

B&Q Case Study

Background

B&Q was the first national DIY retailer and has been in the DIY business for more than 30 years. Richard Block and David Quayle (B&Q) founded it in 1969. They wanted to bring value, longer opening hours and a broader product range. They opened their first store in Southampton which was called Block and Quayle, later shortened to B&Q. Today, the Company employs over 39,000 people in 332 stores in the UK and Ireland (2007).

B&Q has become an international company. Sixty stores have been opened internationally, including B&Q Beijing, which is now the largest B&Q store in the world

Turnover is £3.9 billion, with a profit of £162.9 million (year ending 02/2007).

Sustainable Development and CSR policies¹

By Sustainable Development, B&Q means “Making sure the resources used today do not affect the well being of future generations or the availability of that resource in the future.”² The Corporate Social Responsibility programme is one of the mechanisms for achieving sustainability. The CSR vision is “To improve the quality of life of all the people our business touches”.

The Company’s core values are:

Environment: Every product we sell at B&Q has its own unique life cycle or story. As such we have a responsibility to ensure that any possible environmental impact is as low as possible during manufacture, use and disposal.

Ethical Trading: It is our duty to ensure that everyone involved in B&Q supply chains benefits from trading with us. Our customers want great products at great prices, but not at the expense of the people who make them. We are committed to sourcing products responsibly.

Diversity: At B&Q we are committed to eliminating all forms of discrimination and

¹ For more information on the CSR policy and programmes see *Social Responsibility Policy 2004*

² An alternative way to garden B&Q leaflet

ensuring an inclusive environment irrespective of age, gender, marital or civil partnership status, colour, ethnic or national origin, culture, religion, religious belief or similar philosophical belief, disability, political affiliation, gender identity, gender reassignment or sexual orientation.

Community: We have a significant influence on the communities in which we operate, and our aim is for all our stores to be welcomed as 'good neighbours' in the communities that they serve, including the contribution of skills and funding to selected community projects.

Drivers for the Policy

The Company has identified 12 key trends in society that will affect how the company does business. Action is focused in these areas.

1. **Respect for people:** The way we treat our people is becoming more important than ever.
2. **Store neighbourhoods:** Communities will reject businesses who are not good neighbours.
3. **Store waste:** When we throw rubbish away it takes our profits with it.
4. **Transport:** Moving more stock is good – more traffic congestion is bad.
5. **Product stories:** Every product will soon be telling a story – and they all need to be good.
6. **Factory working conditions:** We will be judged by the way the people who make our products are treated.
7. **Greener suppliers:** Our suppliers need to be cleaner and greener too.
8. **Timber:** We are selling more wood but it is becoming harder to find.
9. **Chemicals:** Chemicals are causing increasing concern and controversy.
10. **Climate change:** Climate change equals changes to homes – appliances will change too.
11. **Packaging:** Packaging waste will become a bigger financial waste.
12. **Product disposal:** We need to plan what happens when our customers want to dispose of the products they bought from us.

The Practice

This section provides examples only.

Managing the issues

There are hundreds of ways the Company could respond to the issues identified by the 12 trends.

It has created a four rung ladder to help make these decisions and measure progress.

We need to look at each trend individually and decide how to respond to it. We could do the minimum we need to do legally or we could choose to lead the debate – these four rungs on our specially created Ladders will help us make these decisions and measure our progress –

- **Leadership**
For trends where we're considered to be one of the best businesses in the field.
- **Creating Opportunity**
For when we're seeing a real business benefit and building a better reputation because of how we responded to the trend.
- **Managing the Issue**
For when we're taking a systematic approach – spotting and managing issues before they arise.
- **Managing the Risk**
The lowest rung of the Ladder means we're reacting to a trend as issues arise so as we can protect our reputation and make sure we operate legally and safely.



This Ladder approach identifies how we can keep working towards being a better neighbour whilst accepting that we can't always be leaders. We work in a fast-changing world with a fast changing product range and we don't have to be on the top rung of every Ladder to be a good business.

Initially B&Q worked with its suppliers to improve the environmental integrity of its supply chains. The programme called QUEST (QQuality, Ethics and SafeTy) had 10 key principles. These have now been revised to incorporate sustainable development issues. For each QUEST principle, suppliers are awarded a grade from A-E. Grade A is reserved for “leadership, commitment and innovation” and a grade E a major problem that contravenes the B&Q environmental policies. New suppliers that do not reach the relevant grade are required to do so within one year.

The QUEST programme has been expanded and is applied to the impact of its stores, addressing environmental and community issues such as waste minimisation, staff awareness, energy efficiency and community interaction. Performance targets have been set using a star rating. More than 90% of stores maintain the highest 5 star standard. The position of Environmental Champion is open to any member of staff at a store. The Champion supports the store manager by communicating issues, holding activity weeks and co-ordinating environmental and community projects.

An e-learning programme has been developed and all staff are encouraged to complete it.

Diversity

In employment, B&Q supports the Government's WORKSTEP programme. The purpose of the programme is to give disabled people the opportunity to work alongside non-disabled people to encourage them to reach their full potential with the aim of enabling the

person to enter mainstream employment. B&Q's recruitment process works via an automated telephone screening interview. This is a structured interview process that measures talent and fit to B&Q's demands and culture. The interview and questions are free from bias with regard to age, gender, ethnic origin or disability. On 27 June 2003, B&Q's oldest employee celebrated his 90th birthday.

