

## ABSTRACT

### ALL PARTY PARLIAMENTARY GROUP ON OVERSEAS DEVELOPMENT

### SUPERMARKETS & STANDARDS - WEDNESDAY 23rd NOVEMBER 2005

#### MARKS & SPENCER AND SUSTAINABLE DEVELOPMENT

Marks & Spencer recognises and supports the DEFRA model for sustainable development. The five key principles of environment, society, economy, governance and science are a close fit with the business principles of Marks & Spencer, established by Michael Marks in the 1930's.

Our business values of Quality, Value, Service, Innovation and Trust coupled with our fundamental strengths of

100% own brand            }            which together enables us to have full knowledge

Command of the supply chain    }            and control of production and raw materials

and

Focus on superior quality and innovation – requires us to seek differentiation shapes our relationship with suppliers. As a result, we have a long term relationship with suppliers lasting in many cases for 20-40 years.

Our knowledge of the supply chain enables us to carefully manage the sources of raw materials and production.

Africa is particularly important to us, coming third in raw material supply after UK and Europe. We source finished products and raw materials from over 8 countries in Africa. We believe this long term approach has enabled the developments of standards, communities and good agricultural practice.

The key components of our supply base in Africa are divided between Direct Suppliers, where products are packed at source, Indirect Suppliers who may be major suppliers of agriculture products and raw materials, Small Holders who are an important aspect of the agricultural supply chain, Certified Supply Chains such as Fairtrade and other joint initiatives.

Direct Suppliers are always our preferred method of working. We pioneered packing at source as not only does it mean you create wealth at the point of production, it also gives the best quality and value. Our long term relationships in Kenya and Ghana have meant we have been able to encourage significant benefits in terms of environmental and social impact.

Indirect Suppliers are those who are important to us in terms of providing key raw materials, but with whom the trading relationship is through our direct supplier either in the UK or overseas. We have always been very aware of the importance of indirect suppliers in providing us with differentiated quality standards and also of our social responsibility towards these suppliers.

An example is our approach on milk pricing where we have pioneered the concept of long term contracts on milk pricing which is a unique approach in the UK. We are endeavouring to adopt the same approach in Africa and as an example the quotes given on a BBC News interview, made by a South African grape farmer, demonstrates how we ensure a fair price is returned down the agricultural supply chain.

We are also aware of the importance of small holders and have been actively involved with the Ethical Trading Initiative to develop practical guidelines to ensure they meet our requirements, yet at the same time our auditing approach is not too onerous. Working with smallholders has enabled us to gain better knowledge of their needs, encourage better communication and encourage processes where they can work together to develop infrastructure.

In some cases, we adopt certified supply chains such as Fairtrade. Our initiative to exclusively sell Fairtrade coffee and tea in our chain of Coffee Shops has led the Fairtrade Foundation to believe sales of Fairtrade coffee in the UK to increase by 23% and Fairtrade tea by 11% over a 12 month period.

We have also initiated a novel partnership with the Shell Foundation. This initiative is aimed at working with a charitable foundation to develop sustainable SME's in the developing world to alleviate poverty and drive innovative trade links.

We also have been instrumental in establishing SEDEX as a novel approach to managing excessive numbers of expensive social audits being imposed on small suppliers. This system is a means by which individual suppliers can register audits carried out by any of the major UK retailers or manufacturers and for this information to be shared rather than each buying organisation requiring their own audit.

However, there are inevitably a number of issues that must be taken into account.

Individual companies will always have certain requirements which are non negotiable. The more differentiated the company aspires to be, the more challenging these requirements will become.

Innovation is key to growth. Producing large quantities of non differentiated products will only force down prices.

Companies such as Marks & Spencer will always aspire to have long term relationships. However, this can become a barrier to entry to new suppliers unless they are able to offer real differentiation.

A stable political climate is crucial to growth.