportunities that lie ahead in 2011.

Focus for 2011

We are committed to build on the successes that we have achieved during 2010, guided by our approach to sustainable business which incorporates the principles of the UNGC.

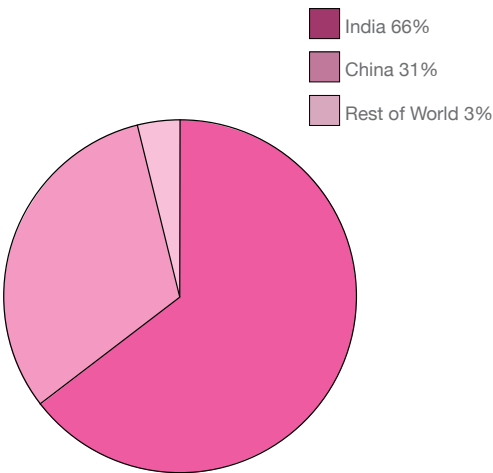
As you read through this report you will see that we have set targets for each area of activity. I wanted to draw your attention here to five exciting programme areas for development during 2011.

Human Rights Impact Assessments (HRIA)

Building upon the research that Marshalls undertook in 2008/09, with an academic institution partner based in Wales involving a systematic review, ecology report and livelihood research in the quarrying region of Kota, India, we begun a new four year programme in January 2010 focusing upon the human rights impacts of our operations. 2010 focused upon India, China will be centre stage in 2011 followed by other regions across the globe where Marshalls is involved to a lesser extent, and finally the UK.

The focus for 2011 will be the manufacturing process in China. Marshalls will build upon the lessons learnt during 2010 in undertaking the HRIA in India and implementing the seven step assessment process set out in the Guide to Human Rights Impact Assessment and Management developed by the International Business Leaders Forum, UNGC and the IFC. We will seek to build upon, and use where applicable, the experience that we have gained working with suppliers, communities and unions in India.

Disappointingly, Marshalls continues to be a lone voice in the arena of human rights within the stone sector despite the increase in members of the Ethical Trading Initiative's Stone Group. We have sought, to no avail, to collaborate with others in the sector. As a consequence at present this still remains a pipe dream. Perhaps 2011 will see the sector opening up to the possibility of collaboration and progress. The appointment of Marshall's Head of Sustainability, David Morrell, as ETI Chair of the Stone Group for 2011 may help in this respect.



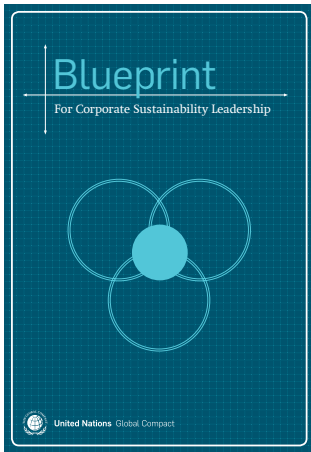
Embedding Human Rights Through UK Operations

Having produced a Human Rights Guidance Document during 2010, empowered various working parties to look at issues such as bullying and intimidation and developed a Group Human Rights Policy, Marshalls is now focused upon embedding its approach to human rights throughout its business in the UK including its employees, shareholders, suppliers, partners and agencies. A series of targets have been set for 2011.

Maximising Benefit - New Product Roll-Out

New product development is fundamental to demonstrating our strategic shift in thinking away from simply minimising harm to actively engaging in important global issues and maximising benefits. The roll-out of two new products is of key importance. These products maximise benefit by directly addressing issues of climate change specifically in relation to eradicating CO² emissions and dealing with the increasing problem of rainfall and drainage in urban areas across the globe. These products are The Bioverse System and Priora Sustainable Urban Drainage Systems. You can read more about these pioneering products later in this report.

Leadership Blueprint



Marshalls has demonstrated that it is a leader in its field and recognises that the Blueprint for Corporate Sustainability Leadership offers a model for achieving even higher levels of performance and generating enhanced value through the UNGC.

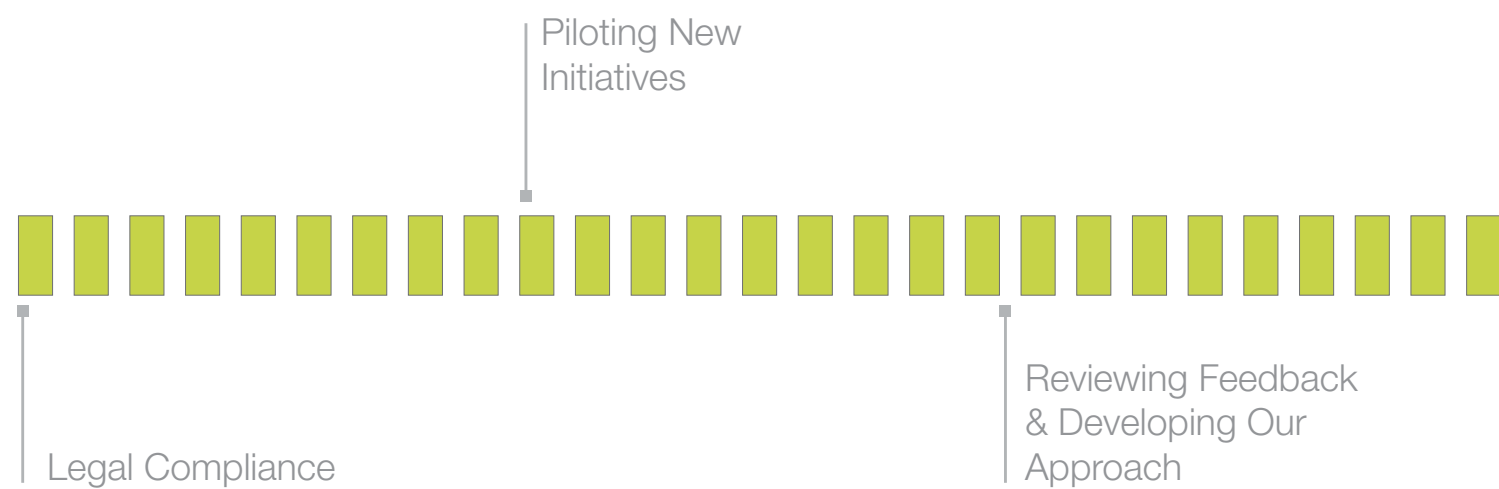
Engaging fully in this process will allow us to effectively assess progress with respect to our commitment, strategy, implementation and communications as we ascend the learning performance curve. During 2011 we are committed to embracing the Leadership Blueprint and to showing progress.

Marshalls Charitable Trust for Better Landscapes

During 2011 Marshalls has committed to founding and developing a charitable trust committed to 'creating better landscapes'. The charity will work to promote the emergence of a green economy where environmental and conservation considerations are valued equally alongside economic development where human rights are guaranteed, basic needs are satisfied and there is maximum possible equality of opportunity and social justice for all.

