



Environmental KPI 2013

www.marshalls.co.uk



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Marshalls plc group of specialist businesses



Marshalls

Creating Better Landscapes



STONEMARKET

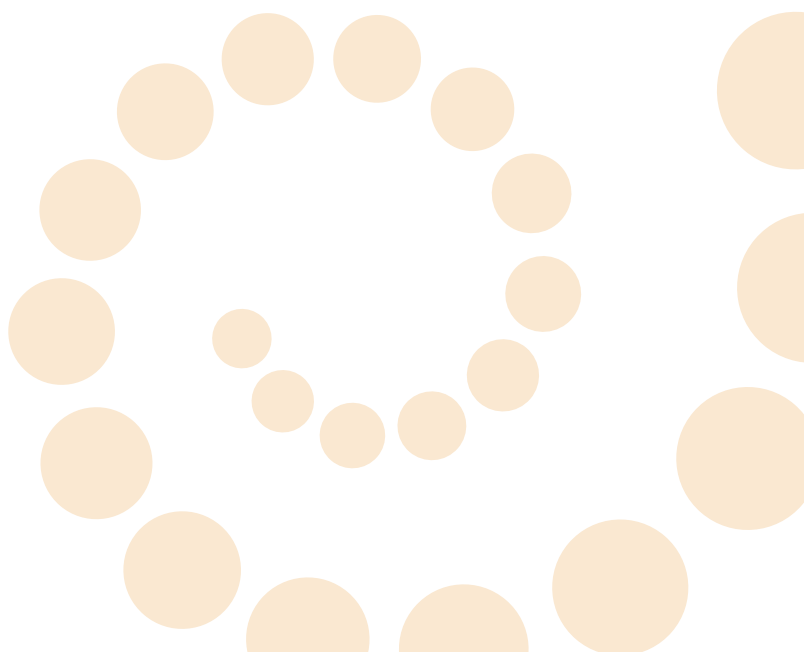
**CLASSICAL
FLAGSTONES**
Internal Stone Flooring and Tiling



Stancliffe Stone

WOODHØUSE

Premier  **Mortars**



Environmental Report

“Marshalls clearly understands the value to be derived from managing the business with due regard for the environment. Notwithstanding the need to comply with relevant legislation, there are benefits to be gained from reducing the use of scarce and costly resources; maintaining good relations with the communities within which we operate and, increasingly, meeting our customers’ needs for environmentally sensitive solutions.”

Overall we consider that we have made good progress in reducing the intensity of the Group’s environmental impact across a broad front. Virtually all measures show year-on-year improvements and indicate progress both in the short term and towards the very long term objectives set in accordance with UK Government and European targets.

A full review of the suite of environmental measures and targets has been conducted in 2012, with the next review now scheduled for 2015. The long term nature of environmental management leads to targets which roll progressively over a number of years and short term changes of direction would be inappropriate in any case.

It was intended to review and incorporate measures for Marshalls NV in 2012. Reprioritisation of resource during the year in response to general market conditions and other challenges resulted in this aspect of the plan being deferred. Data for Marshalls NV, which we would not expect to be material in the context of the Group as a whole, will be incorporated as soon as suitable resource can be allocated to the task.

There is a change to the basis of the emissions declaration in this year’s report. We have adopted CO_{2e} as the unit of measure, in readiness for that becoming mandatory for FTSE listed companies. The change from CO₂ to CO_{2e} is just a conversion as other greenhouse gas (“GHG”) emissions from Marshalls’ activities are insignificant and non-material.

Board Responsibility

The Group’s Chief Operating Officer, David Sarti, is the Director responsible for the environmental performance of the Group. The Group’s Environmental Policy is approved by the Board and is reviewed at least annually. The full text of

the Policy can be found on the Group’s website www.marshalls.co.uk/sustainability.

Environmental Policy - Key Features

Target – To operate within the relevant legal frameworks and comply with appropriate legislation.

- The Group has a commitment to achieving the highest standards of environmental performance, preventing pollution and minimising the impact of its operations.
- All operations should meet or exceed the requirements of legislation and applicable best practice. Where no legislation exists, best practice will remain an integral part of Marshalls’ business strategy.
- The Group is committed to considering the environmental impacts associated with its products throughout their life cycle.
- Policy is supported by monitoring and measuring environmental performance using appropriate external guidelines wherever practicable. Operating sites have assessed the environmental aspects of their activities, and objectives and targets aimed at improving the overall environmental impact of those activities have been set. These are reviewed on at least an annual basis.
- Marshalls will continue to raise environmental awareness within the Group through the development and training of its employees and will communicate openly and consult with customers, suppliers and other stakeholders on relevant environmental matters.
- Marshalls strives to protect and enhance biodiversity and natural habitats within its landholdings where possible. The Group also recognises the need for sympathetic restoration and after-use of quarry and other operational sites.