Environment

Energy

In 2006 B&Q started selling solar panels, wind turbines, energy trackers and other new energy efficient products, bringing them to the UK mass market for the first time.

The process for managing energy in stores has vastly improved through the introduction of monitoring measures, production and publishing of league tables. It is estimated that the monitoring system helped to reduce B&Q's CO₂ emissions by 7,000 tonnes in the year 2006/07.

Peat and growing media

With regard to growing media, in 1991 B&Q decided to stop buying peat extracted from bogs classified as 'Sites of Special Scientific Interest'. In 2001 it launched its Peat Free Multi Purpose Compost which is also part of its Organic product range. In 2002 it reached its target of 30% of all growing medium sales being peat alternatives and was on target for 50% in 2003.

Timber

About 22% of B&Q's turnover is accounted for by timber products. It buys from 130 suppliers and 24 countries.

Since the 1990s, B&Q has tried to deliver the means of ensuring that all timber and timber products are from proven, well-managed sources. At the time there was no credible scheme that could verify forests as well managed or could inspire confidence of customers or B&Q itself. B&Q became a founder member of the WWF95+ group and was instrumental in the creation of an independent organisation called the Forest Stewardship Council. The Timber Policy was revised in 2000 and included acknowledgement of other certification schemes. In 2003, 80% of timber products were certified by FSC, 15% by other recognised certification schemes and the

remaining 5% have action plans to achieve certification.

Ethics

B&Q buys over 40,000 products from over 60 countries. Identifying and improving conditions in supply chains is a long and complex process, but one to which the Company is committed. B&Q's Operational Standards reflect the company's belief that good work-place standards, good health and safety, fair pay and employment conditions and care for the environment are all elements of a successful, professionally run business. B&Q works with suppliers to achieve these goals, including organising workshops. The policy extends right down to people making items for B&Q in their homes.

Community

B&Q stores donate waste materials to community groups and the Better Neighbour Grant scheme provides between £50-£500 worth of materials to help community schemes.

Business Costs and Benefits

B&Q in building partnerships with local organisations run by disabled people and improving staff training on the needs of disabled customers have attracted more disabled and non-disabled customers.

B&Q has achieved a major breakthrough in recognising the value of employing older and disabled people in their stores as business results demonstrate they are more attuned to the needs of their customers. In doing this, B&Q achieves the following:

- Increased sales to disabled people
- Brand enhancement linked to 'good neighbour' policy and practice
- Overall improvement in customer care on the principle that 'if we get it right for disabled people, then we get it right for most people'
- Increased overall employee satisfaction, and therefore better retention, absenteeism, and productivity rates.³

B&Q has won many awards. A recent one in March 2007 was the *Corporate Social Responsibility Award* at the Retail Week Awards.

The Future

Targets have been set in all the 12 'Trends' and progress is reported annually. The aim is to improve year-on-year. For example, the company aims to reduce CO₂ emissions from store operations by 9.7% compared with a 1999 baseline, to 90kg per m² of retail floor space. It is intending to reduce the amount of waste disposed of by stores to an average of two wheelie-bins per week per supercentre. A new area of activity is providing opportunities for customers to return old products and packaging for recycling.

B&Q is also taking steps to reduce its carbon footprint. Measures include using recycled water to wash its fleet and using short sea shipping for central distribution, which has saved six million transportation miles a year. Additionally, the retailer is working hard to encourage its suppliers to improve the methods used in product development, as well as the efficiency of the products themselves.

B&Q is keen to educate its customers on sustainability issues and help them make improvements in their homes that will reduce their footprint.

Further Information

For further details refer to the website at: www.diy.com.

³ Equal Opportunities and Diversity Manager, B&Q, July 2000

Co-operative Bank Case Study

Background

The Co-operative Bank is a fully owned subsidiary of CWS (Co-operative Wholesale Society). It began in 1872. In 2002 Co-operative Financial Services (CFS) was formed, bringing Co-operative Bank and Co-operative Insurance Services (CIS) under common leadership. The Co-operative Group board completed its merger with United Co-operatives (2007). The enlarged Society is the largest consumer co-operative in the world with an annual turnover of more than £9 billion, over 4,500 stores and branches, 87,000 employees and 4.5 million members.

The bank's business is almost wholly within the UK, serving retail societies, trade unions, local authorities, small businesses and the general public. The bank has 6.5 million customers (2007).

The Co-operative Bank historically has been an innovative bank. For example, it has led the way with:

- free banking
- interest-bearing current accounts
- refusing to provide credit references without the customer's permission
- mobile telephone banking and interactive home banking services with Sky TV (1996)
- the first biodegradable Visa card (1997)

In 1995 the bank launched its National Centre for Business and Ecology, a low cost, high quality environmental advisory service to small and medium sized UK business.

The first sustainability report for CFS was published in 2003. In 2005 CIS launched its Ethical Engagement Policy.

Pre-tax profits of £96.5 million were reported in 2006.

Sustainable Development Policies

The vision

To be the UK's most admired financial services business.