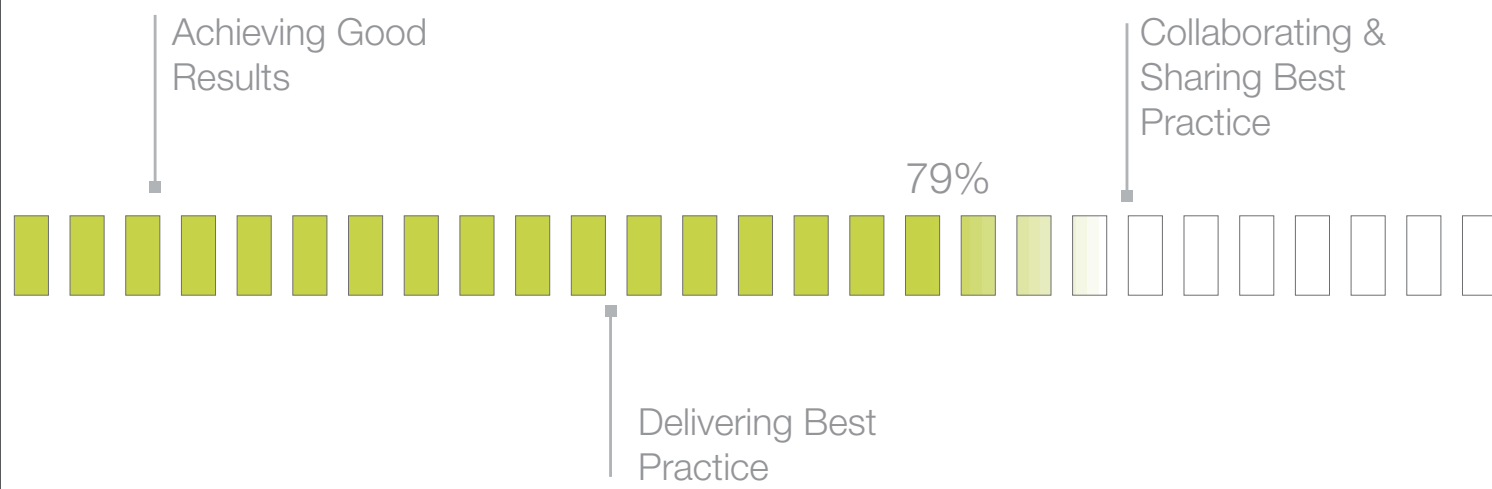
You will see that we have our work for 2011 cut out. We approach the task with enthusiasm and heart. I look forward to updating you on our progress at the end of 2011.

Chris Harrop, Group Marketing Director, Marshalls plc



Achievement Indicators

- 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' Communications on Progress you will find a self assessment indicator 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 has developed its own indicators for this report rather than use an existing one, such as the Ethos Indicators and Global Reporting Initiative (GRI) methodology. 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.

During 2011 Marshalls will consider how it can embrace the GRI methodology as the indicator favoured by the UNGC.

Third Party Assurances

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 2009 COP Marshalls has sought to extend stakeholder engagement in the 2010 COP process by inviting feedback of its COP from employees, customers, suppliers, partners, NGOs, third parties and peers to assess the Company's progress.

Marshalls is grateful for the comments from all of its stakeholders all of whom are listed at the end of this report.

It is Marshalls' intention to expand this process further for the 2011 COP by inviting other relevant stakeholders to assess the Company's progress.



The Marshalls Brand Manifesto.

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

Marshalls believes 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 Fair Trade 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**



Marshalls Brand Manifesto

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 missions, 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.





GARDENS &
DRIVEWAYS
COLLECTION
www.marshalls.co.uk




Marshalls
Creating Better Landscapes

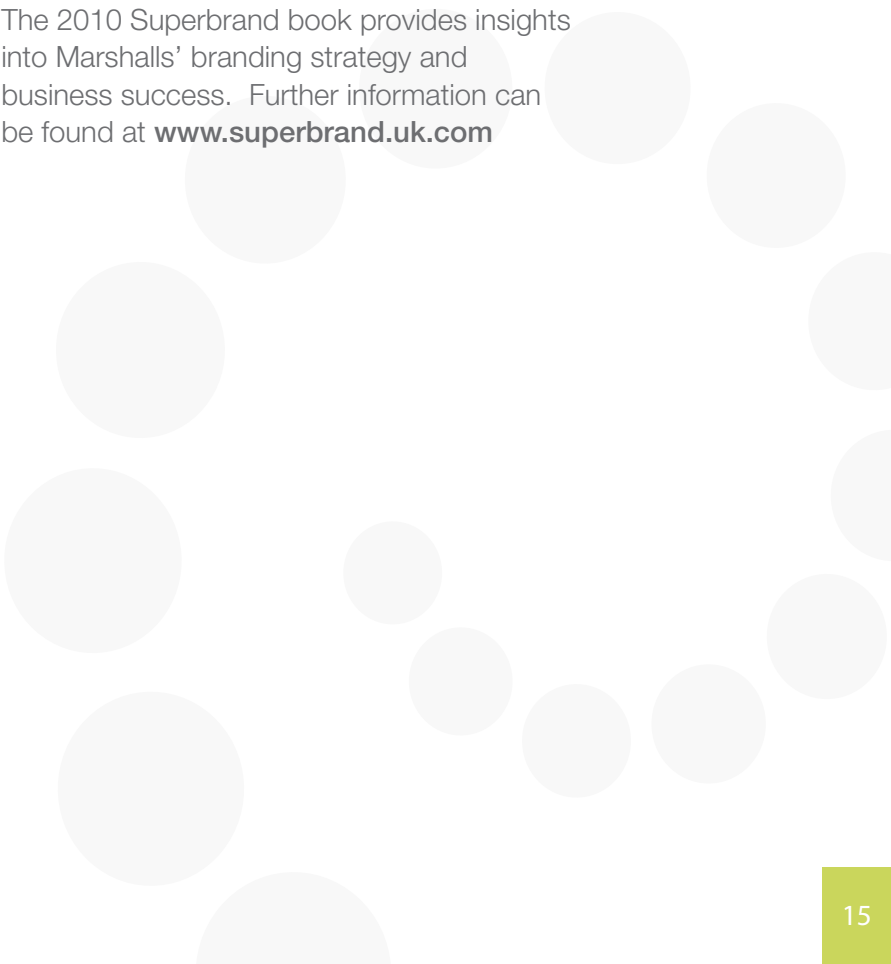


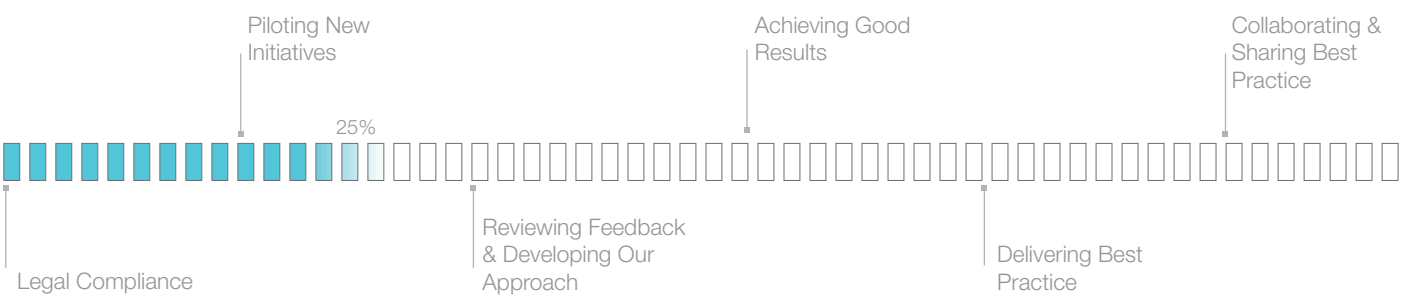
Marshalls the Super Brand

Marshalls is proud to have retained its Superbrand status during 2010. 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.

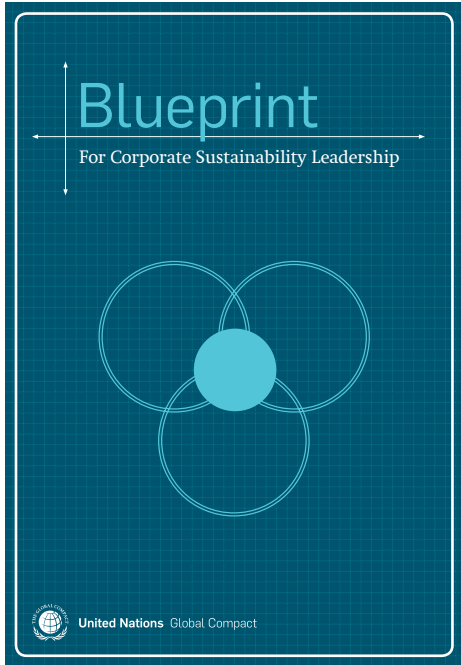
For clarity it is worth stating that brands can not apply or pay to be considered for Superbrand status. Only following a rigorous and independent selection process is the accolade awarded on an annual basis.