Environmental Report (continued)

- Marshalls considers the character of the local environment and the concerns of the local community and other stakeholders in relation to its activities.

Environmental Management

Target – 90 per cent of Group production manufactured at sites operating an integrated management system in accordance with Publicly Available Specification 99:2006 (“PAS 99”) by 2012.

Marshalls exceeded its target, as during the year 46 (2011: 32) sites were operated to the PAS 99 specification, representing 97 per cent of the Group's manufacturing output. The Group's new target is to maintain the 90 per cent measure until 2020.

By the end of 2012 the Group had 54 operational* sites (2011: 54). Of these sites:

- 51 (2011: 46) had BS EN ISO 9001:2008 Quality Management Systems in place representing 98 per cent of the Group's manufacturing output;
- 48 (2011: 39) had BS EN ISO 14001:2004 for Environmental Management Systems in place representing 97 per cent of the Group's manufacturing output; and
- 50 (2011: 40) had BS OHSAS 18001:2007 for Health and Safety Management Systems in place representing 98 per cent of the Group's manufacturing output.

In addition to these, the Group also had PAS 99-compliant management systems in place at its Group Laboratory and Marketing Support Department.

* Operational is defined as a site in the UK with production output.

Environmental Impact

The business redefined its Key Performance Indicators in 2012 to increase the accuracy and measurability of its environmental initiatives while improving performance. These are referred to in the relevant section of this Report.

Explanatory notes have been included with the charts.

Marshalls is a signatory to the Sustainable Concrete Forum which published a new road map, with time-bound targets to 2020, in February 2012. The Group reviewed its own targets in line with its commitment as a signatory.

Carbon

Target – to reduce our absolute CO_{2e} consumption in line with UK Government targets (34 per cent by 2020 and 80 per cent by 2050 from a 1990 baseline).

Marshalls' Energy and Climate Change Policy approved by the Board during the year confirms the Group's commitment to reducing the Energy and Carbon impact of its business activities. The current reduction is in line with the 2020 and 2050 targets.

The Group complied with its legal obligation in the Government's Carbon Reduction Commitment Energy Efficiency Scheme (“CRC”) by submitting both its Footprint and Annual Reports together with surrendered Carbon allowances for the period April 2011 to March 2012 within the time limits imposed by the legislation. The Group currently has the Carbon Trust Standard, which certifies its continued carbon reduction and forward commitment to reduce emissions. It is likely that the Group will recertify in 2013, subject to changes in the CRC and mandatory GHG reporting.



The business energy and carbon KPIs are aligned to CRC through the measurement of energy at both absolute and relative intensity levels and the

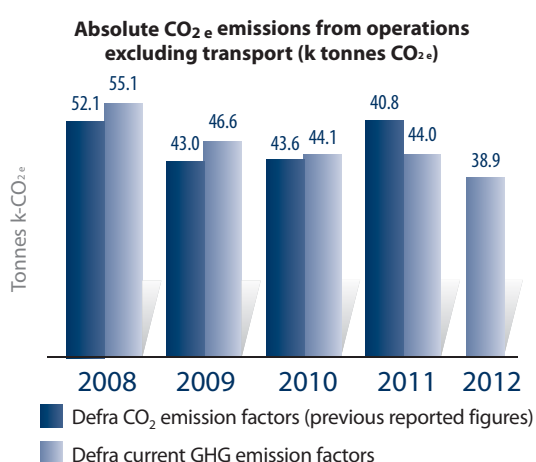
Environmental Report (continued)

business remains committed to reducing energy use on both these measures. The Group has previously reported CO₂ emissions from its energy use which represents the vast majority of its GHG emissions. From this year the Group will report total direct GHG emissions using the GHG Protocol and the latest available emission factors from Defra as this is considered best practice and inline with the proposed mandatory carbon reporting which is anticipated will be a requirement from October 2013.

The Group continues to recognise that renewable energy will be required to achieve the absolute reduction target. Options to develop the use of wind, photovoltaic, anaerobic digestion and biomass continue to be developed. Such options will be progressed if found to be economically viable.

During 2012 the business commenced a trial to report automatically on the dispensing of liquid fuels, the findings of which are to be assessed in the first half of 2013.