Purpose

To be a growing, pioneering financial services business delivering benefits to customers, members and communities through commitment to value, fairness and social responsibility.

The following is an abridged version of the Bank's policy edited by PP4SD.

Human Rights

Through our investments, we seek to support the principles of the Universal Declaration of Human Rights.

The Arms Trade

We will not invest in any business involved in:

- the manufacture or transfer of armaments to oppressive regimes
- the manufacture of torture equipment or other equipment that is used in the violation of human rights.

Corporate Responsibility

We advocate support for the Fundamental International Labour Organisation Conventions. In line with these, we will seek to support businesses which take a responsible position with regard to:

- fair trade
- labour rights in their own operations and through their supply chains in developing countries

Genetic Modification

We will not invest in businesses involved in the development of genetically modified organisms (GMOs), where, in particular, the following issues are evident:

- uncontrolled release of GMOs into the environment
- any negative impacts on developing countries; in particular, the imposition of 'Terminator' technologies
- patenting; in particular, of indigenous knowledge
- cloning; in particular, of animals for non-medical purposes

Social Enterprise

We will seek to support charities and the broad range of organisations involved in the Social Enterprise sector.

Ecological Impact

In line with the principles of our Ecological Mission Statement, we will not invest in any business whose core activity contributes to:

- global climate change, through the extraction or production of fossil fuels
- the manufacture of chemicals which are persistent in the environment and linked to long term health concerns
- the unsustainable harvest of natural resources, including timber and fish.

Furthermore, we will seek to support businesses involved in:

- recycling and sustainable waste management
- renewable energy and energy efficiency
- sustainable natural products and services, including timber and organic produce
- the pursuit of ecological sustainability

Animal Welfare

We will not invest in any business involved in:

- animal testing of cosmetic or household products or ingredients
- intensive farming methods, for example, caged egg production
- blood sports, which involve the use of animals or birds to catch, fight or kill each other
- the fur trade

Furthermore, we will seek to support businesses involved in:

- the development of alternatives to animal experimentation
- farming methods which promote animal welfare, for example, free range farming

Customer Consultation

We will regularly reappraise customers' views on these and other issues and develop our Ethical Policy accordingly.

Drivers for the policy

- Enlightened self-interest.
- Social responsibility has now found its way on to the boardroom agendas of many businesses across the country.
- Increased public concern as to how products and services are produced, particularly consumer goods and foods, an area in which Co-operative Wholesale Society (CWS) has led the way with honest labelling policies.
- The publication of revised corporate governance guidelines for UK company directors which establishes new responsibilities for risk management.
- The launch, by the Institute of Social and Ethical Accountability of a global ethical reporting standard, AA1000 (The Co-operative Bank became the first company in the world to adopt this standard.)
- The launch of the UK Government's SIGMA Project that aims to develop and test a new British Standard in social and environmental management. (The Co-operative Bank is one of a small group of companies taking the project forward, and is the sole participant from the financial services sector).

Sustainable development in practice

The Co-operative Bank is committed to a partnership approach and seeks to deliver value to all partners in a socially responsible and ecologically sustainable manner. Conflicts of interests do arise - where giving to one partner will mean taking away from another. Therefore, alongside profitability, the pursuit of 'balance' is key within the partnership approach.

The bank defines its key partners as: shareholders, customers, staff and their families, suppliers, local communities, national and international society, past and future generations of co-operators.

A few examples of how the policy is implemented are:

- The bank's social and ecological ambitions involve all staff. Employees are granted up to 3 days paid leave to contribute to their local communities.
- An Ethical Debate Forum has been established on the internet. Issues are debated on line for a fixed period. These have included: Currency Speculation, Human Rights, The Arms Trade, Animal Welfare, Ecological Impact, Trade and Social Involvement, Genetic Modification, Diamonds.
- 'Customers Who Care' campaigns support campaigns about which customers are concern. For every £100 spent on a customer's Co-operative Bank Visa card, the bank donates 1.25p to the latest 'Customers Who Care' campaign.
- The majority of the bank's car fleet has been switched from petrol to diesel. Carbon dioxide emissions have decreased by 6% per customer account.
- Community Directplus is a telephone and internet banking service for community organisations, charities, social enterprises and co-operatives. This service was enhanced and re-launched in 2004 and also includes a small fund of £10,000 to which customers can apply for funding.
- In 2003 Smile developed a relationship with Christian Aid. Smile products are promoted to Christian Aid supporters and for every account opened £50 is donated to the charity.
- As at February 2004 12% of the value of investments were deposited in ethical funds.
- In 2004 a FTSE4Good UK unit trust was launched. This product tracks the FTSE4Good index. To be included in the FTSE4Good index companies have to meet exacting standards on environmental sustainability, human rights and stakeholder relations. In addition, the index excludes companies

involved in the weapons, tobacco and nuclear industries.

- In 2004, CIS polled in excess of 500,000 customers on a new CIS Ethical Engagement Policy. The Ethical Engagement Policy directs CIS' responsible shareholding activities, much as the Bank's customer-led Ethical Policy
- In 2005 the Bank transformed its office in Manchester into the largest vertical solar array in Europe. The £5.5 million project began in 2004 when old mosaic tiles began falling from the building. It was decided to clad the tower with 7,244 solar photovoltaic panels. Since 2005 the panels have created 180,000 units of renewable electricity each year - enough energy to make 9,000,000 cups of tea.