The 2010 Superbrand book provides insights into Marshalls' branding strategy and business success. Further information can be found at www.superbrand.uk.com





Leadership Blueprint

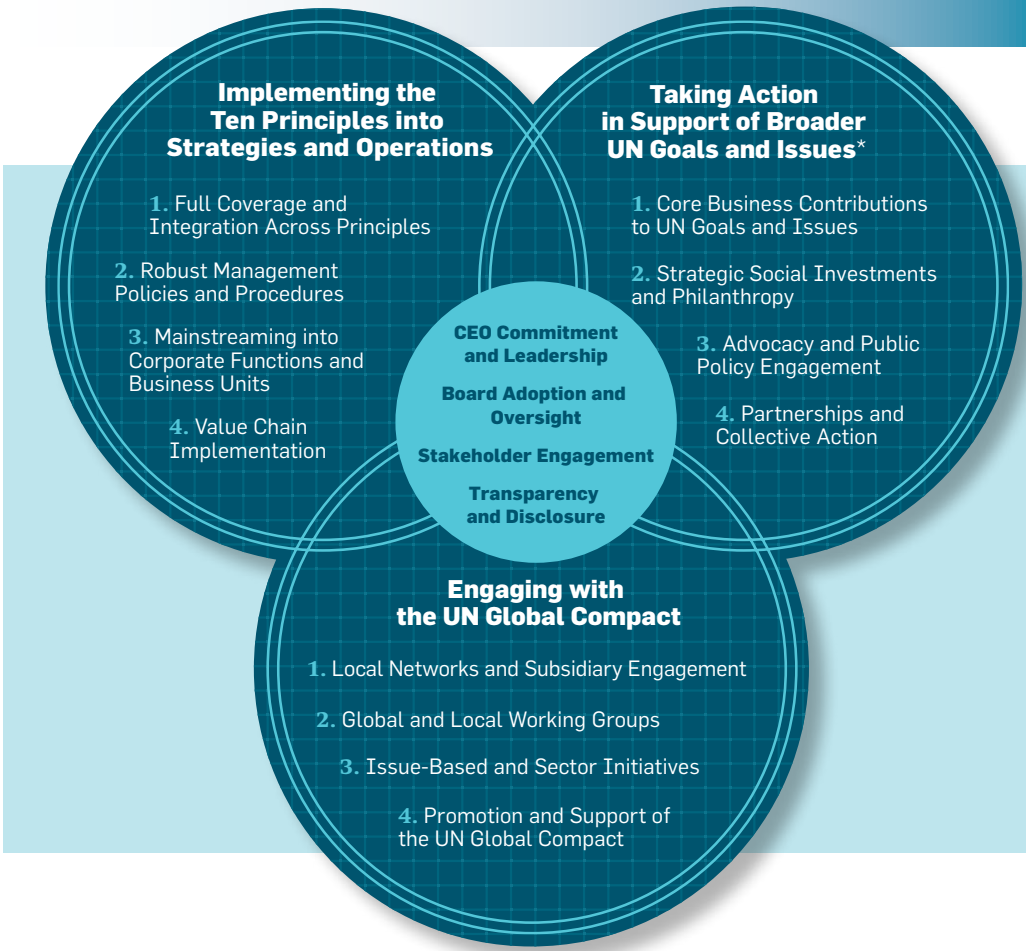


The UNGC Blueprint for Corporate Sustainability Leadership document can be found at http://www.unglobalcompact.org/docs/news_events/8.1/Blueprint.pdf

Marshalls continues to demonstrate that it is a leader in its field and recognises that the Leadership Blueprint offers a framework for achieving even higher levels of performance and generating enhanced value through engagement with the UNGC.

The Blueprint framework will allow us to better assess our progress with respect to our commitment, strategy, implementation and communications as we seek to ascend 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.



The Blueprint consists of three distinct but overlapping and synergistic dimensions:

- 1 Implementing the ten principles in to strategies and operations.
- 2 Taking action in support of broader UN goals and issues*.
- 3 Engaging into the UN Global Compact.

*The 'broader UN global issues' referred to in this context refer to an array of issues based on the most acute and chronic global challenges including; Peace & Security; The Millennium Development Goals, Human Rights; Children's Rights; Gender Equality; Health; Education; Humanitarian Assistance; Migration' Food Security; Sustainable Ecosystems and Biodiversity; Climate Change; Water Security and Sanitation; Employment and Decent Working Conditions; and Anti-Corruption.

As you will see from the diagram above each dimension contains a number of key elements and several cross-cutting components of leadership identified as a crucial overlay. These components are: CEO commitment and leadership, board adoption and oversight, stakeholder engagement, transparency and disclosure.

Marshalls believes that the Blueprint will allow the organisation to incorporate current and emerging leadership practices, address important performance gaps, build new opportunities related to the UNGC principles and leverage to the fullest extent to value of engagement with the UNGC. Ultimately the Blueprint can help Marshalls to realise the full potential of its business in society.

Throughout 2010 Marshalls has already been achieving some of the desired element within the Blueprint. These are documented at the end of this section within the targets set and achievements made.

In term of Taking Action in Support of Broader UN Goals and Issues, specifically Water Security & Sanitation, in relation to Core Business Contributions to UN Goals and Issues, Marshalls has engaged in a lengthy process of research and development resulting in two outstanding products which contribute to the pressing issues resulting from climate change.

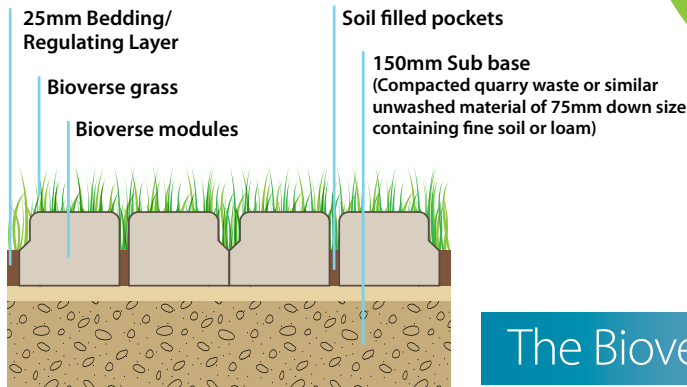
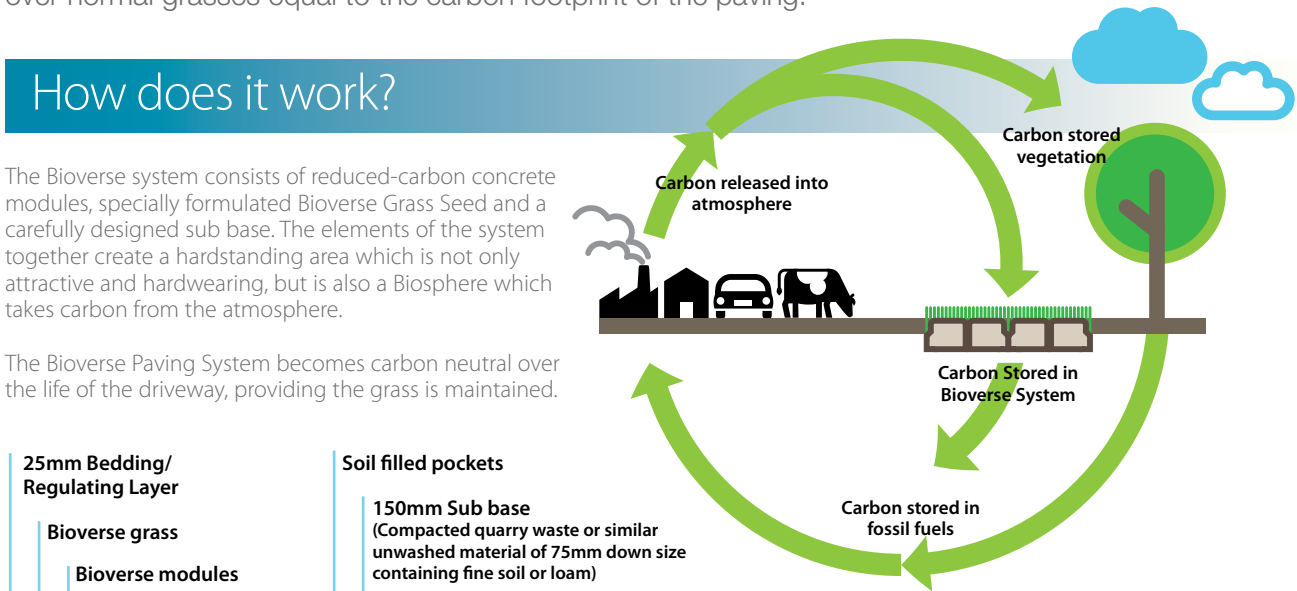
Marshalls Bioverse®

