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## MARSHALLS PROCUREMENT POLICY STATEMENT

### 1.0 Procurement Objectives

Our procurement activity always aims to deliver the **best possible value** for our customers, at the **lowest possible overall cost**.

**Value** includes the quality and reliability of the goods or services we procure and the punctuality and reliability of their delivery. Value also consists of our ability to meet the needs of the internal or external customer.

Both the goods and services we buy and the methods by which we procure them must as a minimum comply with existing laws and conform to the highest ethical, social and environmental standards. Marshalls has its own obligation to meet as members of both the Ethical Trading Initiative (ETI) and UN Global Compact and as a signatory to industry commitments such as the Strategic Forum for Construction's responsible sourcing target.

**Cost** is considered over the lifespan of the goods or service (e.g. financing, depreciation, maintenance, energy consumption etc) and is not merely limited to the initial price or acquisition expense.

To improve these facets, we strive to work with our suppliers, all of whom are considered an integral part of our business. Where possible we shall establish long-term relationships based on mutual trust. We try to create and foster relationships within which we can learn how to make it easier for our suppliers to meet our requirements and they can be encouraged to invest in improving their products, prices, quality and service. We, our suppliers, customers and stakeholders all benefit from this.

We support the company's core values of honesty, trust and integrity and expect our suppliers to uphold similar values themselves.

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## **1.1 Competition & Collaboration**

Marshalls will apply the strategic use of competition, collaboration or a blend of the two in our approach towards managing our supplier relationships.

We believe that competition encourages the innovation and efficiency from our supply base that delivers optimum value over the long-term. Central to this is the requirement where markets allow, we use the inherent competition in supply markets to deliver best value to Marshalls. Techniques to deliver this include competitive tender, electronic or manual auction, parallel negotiations etc. If a market operates competitively and it is decided not to use this competition in the procurement process, agreement must be given by the Supply Chain Director.

We also believe that collaboration enables us to access and engage suppliers core competencies, capabilities, and resources to support us in creating value for our customers.

The choice to emphasize competition or collaboration or blend the two is driven by business circumstances, supply market dynamics, supplier capability, supplier compatibility with Marshalls and the level of interdependency necessary between Marshalls and the supplier to deliver best value.

## **1.2 Tendering Limits & Exceptions to the principle.**

- Where annual expenditure on a product or service exceeds £100k, The Central Procurement Team must lead the procurement process irrespective of whether it is Capital or Revenue spend.
- A full list of category managers is attached here. You must contact the relevant category manager before commencing any procurement process.
- Where annual expenditure on a product or service exceeds £100k, our principle is that this should be competitively tendered. If upon analysis of the external market and/or suppliers it is recommended not to use this competition in the procurement process, the justifications must be documented and presented to The Supply Chain Director before entering into any commitment with any supplier. Only after agreement is given by The Supply Chain Director can you proceed.

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## **2.0 Legality**

Our activities must comply with all applicable laws and regulations. We are bound by UK and European law and may also be bound by the laws of any other country in which we do business. This includes taxation law – while we may use any legal opportunity to reduce our tax burden, we will not be a party to the evasion of income, sales or value added taxes, customs duties or other charges, either by ourselves or our suppliers – and laws relating to bribery, where we will not actively or passively participate in, or condone, the payment or procurement of any bribe.

In addition we must conform to agreements and treaties to which the UK government is party.

## **3.0 Ethical, Social, Environmental & Responsible Sourcing**

Our procurement will be conducted so that any supplier that has the necessary abilities to be of service to us has a fair opportunity to secure our business. In particular, we should ensure our procedures do not place unnecessary obstacles in the way of small companies, new companies and companies owned or managed by members of minority or disadvantaged groups.

We will, as far as possible, work only with suppliers that our own customers would be prepared to trade with. We will therefore require suppliers to comply with employment law as defined by the International Labour Organisation, thereby avoiding using companies, at home or overseas, that exploit child or sweated labour, that disregard basic health and safety provision, that do not pay living wages, that ‘pirate’ the intellectual property of others, that use inducements or bribes to secure business, or that wilfully and avoidably damage the environment. All suppliers will be risk assessed against compliance to the ETI base code (**Appendix I**) and those considered ‘high risk’ will require a social audit in line with our Key Performance Indicators.