Business costs and benefits

The bank's strong commitment to sustainable development has realised many benefits and helps:

1. Position the bank as a champion for sustainability within the financial sector. In July 2002 it won the top Judges Award for Global Corporate Social Responsibility at the New York-based Corporate Conscience Awards - the first time it had been won by a UK business. Also in 2002 the bank won the Queen's Award for Enterprise in the sustainable development category.
2. Create a 'blueprint' for the future.
3. Increase profitability by encouraging customers who are already environmentally aware and attracting those that are still debating the fundamental issues. Customers cite the bank's ethical and ecological policies more than any other single factor as their main reason for joining.
4. Increase customer confidence by their transparency through environmental reporting.
5. Deliver value to their partnership. The bank's ethical and ecological positioning has made a direct contribution to the bank's profitability of around 20%.
6. Reduce overheads by achieving environmental targets thus increasing partners' profitability e.g. plummeting paper usage.

Since 1998, the bank's waste has been reduced by 36% per customer account. Since 1997 carbon dioxide emissions per customer account have been reduced by 83%. Ninety-eight percent of all the bank's electricity comes from renewable sources. However, there is still progress to be made on other fronts. For example, in 2001-2 business mileage increased by 300,000 miles.

During 2003 the bank's Ethical Policy Unit reviewed 225 potentially problematic financial opportunities (a 57% increase on 2002). Of these, 20% were found to be in conflict with the Ethical Policy and the business

opportunity was declined. The estimated annualised gross income foregone in 2003 for ethical reasons is £6,887,000.

Achievements

In 2003 Co-operative Bank and Co-operative Group were first (22%) and second (12%) respectively in an independent poll of MPs asked to name which companies are best at demonstrating the principles of corporate social responsibility. This rose from 21% and 5% respectively in 2002.

The Bank was once again placed first in Business in the Environment (BitE)'s Eighth Index of Corporate Environmental Engagement in the banking and financial services sectors, and maintained its position in the 'Premier League' of companies scoring more than 95 per cent.

In February 2005, CFS' Sustainability Report 2003 was declared winner of the UK Sustainability Reporting Awards.

Of the 62 targets set in 2005, CFS fully achieved 38, made acceptable progress towards 12, made partial progress towards one, and has not yet achieved 11.

The Future

"We will endeavour to harness the strengths, traditions and values of both CIS and The Co-operative Bank and pursue our vision to offer customers a broader range of products and an even more convenient service."

Green Housing Initiative

Tackling climate change and providing affordable housing for first time buyers are the biggest challenges facing the British housing market today. With this in mind the Co-operative Bank has teamed up with Living Space 21, a new housing developer, to offer homes that are not only eco-friendly but, also within reach of those starting out on the property ladder.

Further information

For further details refer to the website at: www.co-operativebank.co.uk

Case Study: Innocent

Background

Established in 1999 by three friends, Innocent has grown dramatically over the past 9 years, and now has 275 employees. From 3 recipes on day one, the company now produces thirty different smoothies, and enjoys a 72% market share.

There are now c.10,000 retailers stocking Innocent smoothies across the UK, and as far afield as Salzburg and Copenhagen. The company sells roughly 2 million smoothies per week from just 20 on their first day of business.

Co-founders Richard Reed, Adam Balon and Jon Wright have received much recognition for the success of their business, including best UK soft drink at the Quality Food and Drink Awards in 2002, 2003, 2004, 2005, 2006 and 2008. Their ethical business strategy has also received accolades - e.g. 2008 Business Committed to the Environment Peter Parker Award and 2007 Business in the Community Award: Cause Related Marketing. Innocent were placed at number 40 in the Sunday Times Fast Track 100 in 2007 - the only company to have appeared in the list in four consecutive years. They were also awarded "Best Workplace in the UK" at the National Business Awards.

The long term vision is to be "a company that makes delicious, healthy, natural, ethical food universally available for all." Innocent's values are: be natural, be entrepreneurial, be responsible, be commercial and be generous.

Turnover in 2006 was £78m.

Sustainable Development Policy

Innocent's ethical strategy is divided into five areas of interest: 'Keeping things natural,' 'Responsible ingredients,' 'Sustainable packaging,' 'Resource-efficient business' and 'Sharing the profits.'

The following is an abridged version of the Bank's policy edited by PP4SD.

Keeping Things Natural:

Our first and most important step in creating a sustainable business is to only use 100% natural, healthy renewable ingredients for our drinks – quite simply, we will put nothing into an innocent smoothie bottle unless it is made by nature. Of equal importance is that we will only ever make food that is genuinely good for people, each of our products has to have a positive health benefit, and be free of manufacturing shortcuts such as concentrates, flavourings or other weird additives that make food less wholesome.

Responsible Ingredients:

Innocent work in conjunction with the Rainforest Alliance – an international NGO whose remit is to protect the ecosystems, wildlife and people depending on the rainforest – to ensure that all their produce is ethically sourced.