Marshalls Bioverse® is the world's first carbon neutral paving system. Special Marshalls grass seed mix sequesters additional CO2 over normal grasses equal to the carbon footprint of the paving.

How does it work?

The Bioverse system consists of reduced-carbon concrete modules, specially formulated Bioverse Grass Seed and a carefully designed sub base. The elements of the system together create a hardstanding area which is not only attractive and hardwearing, but is also a Biosphere which takes carbon from the atmosphere.

The Bioverse Paving System becomes carbon neutral over the life of the driveway, providing the grass is maintained.



The Bioverse System

Bioverse: Interlocking Modules

- Interlocking Bioverse modules allow water to travel between the blocks whilst ensuring structural stability
- Each pack contains two different pebble designs, allowing a wide variety of laying possibilities
- The modules can be used for a wide variety of applications from driveways and additional car parking areas to pathways and soak away areas



Bioverse: Optimised Grass Seed

Bioverse seed mixtures are designed to create a dense, attractive appearance and are individually matched to different growing conditions throughout the UK. All mixtures have the ability to absorb CO2 helping you create a landscape which becomes carbon neutral over the life of your driveway.

Bioverse Seed mixtures are;

- Environmentally responsible, with high CO2 lock up
- Are low growing, reducing surface wear and making them ideal for Bioverse driveways
- Have a slow growth pattern so that the grass requires less cutting
- Have a high plant density, to restrict invasion of weeds and alien grasses



Area of UK	Seed type
North	Bioverse GN
South	Bioverse GS
East	Bioverse GE
West	Bioverse GW

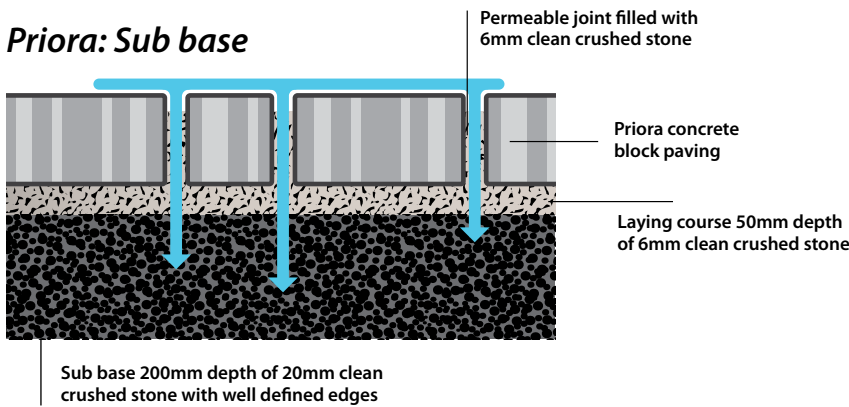
Priora System

Priora has a specific design methodology and sub-base specification. Priora Machine Lay allows surface water to be controlled at source. Water can be drained directly into the ground, recharging the ground water whilst also controlling the surface water runoff at source.

The Priora System

Priora: Permeable Paving

- Manages rain water run-off on hardstanding areas without adding to local drainage problems or gaining planning permission
- Can help recharge the water table by rehydrating the ground in areas which are prone to droughts
- No need for linear drainage, tanking systems or membranes



Priora Sustainable Urban Drainage Systems

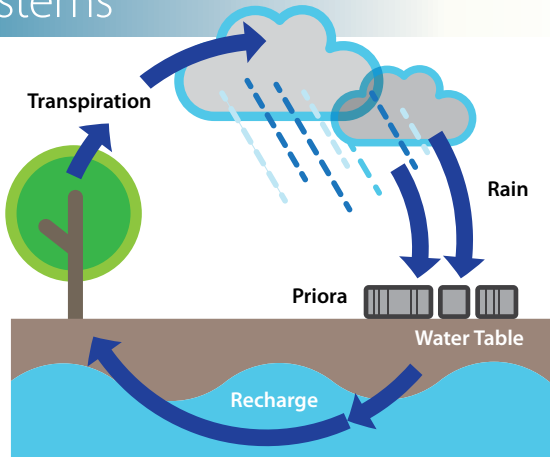
Marshalls Priora permeable paving solutions allow infiltration of rainfall into the sub soil where it can drain harmlessly away

Featuring a patented nib design, Priora allows surface water to pass between blocks into a specially calculated sub base without compromising the structural performance of the driveway

Marshalls Priora is available in a wide variety of finishes and colours

How does it work?

Marshalls Priora allows rainfall to travel between the blocks, through the sub base and into the watercourse in a slow and measured way, as close as possible to the natural process of rain falling on undisturbed ground.



As an urban drainage solution the product benefits include;

- High load bearing capacity due to the unique interlocking characteristics. The system can withstand the dynamic stresses offered by vehicular trafficking and point loads
- Large drainage openings allowing the efficient infiltration of surface water runoff
- Lasting surface water infiltration capacity due to the unique layout of the interlocking spacer profiles
- Conservation of space on the site, allowing the needs and requirements of both PPG3 and PPG25 to be achieved
- Reduction of surface water runoff by as much as 100% for infiltration sites
- Increased recharge of groundwater
- Allowing new developments in areas restricted by current surface water drainage constraints
- Reduced overall project development costs owing to a reduction in storm sewers and drainage accessories
- The filtering and removal of metals and suspended solids in any surface water
- The development of naturally occurring bacteriological breakdown

Moving forward Marshalls will work towards realising other elements within the Blueprint as identified in the targets for 2011. The organisation is realistic in that this will mean a long term commitment for the business.

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

Realising the Blueprint: Corporate Action Plan

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

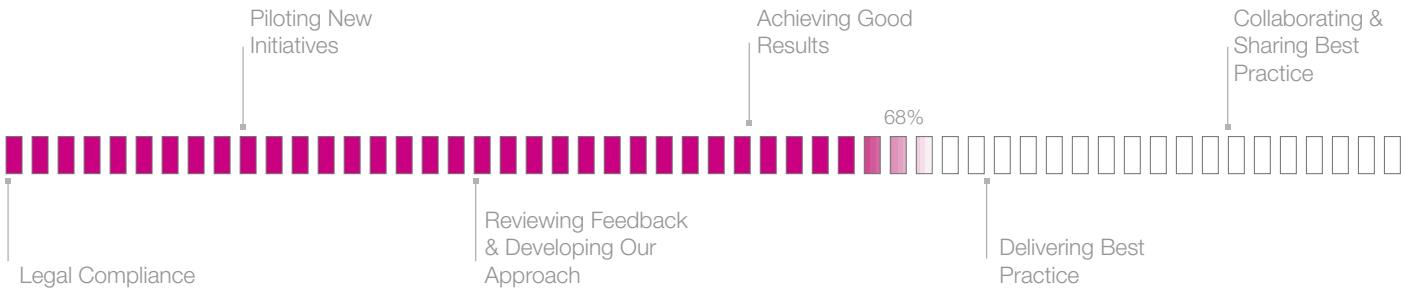
NOTE: Reproduced from the UNGC Blueprint document http://www.unglobalcompact.org/docs/news_events/8.1/Blueprint.pdf