With regard to the environment, our procurement choices will favour products showing clear environmental advantages unless there are significant reasons for not doing so.

We will acquire data on the supplier’s Organisational Management, Supply Chain Management, Health & Safety, Environmental and Social performance as a basic need to enable Marshalls to demonstrate good practice Responsible Sourcing where the product is a raw

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material and/or component used in the manufacture and/or assembly of our finished goods. The data will include full traceability of the product supplied and its constituent parts, its volume and mass and confirmation, with evidence, of the quality, health & safety and environmental management systems appropriate to the supplier.

We have a responsibility to our suppliers. Wherever possible, when problems arise with a supplier's performance or behaviour, we shall work with the company concerned to help them meet our requirements.

We also have a responsibility to the community within which we work.

#### **4.0 The Code of Conduct for Procurement**

We insist on ethical standards from our suppliers and in turn we must exhibit the highest ethical standards ourselves. We must not only be fair, objective and lawful in our dealings but avoid any conduct which is capable of having an adverse interpretation put on it.

Outright corruption is fortunately rare in commercial life in the UK but does occur. Any improper approaches, whether in the form of inducements or threats, must be reported, even if they are sufficiently ambiguous to allow of an innocent construction. All our employees when undertaking any procurement activity should consider themselves bound by the Code of Ethics of the Chartered Institute of Purchasing & Supply (**Appendix II**).

The following points should be particularly noted:

- Gifts, hospitality and other inducements:

Only gifts of small intrinsic value – pens, diaries and the like – may be accepted from actual or potential suppliers or other business customers. Gifts of real worth should be reported and returned to the supplier with a polite explanation of why the offer is unacceptable. Suppliers who persist in making such offers should be made aware that our organisation will cease to deal with them.

No employee of Marshalls, or agent acting on our behalf, is permitted to offer any gift or inducement that could constitute a bribe. Any request from a supplier or business partner for unusual treatment, special privilege or payment, should be reported immediately under this policy.

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On occasion, it may be appropriate to both give and receive hospitality. However, any hospitality offered or accepted must be modest and proportional to the occasion and of the type and scale that we would offer if the situations were reversed.

Invitations to attend specialist conferences, association annual dinners, sporting events and the like, as the guest of a supplier should be treated with caution and approved by the employee's line manager. Invitations extended to a spouse or other guest will be declined except in exceptional circumstances which should again be approved by the employee's line manager. All invitations of this nature, whether accepted or declined, should be reported and registered ([gillian.harley@marshalls.co.uk](mailto:gillian.harley@marshalls.co.uk)). This applies to all events and not just those held during working hours.

Some inducements are unavoidable, as they come packaged with the product eg petrol voucher/points schemes. These are permissible providing the company is not placed at any material disadvantage. In general, all benefits gained through spending the organisation's funds are the property of the organisation and should be reported and surrendered if requested (although if they are of no value to the organisation the employee's line manager may authorise the recipient to retain them).

- Conflicts of Interest

When dealing with suppliers, potential conflicts of interest can sometimes arise. Spouses or other relatives may be employed by the supply company and personal friendships may develop over time. Such potential conflicts should be reported to the employee's line manager as soon as they are identified. They will not normally prevent our trading with the company concerned but it may be in everybody's interests to arrange for the expenditure to be handled by someone else.

Sometimes, former employees may be potential suppliers – indeed their knowledge of our operations may make them particularly suitable. It is important that they do not receive or expect to receive special consideration. If their 'inside knowledge', for example of our cost structures, appears to give them an unfair competitive advantage, it may be desirable to take steps to ensure fair competition among all suppliers.

Employees should avoid as far as possible dealing with our suppliers in their private affairs, particularly if this is likely to put them under some

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obligation to the supplier. Where such arrangements are unavoidable, it is essential that they ensure that they are not offered any sort of deal which is not commonly available and which could be construed as a reward for actions taken in the course of their employment.

- Anti-competitive Behaviour

Certain types of anti-competitive agreements and conduct are illegal under UK competition laws and have severe consequences, including the voidness and unenforceability of agreements and the possibility of fines and liability to third parties. In addition, some forms of agreement and conduct may lead to criminal sanctions for the individuals involved and/or the disqualification of directors of the companies involved.

It is our policy at all times to comply with all applicable laws, including competition laws and we must consider them when we are dealing with our suppliers.