Sustainable Packaging:

We aim for four main sustainability characteristics in our packaging:

1. To use 100% recycled or 100% renewable material in our packaging.
2. To use the least possible amount of material per pack.
3. To use materials with a low carbon footprint.
4. To use materials for which there is a widely available sustainable waste management option.

Resource Efficient Business:

Our first focus has been to reduce our carbon footprint. We measured our carbon footprint from farm to fridge to the recycling bin, and are thrilled to say that in 2007 we reduced the footprint of our 250ml smoothie by 16%.

Sharing the Profit:

We seek to redistribute some of the wealth the business creates to those people that need it...by donating 10% of our profits each year to charity, primarily to the Innocent Foundation, which funds rural development projects in the countries where our fruit comes from. Set up by Innocent three years ago, the foundation's vision is to work with local communities to create a sustainable future for people and their environment.

Drivers for the Policy

We strive to do business in a more enlightened way, where we take responsibility for the impact of our business on society and the environment, and move these impacts from negative to neutral, or better still, positive. It's part of our quest to become a truly sustainable business, where we have a net positive effect on the wonderful world around us.

The Policy in Practice

Responsible Ingredients:

We prioritise buying our fruit from farms that look after both their workers and the environment. We favour farms certified by independent environmental and social organisations, and pay a premium for fruit from farms with the highest ethical accreditations, such as those from the Rainforest Alliance. As some of the fruit varieties that we buy are not covered by existing certification schemes, we have our own set of comprehensive minimum standards covering all relevant areas from labour conditions to appropriate growing techniques to protection of biodiversity. We ask our suppliers to work towards these when an existing scheme is not available...Our strategy is to work with the ones that are the most committed to make real improvements and help them get there. Our three-year 'Get Closer to the Fruit' programme, launched in 2007,

involves both innocent team members and independent auditors checking the social and environmental issues standards on our farms, and working out the best way to get the right result for the people and the planet.”

Sustainable Packaging:

In September 2007, we were the first company in the world to put drinks on shelf in 100% recycled plastic bottles. At the time, people told us that it would be impossible to get to 100%, but we tried and tried and tried again. It means a 20% reduction in materials (we've made the bottle lighter) and a 55% carbon reduction in terms of the bottle's manufacture.

Resource Efficient Business:

Innocent have committed to the following initiatives in order to better their use of resources:

1. Sourcing all ingredients locally
2. Having a 'no air freight' policy to source fruit
3. Making use of alternatives to fossil fuels where they exist
4. Thinking before flying
5. Asking suppliers to use green energy

Sharing the Profit:

Some of the projects Innocent are involved in are:

- Drinks for the homeless - giving excess stock to those who need it
- The Big Knit - knitting small bobble hats for Innocent bottles to raise over £200,360 in 2007 for Age Concern and other good causes
- Buy One Get One Tree - planting more than 165,000 trees to aid rural communities in India and Africa
- The Innocent Village Fete - raising more than £150,000 for the three chosen Innocent charities in 2007 [Samaritans, Friends of the Earth and Well Child].

The Innocent Foundation is a grant-giving organisation working with NGOs to deliver sustainable futures to the world's most deprived communities - particularly in those countries where Innocent sources its fruit.

Innocent gives 10% of its profits annually to charity, the majority of which goes to the Innocent foundation.

Business Costs and Benefits

The benefits of holding so tightly to initial principles are clear to see - the Innocent brand is stronger today than ever. There appear to be few business costs to Innocent's ethical policy. Since the company's creation in the late 1990s, they have operated using principles only now being adopted by larger organisations – something which has barely hindered their progress.

Reed has been quoted as saying that the only limits imposed by their company's values are to be found in the recruitment and retention of staff. “It's a stark choice – take risks and hire or hold out for the 'right' employees and compromise on growth.” Keeping the situation vacant is, Reed says, the option that Innocent

have always taken – leaving them with stem growth only.

The Future

Reed, Balon and Wright have all pledged to stay with the business until 2010. After that, “A partial flotation, a sale or continuing are possible scenarios, Reed says.”

The company caused some controversy in 2009 by selling a minority stake to Coca-Cola for £30m.

Further information

For further details refer to the website at www.innocentdrinks.co.uk.

Interface Case Study

Background

Interface, founded in 1973, manufactures carpets, textiles, chemicals, architectural products and access flooring systems. The company supplies more than 40 percent of all new carpet tiles fitted in commercial buildings worldwide. Interface is a global company, with 27 manufacturing sites and 37 offices located across the UK, United States, Canada, Northern Ireland, Netherlands, Australia and Thailand, and with retail outlets in more than 110 countries.

In 2007 Interface had net sales of over \$1 billion.

Sustainable development policy

Industry moves, mines, extracts, shovels, burns, wastes, pumps and disposes of four million pounds of material in order to provide one average, middle-class American family their needs for a year. Today, the rate of material throughput is endangering our prosperity, not enhancing it. At Interface, we recognise that we are part of the problem. We are analysing all of our material flows to begin to address the task at hand. What's the solution? We're not sure, but we have some ideas. Our vision is to lead the way to the next industrial revolution by becoming the first sustainable corporation, and eventually a restorative enterprise.