2011 Leadership Blueprint Targets

Achievements 2010	Targets 2011
<p>Core Business Contribution to UN Goals and issues:</p> <p>Developing relevant products and services that contribute to UN goals/issues. ✓</p>	<p>Core Business Contribution to UN Goals and issues:</p> <p>Aligning core business strategy with one or more relevant UN goals/issues.</p> <p>Developing relevant products and services that contribute to UN goals/issues.</p>
<p>Strategic Social Investments & Philanthropy:</p> <p>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. ✓</p>	<p>Strategic Social Investments & Philanthropy:</p> <p>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.</p> <p>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.</p>
<p>Advocacy and Public Policy Engagement;</p> <p>Publically advocating the importance of action in relation to one or more UN goals/issues. ✓</p> <p>Committing company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goal/issue. ✓</p>	<p>Advocacy and Public Policy Engagement;</p> <p>Publically advocating the importance of action in relation to one or more UN goals/issues.</p> <p>Committing company leaders to participate in key summits, conferences, and other important public policy interactions in relation to one or more UN goal/issue.</p>
<p>Partnerships and Collective Action;</p> <p>Developing and implementation partnership projects with public or private sector organisations on core business, social investments and/or advocacy. ✓</p> <p>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. ✓</p>	<p>Partnerships and Collective Action;</p> <p>Developing and implementation partnership projects with public or private sector organisations on core business, social investments and/or advocacy.</p> <p>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.</p>

Achievements 2010	Targets 2011
<p>Local Networks & Subsidiary Engagement:</p> <p>Active participation in events and activities. ✓</p> <p>Publish sustainability information and reference it explicitly in the COP. ✓</p>	<p>Local Networks & Subsidiary Engagement:</p> <p>Active participation in events and activities.</p> <p>Encourage subsidiary to engage with Un Global Compact Local Networks and to participate actively in events and initiatives.</p> <p>Actively participate in events and activities</p>
<p>Promotion and Support of the UNGC;</p> <p>Advocate the UNGC to business partners, peers and the general public. ✓</p>	<p>Global & Local Working Groups;</p> <p>Participate in relevant global or local working groups and share experiences, networks, tools and good practice with other UNGC participants.</p> <p>Take active part in defining scope and objectives of new working groups when relevant.</p>
	<p>Issues-Based and Sector Initiatives;</p> <p>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.</p>
	<p>Promotion and Support of the UNGC;</p> <p>Advocate the UNGC to business partners, peers and the general public.</p> <p>Encourage suppliers and other business partners to join the UNGC, and take on mentoring role on issues related to the initiative.</p>
	<p>Stakeholder Engagement;</p> <p>Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect whistle blowing.</p>
	<p>Transparency and Disclosure;</p> <p>Integrate the COP within the financial reporting or publish then together.</p>



Human Rights

Marshalls made a commitment at the end of 2009 to undertake a four year programme of Human Rights Impact Assessment. Efforts during 2010 have been focused upon undertaking a Human Rights Impact Assessment in Kota in the state of Rajasthan, India.

In 2011, Marshalls will focus upon the manufacturing process in China. In year three the focus will be other countries from which Marshalls sources to a less extent. The final year will see a HRIA in the UK. The order of these impact assessments has been influenced by the percentage of product imported by Marshalls. In addition ongoing monitoring in relation to existing HIRA's will take place.

The process has been a challenging one and marks the beginning of a journey for Marshalls, building upon our social and environmental impact assessment process. In many ways the process has inspired

as many questions as answers and has highlighted the need for the organisation's ongoing commitment to undertake assessment of the risks in relation to human rights.

The Secretary General's Special Representative, Professor John Ruggie, is preparing to present his recommendations for the implementation of the Respect, Protect and Remedy Framework to the UN in April 2011. This process will further assist in Marshall's own development of the organisations approach to human rights. Marshalls recognises that along with globalisation and instantaneous communications via the internet, opportunities come hand-in-hand with increased levels of threat and the potential for companies to find themselves caught up in situations of conflict and human rights violations.

Human Rights Impact Assessment (HRIA)

Marshalls' first HRIA in India has expanded upon research which was completed in 2009 in conjunction with an academic institution from Wales. This detailed research included: a systematic review of literature regarding the ecological restoration of sandstone quarry sites; livelihood research and report on the impacts of quarrying and the restoration of quarry sites in the Kota & Bhundi districts of Rajasthan; and a review of the opportunities for ecological restoration of quarry sites

around Kota. These reports can be viewed at www.marshalls.co.uk/sustainability in the publication section.

The HRIA process was undertaken in line with The Guide to Human Rights Impact Assessment and Management, jointly developed by the International Business Leaders Forum, The UNGC and the International Finance Corporation.

The seven stages of this process:

Preparation:

- Determine the company's human rights due diligence approach.
- Scope the company's human rights impact assessment.

Identification:

- Identify the key human rights risks and impacts.
- Set the baseline.

Engagement:

- Engage with stakeholders to verify the human rights risks and impacts.
- Develop a grievance mechanism that considers human rights issues.

Assessment:

- Assess the human rights risks and impacts.
- Analyse the assessment findings.

Mitigation:

- Develop the appropriate mitigation action plans.
- Present the mitigation action plans and recommendations to management.

Management:

- Implement the mitigation action plans and recommendations.
- Integrate human rights within the management system.

Evaluation:

- Monitor, evaluate and report on the company's capacity to address human rights.
- Review the evaluation and make appropriate adjustments if necessary.

The Challenges Encountered:

The process has proved challenging and has presented many opportunities for Marshalls to engage with its stakeholders moving forwards in order to building upon its first HRIA.

- Lack of authoritative information available to assist with the process.
- Difficulty in articulating the process to those involved or touched by the assessment – lack of common language around the subject of HRIA.
- Negative connotations as HRIA previously associated with human rights abuses rather than assessment.
- Lack of maturity around the subject matter.
- Resistance from stakeholders in general both internal and external.
- Educational aspect; to differentiate CSR and HRIA, why HRIA are important and will increasingly be so.
- Issue of transparency; should the process be entirely transparent or should the business have the opportunity to internalise the process and recommendations.
- Lack of HRIA's in the public domain to act as a guide and barometer.
- Conflicting information regarding the HRIA process.
- Too much academic information and little practical information.
- Lack of maturity in the field with no quality agencies with an understanding of the sector to be able to undertake a meaningful assessment.

Marshalls Human Rights Policy

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, wellbeing and rights of employees, their families and the wider community. The Company actively works and collaborates with employees, 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.

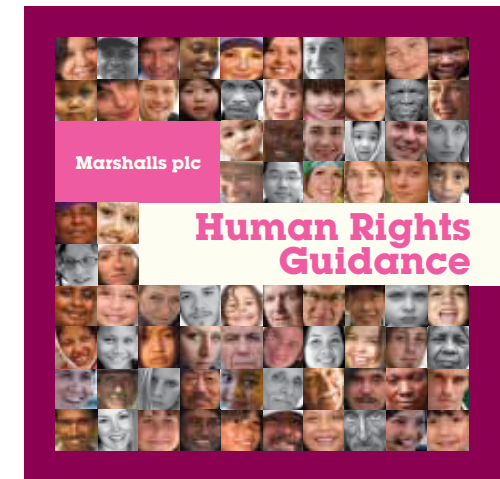
Marshalls embraces opportunities to promote a broader understanding of human rights values working within its sphere of influence.

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.