We may come across agreements or conduct on the part of suppliers, such that they may infringe UK competition laws, such as:-

- Cooperation between suppliers to fix prices, limit production or divide up markets;
- Refusals to supply on the part of a dominant supplier;
- Unfair pricing policies on the part of a dominant supplier;
- Unfair discrimination between customers on the part of a dominant supplier.

We will not collude with, or participate in, any form of anti-competitive behaviour. Any suspicions of any such conduct or any similar conduct on the part of suppliers which might give rise to competition issues (on the part of any person, whether within Marshalls or on the part of our suppliers, competitors or customers, and whether or not this has any impact on our business) should be reported immediately to the Group Procurement Director.

In addition, some forms of cooperation between buyers, or conduct on the part of buyers may infringe UK competition laws. This could arise in the context of cooperation between buyers, for example, where this may eliminate suppliers, or have effects on downstream markets. Buyers should consult with the Group Procurement Director before discussions over the possibility of joint procurement arrangements. Any agreements, arrangements or conduct that may infringe UK competition laws, and put Marshalls' interests at risk, will be regarded

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with the utmost seriousness and should be reported immediately to the Group Procurement Director.

- Serious Concerns

It is our policy to support, protect and where possible, preserve the anonymity, of any of our employees who report apparently questionable activity, even if their fears subsequently prove to be unfounded. Early reporting is essential, so that, where appropriate, legal advice can be taken and both the individual and the company, protected. The Company's Serious Concerns Policy, as approved by the Board, sets out how individuals should raise their concerns. A copy of this policy is available via the Group Intranet, the Group Human Resources Director or Company Secretary.

### **5.0 Structure and Authority**

This procurement policy is approved by the Board and implemented through the Group Procurement Director and the Group Procurement Department.

Procurement takes several forms:

The Group Procurement Department undertakes the procurement of those goods and services of strategic importance to the company (not solely those of the highest value). Such contracts are often put out to tender among our preferred suppliers for the particular commodity.

Group Procurement often negotiates with suppliers, a number of 'framework' or 'call off' agreements covering common goods and services, on which our sites/departments can place orders to meet their requirements, up to specified values. These agreements should be used wherever possible, both to reduce administrative costs and to ensure that we receive the highest possible levels of discount. A current list of agreements and the goods and services they cover, is available via the Group Intranet, on the Group Procurement [Sharepoint site](#). Sometimes it may seem that a particular item covered by such an agreement could be bought more advantageously elsewhere. Such instances should be reported to the Group Procurement Department but the call-off arrangement should nonetheless be used – bulk discounts, rebates, consolidated deliveries and administrative simplicity may well be giving us advantages which outweigh the savings on particular items. Equally though, Group Procurement needs to know of these circumstances so it may, where appropriate, renegotiate with the supplier.

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In certain instances, Group Procurement may authorise the procurement of goods or services, outside the scope of a pre-arranged call-off or framework agreement.

Directors/Managers/Department Heads/Budget Holders/designated members of staff, may have delegated authority to purchase other goods and services not covered by call-off agreements and not reserved to the Group Procurement Department, subject to financial limits. Note that it is never permissible to split a contract in order to circumvent authority limits.

Some employees have the use of Corporate Credit Cards. Procedures for their use are available via the Group Intranet, on the Group Procurement [Sharepoint site](#).

## **6.0 Payment**

We pay suppliers promptly and in accordance with agreed terms of trade – our preferred payment method is through BACS. Our suppliers are entitled to receive their payment provided their goods or services have met our contractually agreed specifications. Unreasonable delaying of payment benefits us little financially, can cause significant cash-flow problems to our suppliers, especially smaller firms, generates an unnecessary and unpleasant administrative burden in dealing with irate suppliers and erodes the atmosphere of mutual trust which we are trying to establish. It is the duty of everyone involved in procurement to ensure that the information necessary to generate payment is passed through as quickly as possible.

If a supplier has failed to complete 'paperwork' to the level required to allow us to make payment, he must be informed of this and what corrective action he needs to take, in a timely manner.

If a supplier has failed to supply goods or services to our satisfaction and it is thus it may be necessary to withhold payment, this must be reported to the Accounts Payable Department along with all supporting documentation, irrespective of who or which site/department placed the original order. Where payment is to be withheld, it is important to ensure that where applicable (e.g. under particular types of contract) the relevant formalities are observed.