"Interface will become the first name in commercial and institutional interiors world-wide through its commitment to people, process, product, place and profits. We will strive to create an organisation wherein all people are accorded unconditional respect and dignity; one that allows each person to continuously learn and develop. We will focus on product (which includes service) through constant emphasis on process quality and engineering, which we will combine with careful attention to our customers' needs so as always to deliver superior value to our

customers, thereby maximising all stakeholders' satisfaction. We will honour the places where we do business by endeavouring to become the first name in industrial ecology, a corporation that cherishes nature and restores the environment. Interface will lead by example and validate by results, including profits, leaving the world a better place than when we began, and we will be restorative through the power of our influence in the world."

Drivers for the policy

- Believing it is the right thing to do. *"For the sake of humankind's continued survival, enjoying acceptable and healthy life styles for all, industrialised civilisation must recognise and accept an imperative"* Ray Andersen, Founder and Chairman
- Increasing the company's competitiveness through sustainability, innovation of products, activities and services, both through improved efficiency and by reflecting the consumer's increasing desire for 'greener' products.
- Improving efficiency and achieving cost savings through waste minimisation and reduction programmes.
- Improving the company's image and reputation to gain marketplace advantage - setting Interface apart from "the rest of the pack" by embracing sustainable development.

Social sustainability

Social sustainability has only been placed at the core of the vision since 2000. It focuses on the development of programmes and processes that promote social interaction and cultural enrichment. It emphasises protecting the vulnerable, respecting social diversity and ensuring that we all put priority on social capital.

Social sustainability is related to how we make choices that affect other humans in our 'global community' - the Earth. It covers the broadest aspects of business operations and the effect that they have on employees, suppliers, investors, local and global communities and customers. Social sustainability is also related to more basic needs of happiness, safety, freedom, dignity and affection.

Sustainable development in practice

Recycling alone is not enough - it is one-dimensional. Interface has expanded its concerns to the Seven Fronts of Sustainability and is determined to:

1. **Eliminate Waste:** Eliminating the concept of waste, not just incrementally reducing it;
2. **Benign Emissions:** Focusing on the elimination of molecular waste emissions and those waste streams that have negative or toxic effects on natural systems;
3. **Renewable Energy:** Reducing the energy demands of Interface processes while substituting non-renewable sources with sustainable ones;
4. **Closing the Loop:** Redesigning Interface processes and products into cyclical material flows;
5. **Resource-Efficient Transportation:** Exploring methods to reduce the transportation of molecules (products and people) in favour of moving information. This includes plant location, logistics, information technology, video conferencing, e-mail, and telecommuting;
6. **Sensitivity Hook-up:** Creating a community within and around Interface that understands the functioning of natural systems and our impact on them; and,
7. **Redesign Commerce:** Redesigning commerce to focus on the delivery of service and value instead of material. Encouraging external organisations to create policies and market incentives promoting sustainable practices.

A company-wide waste reduction programme has delivered total annual cost savings of \$185 million, with the majority of savings achieved by encouraging employees to take responsibility for 'good housekeeping' measures. Specific projects include

- Reducing the last 1cm from the edging of either side of the carpet to help it run through machinery, producing annual cost savings of \$0.8million;
- A new income stream worth \$25 per tonne created by diverting 150 tonnes of waste yarn per year from landfill for recycling into underfelt;
- UK carbon sequestration project in which the net carbon emissions associated with raw materials extraction, product manufacturing and

transport for Interface's Heuga range of carpet tiles sold through B&Q stores are offset through payments to the Climate Care organisation;

- The three UK sites relying entirely on renewable energy to meet their electricity needs;
- Development of low environmental impact products and processes. For example, the Entropy product has 16 designs and the carpet tiles are laid randomly, a decision inspired by the pattern of fallen leaves. The tiles can be laid more quickly and waste is reduced to 1%. Tiles can be rotated, replaced and reused after their lives;
- Evaluation of the commercial opportunities to manufacture carpet from a new material developed by Cargill Dow Polymers. The new material is derived from maize and is both compostable and recyclable.

Other projects include:

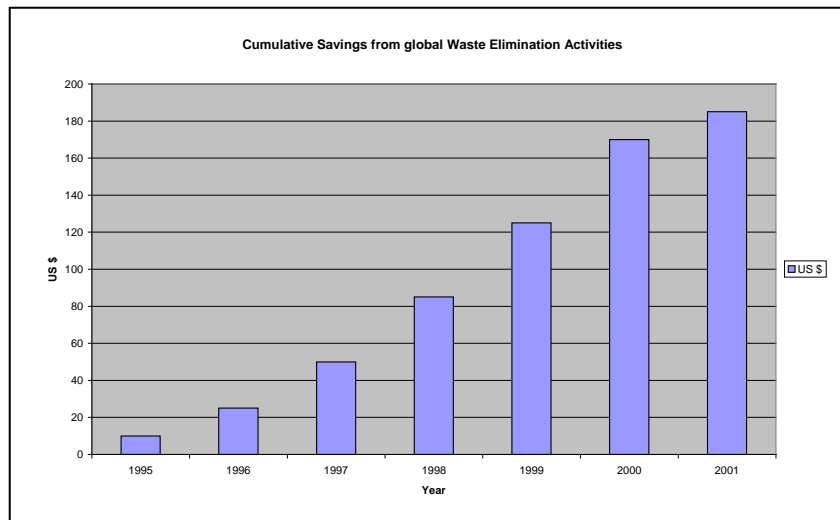
- Implementing QUEST (Quality Using Employee Teamwork and Suggestions), a world-wide initiative focused on identifying, measuring, and eliminating waste at a local scale, and sharing the knowledge for global application and results.
- Holding a "Greening the Supply Chain" conference where suppliers' technical personnel were exposed to Ray Andersen's vision of sustainability and were asked to join us on our journey. We asked them to build new partnerships with Interface by creating innovative ways of supplying us with environmentally conscious products.
- Creation of the Interface Sustainability Report.