Human Rights Guidance Document

During this year Marshalls has developed a Human Rights Guidance Document for all of its stakeholders. This has been published on the Company's sustainability website.

This document clearly communicates why Marshalls has produced such a document, the UNGC principles, why guidance is necessary, the areas of influence for the Company, how human rights principles are embedded within the business and also the organisation's human rights policy and other related policies. It also sets out a number of goals for 2011 regarding further embedding human rights principles within the organisation. This will be a key area of work extending throughout 2011.



Why guidance is necessary

In June 2008, after three years of extensive research and consultations with business, governments and civil society on five continents, the United Nations Secretary General's Special Representative (SGSR) on Business and Human Rights, John Ruggie, proposed a policy framework for managing business and human rights challenges. It is based on three pillars: the states duty to protect against human rights abuses by third parties, including business, the corporate responsibility to respect human rights, and greater access by victims to effective remedy, judicial and non-judicial.

In October 2009 at a stakeholder consultation regarding human rights and business, the FTSE welcomed the acknowledgement by Professor Ruggie that corporations do indeed have a responsibility to respect all human rights at all times. The FTSE also advocated the need to embed due diligence into national legislations stating that, 'while companies already willing to apply due diligence within their operations one in need of Guidance, they remain currently disadvantaged on the market, whereas companies not acting with due diligence continue to act with impunity without facing any legal or economic sanctions. The inclusion into national legislations of due diligence processes as a legal obligation could be inspired by what is already being done in other spheres of law such as anti-corruption laws.'

Marshalls acknowledges its legal and corporate responsibilities regarding human rights and recognises that a truly global economy combined with the high speed mass communication opportunities delivered by the world-wide-web, increases scrutiny of corporate operations. Imperatives from government and demands from consumer for increased corporate transparency and accountability drives the need for all of Marshalls stakeholders to be educated regarding human rights and the Company's policies, procedures and stance in this area.

With its strong brand heritage and values - trust, honesty & integrity - Marshalls has aligned its organisational values, sustainable business model and ethical code of conduct so that all are congruent. With the certainty of increased legislation, and its implementation, regarding human rights Marshalls is committed to, and well placed, to embrace the Protect, Respect and Remedy framework for the benefit of all stakeholders and the long term sustainability of its business.

Marshalls is already recognised as doing outstanding work in field of human rights and group marketing director, Chris Harrop, was asked to attend the 10th Anniversary UNGC Leaders Summit in New York (June 2010) as a UNGC UK Network champion. At this event, and within the UK Network Millennium Development Goal Report, Marshalls work in India, regarding worker rights, health and safety, community consultation and provision of education for the children of migrant workers, was highlighted as an example of best practice. Marshalls is looking to expand this work further and to implement similar grass root projects in other countries from which it sources product.

Dignity at Work

Marshalls is engaged in a joint initiative with recognised trade unions (the GMB) to address issues of dignity in the workplace. A working party has been assembled consisting of three elected trade union representatives from across Marshalls' sites, including the senior co-ordinator from the Unite trade union, a full time regional officer for Unite, the Group

Human Resources Director and the Employee Relations Manager. This initiative brings together the Company's desire to address issues such as victimisation and harassment through education and raising awareness, with the trade union's agenda which focuses on the potential damage caused by bullying and harassment in the workplace.

The focus for the working party is:

- Raising awareness among employees regarding behaviour which is unwelcome and potentially damaging;
- Understanding the various issues including the less overt and more subtle, such as exclusion and ridiculing in which harassment and victimisation can arise;
- Developing appropriate policy and guidance documentation to support the announcement made early in 2010 under Marshalls' serious concerns policy;
- Creating an appropriate training and development mechanism to enable greater awareness and appreciation of such issues.

The initiative is being supported by a programme of awareness-raising initiatives across Marshalls' principal sites throughout 2011 supported by ACAS.

Marshalls' Human Rights Policy

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, 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.

Indian Law Regarding Employment, Human Rights and Environmental Rights

Due to the complexities of India law, particularly in relation to employment and the variations between districts, Marshalls commissioned Sterling Smith of Just Solutions Ltd to undertake a report on employment, human rights and environmental rights.

This process provided additional intelligence and has allowed Marshalls to clearly communicate its stance of key issues, particularly where these differ from the approach taken by national and regional government bodies in India.

For example during 2010 Marshalls has issued the statement below regarding child labour laws in India:

Statement Regarding Child Labour Laws in India

Work in the quarrying and manufacturing of Indian sandstone involves heavy stone and the operation of machinery, Marshalls believes it is not safe or acceptable for children under the age of 18 to undertake this kind of work.

Marshalls actively works to ensure that no children are employed in the production of its Indian sandstone products. Employment checks are carried out on all workers, living wages are paid and free education is provided for the children of quarry workers and the wider community. In addition Marshalls employs a social auditor in India who undertakes regular checks in quarries where Marshalls sources products. The social auditor works to build capacity and to address any issues with quarry owners. Weekly reports are sent to Marshalls head office in the UK.

Marshalls is aware of child labour law in India and understands that the India Government has not ratified either of the two core International Labour Organisation (ILO) conventions concerning child labour, namely Convention 138 on the Minimum Age of Entry into Employment and Convention 182 on the Worse Forms of Child Labour.

Marshalls is also aware that Indian law (the Prohibition & Regulation of Child Labour Act 1986, see <http://indiacode.nic.in/fullact1.asp?tfnm=198661>) <http://indiacode.nic.in/fullact1.asp?tfnm=198661>) currently defines a child as being under 14 years of age. However other

countries, including the UK, abide by the definition in the United Nations Convention on the Rights of the Child which defines a child under 18 years of age ([HYPERLINK "http://www.unicef.org/crc/"](http://www.unicef.org/crc/) <http://www.unicef.org/crc/>). India did become a signatory of the UN Convention on the Rights of the Child almost a decade ago but as yet has not applied this to its own child labour and employment laws in relation to those under the age of 18.

In Indian law the 1986 Act has a list of operations which children under 14 are prohibited from undertaking. These include processes involving exposure to free silica such as that encountered in the slate, pencil, stone grinding, slate stone mining, stone quarries, aggregate industries, and also includes stone breaking and crushing. ILO Convention 182 states that a child under the age of 18 can work, but not in hazardous industries.

As a member of the Ethical Trading Initiative (ETI) Marshalls commits to its Base Code which states that interpretation of the child labour clause of the Code needs to be done bearing in mind the ILO conventions. In addition, the ETI Base 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. Marshalls therefore follows the ETI Base Code, and ILO standard, and will not permit children under 18 to work in its supply chain.

2011 Targets – Human Rights



Targets 2010	Targets 2011
Ensure adherence to ETI Base Code and work actively to ensure that no child is employed in the supply chain. ✓	Continue to ensure that ETI base code is adhered to and that no child is employed in the supply chain.
Weekly reports from the social auditor in India. ✓	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.
Monthly reporting from NGO in Kota, Hadoti. ✓	Continue to receive monthly reports from NGO in Kota.
Undertake a HRIA in the quarrying region of Kota. ✓	Ongoing monitoring and evaluation of HR in India. Undertake HRIA in China in relation to the manufacturing process.
Develop a Human Rights Guidance Document ✓	Process of embedding human rights within the organisation; achieving the goals set out within the HRGD.
Undertake a report which clarifies Indian laws regarding employment, human rights and environmental rights. ✓	Undertake a report which clarifies Chinese laws regarding employment, human rights and environmental rights.
	Embed HR principles with employees. Embed HR principles with suppliers, contractors and other business partners. Communicate its HR stance to the wider community.



Labour

Marshalls' approach to labour rights is driven primarily by the Ethical Trading Initiative base code, the UNGC Labour principles and the organisations commitment to sustainable business.

In 2007 the organisation was the first member of the ETI from the stone sector. Marshalls engagement with the ETI was instrumental in the formation of the Stone Group – a group of companies from the sector which assembled in order to take collective action regarding issues regarding labour rights in the quarrying regions of Rajasthan.