Any delivery of goods, or provision of service, requires 'receipting' on to our computer system. Any delivery not acknowledged by the required 'receipt' shall automatically be taken as a request to withhold

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payment. The originating site/department will be responsible for ensuring that the supplier rectifies his omissions before payment is authorised.

Group Procurement should be made aware of any instances where a supplier causes major upset or is unable to improve an unsatisfactory record of under performance.

## **7.0 Intellectual Property and Commercial Information**

Our organisation's intellectual property – designs, patents, trade marks and know-how – is valuable to us. This information must never be passed to a supplier, for whatever reason, without the approval of an appropriate Director of the organisation, or the Procurement Director. Whenever such information is required to be passed over, the recipient must have signed a confidentiality agreement.

Our suppliers can often be involved in design and development work on our behalf, either alone or in conjunction with our own staff. Wherever this is the case, the contract must specify the ultimate owner of the intellectual property so created. This may include rough drafts, supporting calculations, prototypes, mock-ups and in the case of printed material, plates, stereos & artwork etc.

In any instance where we are buying from a supplier something which we, or our customers, are likely to need to reproduce or copy at a later date, the contract must make clear our right to do so.

Similar considerations extend to all forms of commercial information. Our employees must never pass to suppliers, information that they do not need to know. We must respect the confidentiality of information we learn about from our suppliers.

Suppliers must also be aware that they are not allowed to use our name, or information about any work they may have performed for us, in any sort of promotional material without prior approval.

## **8.0 Information and Reporting**

Good intelligence work is vital to effective procurement. Everyone involved in procurement on our behalf has the opportunity to contribute to our knowledge and to benefit from the information held in the Group Procurement Department.

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To recap, the following should be reported to the Group Procurement Department:

- any actual or potential unethical approach or inducement, evidence of restrictive practices, possible conflicts of interest
- information on illegal or unacceptable practices by a supplier which could be to our discredit if we were known to be a customer
- any suspicions of anti-competitive behaviour
- as deemed appropriate, failure by a supplier to meet our requirements, in terms of quality, quantity or delivery performance
- all requests by a supplier to vary the terms of a contract after it has been agreed
- occasions where the prices or other terms offered by a preferred supplier or under a call-off agreement, appear to be less favourable than is available elsewhere in the marketplace
- warranties, guarantees, service agreements etc must be lodged with the Group Procurement Department.

In addition, employees are encouraged to report the following:

- new sources of supply, new products or services that may meet our needs
- instances of outstanding good work by suppliers
- ideas for further streamlining and improving our efficiency.

In return the Group Procurement Department offers advice, guidance and information on sourcing, negotiation and contracts. It maintains lists of preferred suppliers, of framework and call-off contracts.

## **9.0 Compliance**

For an employee, failure to observe this policy may result in disciplinary action. Any activity or behaviour by an employee that is unlawful or prohibited by this policy will constitute gross misconduct and may result in dismissal.

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## **Appendix I**

### **ETI Base Code**

This code is based on 9 fundamental rights, these being:-

- Employment is freely chosen
- Freedom of association and the right to collective bargaining are respected
- Working conditions are safe and hygienic
- Child labour shall not be used
- Living wages are paid
- Working hours are not excessive
- No discrimination is practised
- Regular Employment is provided
- No harsh or inhuman treatment is allowed

For more information visit [www.eti.org.uk](http://www.eti.org.uk)

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## **Appendix II:**

### **Code of Ethics**

*This code is based on that subscribed to by all members of the Chartered Institute of Purchasing & Supply.*

Any persons engaged in any aspect of procurement on behalf of Marshalls, is expected to familiarise themselves with, and observe the Group Procurement Policy Statement. They shall never use their authority for personal gain and shall seek to uphold and enhance the standing of Marshalls by:

- maintaining an unimpeachable standard of integrity in all their business relationships both inside and outside Marshalls.
- fostering the highest possible standards of professional competence amongst those for whom they are responsible.
- optimising the use of resources for which they are responsible to provide the maximum benefit to their employer.
- complying both with the letter and the spirit of:
  - the law of the country(ies) in which they operate and with which they deal.
  - all contractual obligations incurred by or on behalf of their employer.
- rejecting any business practice which might reasonably be deemed improper.

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