Over the period 2001-2003 Interface developed a set of dialogue processes with different stakeholder groups and a set of 'hard' internal measurements that will help Interface to understand where it needs to target improvements. In Europe/Asia-Pacific an employee dialogue programme has been running since 2000. In 2001 Interface launched 'SocioMetrics' to measure social performance using hard data in a comparable way to the environmental measurement system 'EcoMetrics'.

The company accepts responsibility for the entire life cycle of its products.

Business costs and benefits

"We at Interface believe that by striving for sustainability we are discovering better ways to make a bigger profit." Dan Hendrix.



The progress to date indicates that the main business benefits to Interface Europe include:

1. Cumulative annual cost savings resulting from waste reduction initiatives of \$185 million across the company.
2. Use of water down since 1966 by 35% in the fabric business and 68% in the modular flooring business per unit of production.
3. Perception of Interface and its products as "green" and environmentally responsible. Interface won the Queen's Award for Enterprise (Sustainable Development) in 2002 for its sustainability vision and progress. As the consumer demand for "greener" products grows, Interface is well positioned to take advantage of this market.
4. Continual improvement in reducing waste on our production lines reaps significant savings, for example, a recent survey found that 200/0 of Interface's shareholders chose to invest capital with the company directly in response to the company's sustainable development strategy. A further 300/0 of shareholders stated that they were influenced by this factor when making their investment decision.
5. Inclusion in socially responsible investment portfolios because of our commitment to work towards sustainability.
6. The corporate philosophy has served as tiebreaker in numerous commercial

contracts. There have been numerous instances where Interface matched competitors in terms of price and quality, and the efforts and leadership in sustainability became the deciding

7. The staff learning programmes are widely admired.

The Future

Sustainability is complex. It involves the thousands of ways the company connects to society and the natural world. The largest and most difficult problem to overcome

has been existing laws and regulations governing commerce. The current infrastructure subsidises unsustainable industrial processes. To make significant progress, businesses will need the co-operation of government and other industrial partners to shift taxation away from economic and social benefits, (labour, income and investment) to detriments, (pollution, waste, and the loss of primary resources).

Further information

For further details refer to the website at www.interfaceglobal.com.

Marks & Spencer Case Study

Background



Founded in 1894, Marks and Spencer plc built its reputation around a policy of selling only British made goods.

From humble beginnings - Michael Marks' single market stall in late 19th century Leeds - the company has grown into one of Britain's best known retailers, with 52,670 staff in over 600 stores throughout the UK, and a growing number of outlets internationally.

Their dominance of the domestic clothing market is remarkable: an estimated 1/3 of British women and 1/5 of British men buy their underclothes at Marks and Spencer.

Outside the clothing sector, Marks and Spencer have developed a well respected line of 'Simply Food' stores, selling high end, healthy groceries. Their UK market share here is a mere 4%, compared with 11% of the clothing sales.

Despite a serious slump in recent years, profits in 2008 rose to over £1bn for the first time in a decade.

In January 2007 Chairman Stuart Rose announced the launch of Plan A; a five year, 100 point plan to develop Marks and Spencer into a carbon neutral, zero-waste to landfill, ethical trading, sustainable sourcing, health promoting business.

Sustainable Development Policy

The five pillars of *Plan A* have been identified as the essential components of a sustainable and

environmentally friendly business. Each area will be addressed as follows:

Climate Change: All UK and Ireland-based operations will be carbon neutral by 2012. Renewable energy usage will be maximized, with offsetting used only as a last resort. Efforts will be made to help customers and suppliers to reduce their emissions.

Waste: Dramatic cuts to the quantity of packaging and carrier bags used will be made, and new ways to recycle waste will be found, such that by 2012 no clothing or packaging need be taken to landfill.

Sustainable Raw Materials: Key raw materials will be sourced from "the most sustainable sources available" to the company.

Fair Partnerships: Partnerships are seen as essential for tackling most contemporary socio-economic issues. Efforts will be made to ensure that there are no negative effects to be felt from trading with Marks and Spencer.

Health: Expanded healthy eating ranges, clear labelling and accessible information will be used to help customers and employees choose healthier lifestyles.

Drivers for the Policy

"We're doing this because it's what you want us to do. It's also the right thing to do. We're calling it Plan A because we believe it's now the only way to do business. There is no Plan B."