Marshalls focus regarding labour issues have, to-date, primarily been aimed at India, from where Marshalls sources the largest percentage of its overseas product.

During 2010 Marshalls' team has spent a great deal of time on the ground in Kota working with its sole supplier Stone Shippers to continue its work in relation to labour rights. The work around Indian labour laws and their implementation has been embedded within the organisation and with its supplier, funding has been maintained for the provision of education for the children of quarry workers in the Kota region – with a total of six schools now being fully funded by Marshalls, workers rights education also continue to be held as do the much needed health camps where medical services and medicines are provided free of charge to anyone who attends the clinic and is in need.



Labour

In addition Marshalls has been the catalyst for a meeting which is planned in early 2011 with other quarry owners in the region to discuss the benefits to upholding the ETI base code and the practical steps that can be taken to improve workers rights and conditions.

This meeting is a big step forward in opening up communications with a stakeholder group which has been highly resistant to changes in respect to labour rights. Marshalls is well placed to facilitate positive change in this respect and to share its own experiences in the interest of progress and improved conditions for those working in and around the quarrying region of Kota.

The appointment of a social auditor has meant that Marshalls receives weekly reports which document whether the ETI base code is being observed; 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.

Monthly reports are also received from the NGO delivering services on the ground in the quarrying region. These reports document all aspects of activity including:

- *The number of people attending the health clinics.*
- *The number of people requiring treatment.*
- *The nature of the treatment.*
- *Any diseases treated and medication issued.*
- *Any injuries as a result of work treated.*
- *Home visits required/made.*
- *Whether attendees are male for female and their age and occupation.*
- *The number of children attending school.*
- *Number of boys and girls attending and their age.*
- *The activities undertaken.*
- *Numbers attending workers rights camps.*
- *Number taking up insurance.*
- *Numbers claiming insurance.*
- *Number and nature of grievance calls made to NGO.*
- *Follow up on any grievances reported.*

Marshalls remains highly committed to this important area of activity and continued funding for this throughout 2011 was announced at the end of 2010 when Chief Executive Officer Graham Holden and Group Marketing Director Chris Harrop visited Kota during December 2010.

In conjunction with the HRIA in China during 2011 this approach to labour rights will be assessed and to be extended to Marshalls suppliers in China. The 2011 COP will document progress in this respect.

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

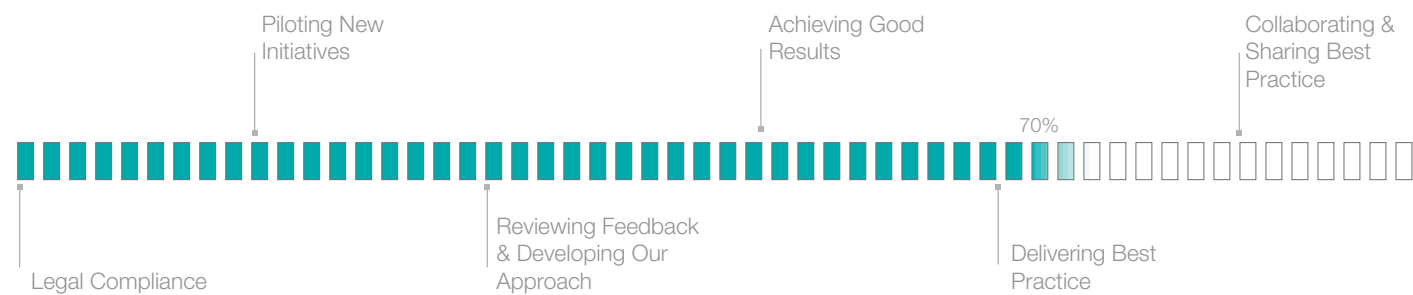
- 9.1 Physical abuse or discipline, the threat of physical abuse, sexual or other harassment and verbal abuse or other forms of intimidation shall be prohibited.

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.



2011 Targets – Human Rights

Targets 2010	Targets 2011
Maintain accreditation to Integrated Management Systems. ✓	Maintain accreditation to Integrated Management Systems.
Research and reporting on labour laws and their implications. ✓	Continue researching, reporting and embedding relevant information regarding labour laws and their implications; both in India & China.
Continue monitoring the environmental impact of quarrying on the water table. ✓	India Maintain funding for NGO in India. Further develop and enhance the weekly reporting process regarding social auditing. Continue to deliver workers' rights education camps. Continue education on health & safety practices.
Maintain funding for NGO. ✓	China Put in place a social auditing process in China
Weekly reports from the social auditor.	
Monthly reports from NGO. ✓	
Delivery of workers' rights education camps. ✓	
Continued education on health and safety practices. ✓	



The Environment

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

In addition the 2009 COP detailed comprehensively Marshalls progress with regards to the environment. The environmental targets documented in this report are long term and the information from the 2009 COP is still highly relevant. The 2009 COP can be viewed at www.marshalls.co.uk/sustainability in the publication section.



Carbon Reduction

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

The business KPI's are aligned to CRC by measuring energy at both absolute and relative intensity levels and the business remains committed to reducing energy use in relation to both of these measures. Marshalls aims to reduce the absolute CO2 emissions by 2,000 tonnes annually, and to meet the government's target of an 80% reduction by 2050. The organisation recognises that renewable energy will be required in order to achieve the later and is currently investigating different options.

Plans to investigate further energy saving opportunities are underway. Partial funding was received in 2010 from CO2 Sense Yorkshire to progress with a renewable energy project at a regional site with a view to reducing the carbon intensity of the Group's heating system.

Marshalls continues to voluntarily submit data to the Carbon Disclosure Project.

Water

Marshalls remains on track to reduce its water consumption to 0.050m3 per tonne of production by 2012. The business has demonstrated its commitment to water harvesting on numerous sites and utilises quarry water where appropriate in its operations.

Transport

Following a review of its transport activities an increased amount of the Group's haulage is now undertaken in-house. Marshalls'

fleet of vehicles is modern, mostly with Euro5 diesel engines that are fuel efficient. The programme of 'greener driver training' continues to achieve increased awareness, better driving skills resulting in lower levels fuel consumption and therefore emissions.

Waste Reduction

Throughout 2010 Marshalls continued to measure the amount of waste leaving site. The aim is a reduction of 3% per annum averaged over a three year period. The business is focused upon waste reduction and investigates all of the opportunities for recycling within its sites.

In 2009 93.6% of waste was recycled or reused, an increase of 3.6% on 2008 figures. Figures for 2010 will be available early in 2011.

Packaging

Marshalls' target is to reduce packaging by 2% per annum, over a three year period. Appropriate packaging is used to ensure safe handling, storage, transport and to maintain product safety. Packaging principally comprises timber pallets and polythene. Marshalls carefully monitors the sourcing of timber by its timber pallet suppliers having worked with them to achieve Forestry Stewardship Counsel (FSC) accreditation at the end of 2009.

Suppliers & Contractors

Marshalls Procurement Policy guards against the company procuring from companies that 'wilfully and avoidably damage the environment. The Group continues to work with its key suppliers to ensure they have appropriate environmental management systems in place and to develop environmental best practice standards and to share the benefit of environmental improvements.

Ecopoints

Marshalls target is to develop Ecopoints for Commercial Landscapes during 2011. Accurate environmental profiling is vital in order to provide meaningful comparisons between different products. Although CO2 is the most important, other significant factors can be considered such as pollution, waste disposal and water extraction. With environmental profiling, designers are able to compare products for similar building specifications and merchants can present accurate and validated environmental information about their products.

Throughout 2010 Marshalls worked with the Building Research Establishment (BRE) to establish the Ecopoints rating for its commercial products, in order to provide a single score environmental assessment of different building materials, based on a complete Life Cycle Assessment.

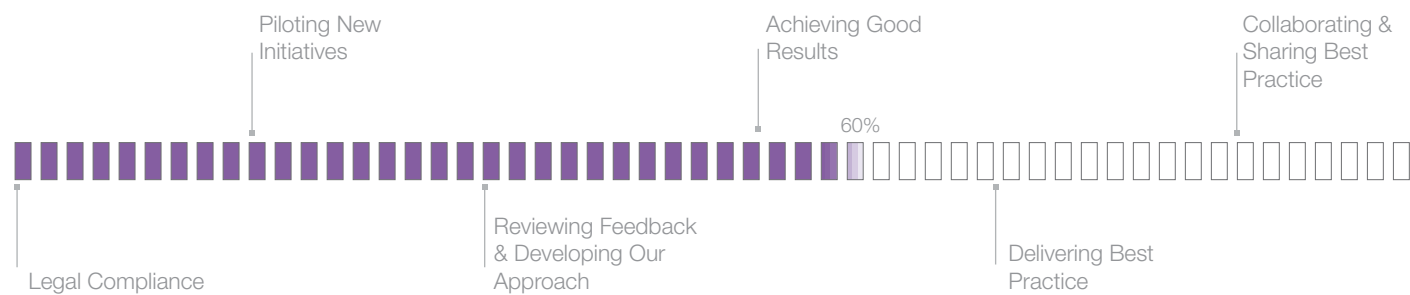
Ecopoints are based on a range of 13 different environmental impacts, which are then given percentage weightings based on the relative importance of different sustainability issues:

- 1. Climate change
- 2. Water extraction
- 3. Mineral resource extraction
- 4. Stratospheric ozone depletion
- 5. Human toxicity
- 6. Ecotoxicity to freshwater
- 7. Nuclear waste (higher level)
- 8. Ecotoxicity to land
- 9. Waste disposal
- 10. Fossil fuel depletion
- 11. Eutrophication
- 12. Photochemical ozone creation
- 13. Acidification



2011 Targets – Environment

Targets 2010	Targets 2011
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 labelling of 500 consumer products and 1565 commercial paving products ✓	Carbon labelling of 500 consumer products and 1565 commercial paving products
Uphold the May Day Network pledges ✓	Uphold the 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.



Anti - Corruption

The tenth principle commits UNGC 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.

Bribery is not a victimless crime; it discourages developmentally effective trade, siphons off funds away from projects designed to help the most disadvantaged. It tarnishes reputations, drains corporate motivation and distorts competition.

At the 1998 Organisation for Economic Co-operation & Development (OECD) Convention on Bribery international consensus was gained with regard to the following:

1. Governments must have effective laws and enforcement capacity in place.
2. Governments must take action against the cultures of bribery that exist in certain sectors in certain parts of the world.
3. Businesses must be pro-active in adopting anti-bribery measures.

It is likely that April 2011 will see the commencement of the Bribery Act in the UK. The UK Bribery Act will protect companies that are committed to conducting business in a lawful and ethical manner.

During 2010, Marshalls has further developed its Procurement Policy Statement which covers; procurement objectives; legality, ethical, social and responsible sourcing; code of conduct for procurement; conflict of interests' anti-competitive behaviour; serious concerns; structure and authority; payment; intellectual property and commercial information; information & reporting; and compliance. This policy can be viewed at www.marshalls.co.uk/sustainability

Throughout 2010 a plan of activity has been developed which further supports Marshalls' stance in this area. The key performance indicators regarding this plan are reflected within the targets for Anti-Bribery for 2011.

2011 Targets – Human Rights

Targets 2010	Targets 2011
The development and implementation of a plan of activity focused upon identifying areas of potential issue and the development of anti corruption processes and procedures ✓	Make the Procurement Policy Statement available online
	Brief the procurement department on the UNGC and specifically the Anti-Corruption principles.
	Engage procurement personnel in UNGC activities.
	Produce an Anti-Corruption Guidance Document for multiple stakeholders.
	Make the Anti-Corruption Guidance Document available online.
	Ensure the Anti-Corruption Guidance Document is part of the procurement policy process.
	Communicate with all existing suppliers regarding the Anti-Corruption Guidance Document.
	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



Marshalls at the BITC Awards for Excellence Yorkshire event, sweeping up five awards for Sustainable Marketing, Skills in the Workplace, Supply Chain Ethics, Climate Change, and Work Experience.



Neil Davidson, Chris Harrop and Graham Holden at the BITC Awards for Excellence event in London where Marshalls was named National Example of Excellence for Sustainable Marketing and Innovation.



Chris Harrop picking up the PLC Awards 2009 Achievement in Sustainability Award for the second year running.



Christine Morris at the British Precast Awards receiving the Sustainability Site Award on behalf of Marshalls' Falkirk works.

Third Party Recognition & Awards

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 2009 and 2010 to highlight the third party recognition of its achievements.

Awards – 2009 and 2010

November 2009	Halifax Courier Community and Environment Awards	The first ever Evening Courier Community and Environment Awards pay tribute to the cream of Calderdale's unsung heroes, volunteers and green gods.	Charity and Business Partnership of the Year	WIN
November 2009	Building Magazine	Celebrating the green champions pushing at the boundaries of low energy design and construction.	Green Guru	WIN
December 2009	Wildlife Trusts	The Wildlife Trusts' Biodiversity Benchmark is the first award for business to recognise continual biodiversity improvement.	Biodiversity Benchmark – Stoke Hall	ACCREDITATION
February 2010	The PLC Awards	The PLC Awards event was founded in 1987 to reward excellence in the smaller quoted company sector	Achievement in Sustainability	WIN
March 2010	Business Superbrands	Now in its eighth year, Business Superbrands identifies and pays tribute to the UK's strongest B2B brands.	Business Superbrand 2010	
April 2010	Ethical Corporation Awards	A celebration of excellent responsible business practices by leading companies	Best Collaboration Outstanding Performance	HIGHLY COMMENDED HIGHLY COMMENDED
May 2010	British Precast Awards	The British Precast Concrete Federation trade association of precast concrete manufacturers	Sustainability Award (Site Category – Falkirk) Health & Safety Award – Sittingbourne	WIN WIN
June 2010	Business in the Community Awards	The UK's most influential, independent, peer assessed corporate responsibility awards	Sustainable Marketing Skills in the Workplace Re-accreditation – Supply Chain Ethics Re-accreditation – Climate Change Regional Work Experience	NATIONAL EXAMPLE OF EXCELLENCE BIG TICK RE-ACCREDITED RE-ACCREDITED HIGHLY COMMENDED
August 2010	Sustainability Awards		Manufacturer of the Year	SHORTLISTED
October 2010	Construction Marketing Awards		Digital Communications Award	SHORTLISTED

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 put in several processes to ensure compliance and improvement.

In 2010, Marshalls took auditing to a new level. Having already independently audited sole Indian Sandstone supplier Stoneshippers and verified working practices by regular Marshalls visits, the company took the bold step of employing a full time social auditor.

Working on the ground alongside Stoneshippers and Hadoti, the auditor ensures all areas of the ETI Base Code are upheld.

Independent auditing

Marshalls 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 Base Code. 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. Also, a qualified Marshalls assessor goes out to India 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 that meet its own stringent requirements and those within the industry. With Marshalls’ help, Stoneshippers India recently achieved the internationally recognised integrated management system that Marshalls has in the UK, incorporating ISO 9001, ISO 14001 and OHSAS 18001.

Marshalls would like to thank all of its stakeholders who had input into this first UNGC Communication on Progress, namely:

- Marshalls employees
- Customers
- Suppliers
- Partners
- NGOs.

Marshalls is grateful for the comments from all of its stakeholders.



Marshalls

Creating Better Landscapes

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

Marshalls plc, Birkby Grange, Birkby Hall Road, Birkby, Huddersfield, HD2 2YA
Telephone: 01484 438900 www.marshalls.co.uk

©COPYRIGHT MARSHALLS FEBRUARY 2011