The Policy in Practice: Twelve Months On ¹

Climate Change:



¹ Marks and Spencer
<http://plana.marksandspencer.com/index.php?action=PublicProgressDisplay>

- Energy related CO₂ emissions from stores and offices cut by 55,000 tonnes
- 22% more electricity for stores and offices now from renewable sources [total 25%].
- Over 80% of General Merchandise Distribution Centres now from renewable sources.
- Efforts have been made to increase the renewable energy production capacity of suppliers, particularly with regards to the use of anaerobic digestion and wind turbine systems on farms.
- The use of refrigerants is being trialled; to reduce the impact of the company's many refrigeration units.
- 140 new aerodynamic trailers, new efficient engines in 45% of the lorry fleet, a reduction in the number of company cars [with a limited selection of diesel or hybrid models].
- Research into extending the British growing season and the range of produce that is able to be grown here.
- Tuna and Lobster will be frozen at source and shipped by sea, instead of air freighted, by Christmas 2008.
- Construction of a new 'eco-factory' is being supported in Sri Lanka, which will provide the model for a similar venture in China in 2008. These factories will be independently assessed by LEED [Leadership in Energy and Environmental Design].
- The number of customers' washes done at 30 degrees [rather than 40 degrees] as a result of Plan A has increased from 23% to 31%
- Hanger recycling has been reduced by 32% between April and December 2007 - 22 million extra recycled hangers.
- Store refurbishment waste has been increased to 75% with a view to increasing this 85% in 2008.
- The use of recycled materials consumables [e.g. cups] used in their operations from 12% to 41%.
- The recycled content of stationery increased from 16% to 32% by April 2008.
- A clothing recycling program is being contemplated, as a joint venture with Oxfam.

Sustainable Raw Materials:

- Animal Welfare Criteria have been extended into non-food products.
- 10% of cotton used is fair trade, organic or both.
- Garments made using recycled polyester from waste bottles have been a success, with 200,000 garments sold, made from 2 million bottles.
- FSC/recycled wood is being used increasingly, across the product ranges, including tissue products, customer magazine and c. 30 million Christmas cards.
- Marine Conservation Society's joint supermarket leaders in responsible fish sourcing.
- Sales of organic food up 48% in 12 months.

Fair Partnerships:



Waste:

- Reduced use of plastic carrier bags by 11% in 2007 - a total of 37 million fewer bags.
- Sales volume of Bags for Life has increased eight-fold compared to 2006: over 6.5 million sold.
- 66% reduction in plastic carrier bag usage in Northern Ireland, where a 5p charge per food carrier bag has been introduced. All money raised through the sale of carrier bags has been donated to Groundworks. A similar scheme began in Southwest England in early 2008.
- Increased in country resources and a greater number of labour standards experts [23 from 7] are being used to improve standards.
- In 2007 M&S bought 1/3 of the world's supply of fair-trade cotton, and sold over 3.2 million fair-trade garments.
- All jams and sugars are made using fair-trade sugar, and total fair-trade food sales were up 20% in 2007.

- Since January 2007, 650 people with specific barriers to work have completed training with M&S
- Since April 2007, £1.6 million has been raised for Breakthrough Breast Cancer and over £640,000 for Save the Children.
- A Milk Pledge has been made, guaranteeing fresh milk suppliers a six month price, based on agreed parameters.

Health:

- 100% own labelled food, with the 'traffic light system' recommended by the Food Standard Agency.
- All artificial colours and flavourings have been removed from children's food and drink, and the same is being achieved in all food and drink - 99% of all food and drink was free from artificial colours and flavourings in December 2007.
- The Food Standard Agency's targets for salt levels in food for 2010 have already been met [2008].
- Crisps and savoury snacks now contain an average of 70% less saturated fat than 2 years ago, sandwiches and ready meals have also seen reductions up to 30%.
- 1500 Healthy Eating Assistants have been trained in stores across the UK.

Business Costs and Benefits

Rose estimated at the time of the *Plan A* launch that the initiatives would cost £200m over the five years [to be absorbed in lower margins rather than by increasing prices], but was confident that the plan would ultimately boost sales.²

The Future

Climate Change: "Our main challenges in 2008 are clear: to use lessons learned at our three eco stores in our wider store modernisation and construction programme; to develop plans to reduce the carbon footprint of our supply chains;

²BBC News [15th January 2007]
<http://news.bbc.co.uk/1/hi/business/6262453.stm>

and to continue finding ways to engage our customers in tackling climate change."

Waste: "Our key challenges include: continuing to work on our plans to send zero waste to landfill; continuing the good progress currently being made to reduce our use of packaging and improve its recyclability; widening our carrier bag charging trial to M&S stores in the South West of England; and implementing our clothing recycling trial with Oxfam."

Sustainable Raw Materials: "Our efforts in 2008 will include a particular focus on our water footprint, implementation of our cotton strategy, addressing clothing animal welfare issues and further work on sustainable palm oil."

Fair Partnerships: "We will focus on rolling out our new labour standard commitments, extending the use of our Supplier Exchange, developing our community programme and providing our Franchise Partners with more opportunities to get involved with Plan A."

Health: "We will continue to reduce salt levels of food; complete the phase out of artificial colours and flavours in our food; identify additional categories of food for which our customers would find front of pack labelling useful; drive sales of our Eat Well products; and engage our customers and employees in adopting a healthier lifestyle."³

Further information

For further details refer to the website at <http://plana.marksandspencer.com>.

³ Ibid.