The chart below illustrates the Group's absolute CO₂ emissions in tonnes, excluding transport activities, between 2008 and 2012.



This chart illustrates previously reported figures and the total direct GHG emissions as a comparison. The Group will continue to use the latest published figures from Defra as they become available.

The Group's GHG emissions for 2012 have dropped by over 5,000 tonnes from its reported emissions in 2011, representing an 11.8 per cent fall. The net reduction in absolute emissions is the result of energy savings which are within the control of the business and other factors, such as product mix and weather, which are not.

All the Group's operational sites and main buildings have an energy plan with monthly reporting which highlights each site's progress towards its GHG emission reduction. This has resulted in the reduction of 639 tonnes of GHG emissions during the year. In addition, the completion of a project to improve the efficiency of the business's internal and external lighting is estimated to save 1,050 tonnes of GHG emissions per annum. During this project further potential savings have been identified. Other projects include the introduction of reporting and awareness schemes to improve management of key production utilities such as compressed air.

The mix of products manufactured will impact on the Group's absolute carbon footprint. The Group recognises that if production of low carbon products increases its footprint will be reduced.

The Group acknowledges that the heating degree days in 2012 increased over 2011 and therefore the energy required by the business for comfort and process heat increased during the year. A number of best practice projects are being considered in 2013 to improve the energy efficiency of its heating systems.

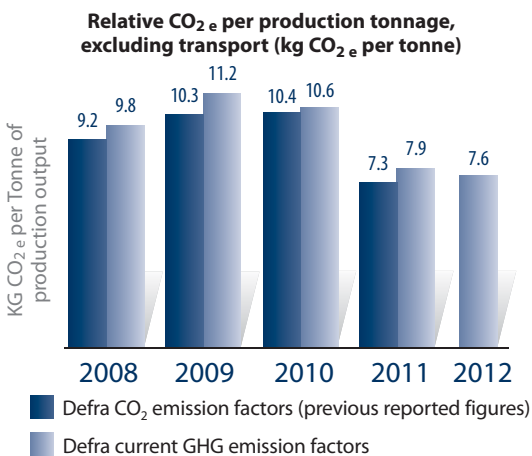
The business is continually improving the reliability of its energy data to enable better forecasting and management of its energy and carbon footprint. The business has a forecast of its GHG emissions until 2020 and a measure of the required investment to achieve its targets.

The Group has changed its reporting of relative carbon intensity of production by using total direct GHG emissions rather than CO₂. This relative intensity measure, excluding transport, has decreased from 7.85 kg CO_{2e} per tonne of production to 7.63 kg CO_{2e} per tonne of

Environmental Report (continued)

production. The reduction is a combination of product mix, energy efficiency measures and the decision to manage its reduction of base load energy usage.

The chart below illustrates the Group's CO_{2e} (measured as direct GHG from 2012) intensity emissions as a proportion of production output, excluding transport activities, between 2008 and 2012.



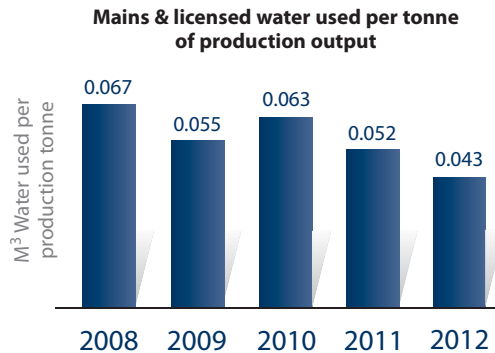
While the Group must report its carbon footprint as part of CRC legislation, which excludes transport, it will continue to report voluntarily to the "Carbon Disclosure Project", which includes a wider carbon management performance over time and also provides an insight for shareholders regarding the Group's energy, carbon and climate change impact management programme. The Group reported 65,109 tonnes of CO₂ for the year 2011 (2010: 66,037 tonnes). This data includes scope 1 and 2 emissions as defined in the Greenhouse Gas Protocol ("GHG Protocol"). The proportion of the GHG emissions from transport dropped to 32 per cent.

Water

Target – reduce use of water from mains and licensed boreholes to 0.05m³ per tonne of production by 2015.

The Group understands the future value of water. The business has demonstrated a commitment to water harvesting and recycling on numerous sites and utilises quarry water where appropriate in its operations.

The chart below illustrates the Group's water performance between 2008 and 2012.



The reduction in water intensity has been helped by Marshalls' previous and continued investment in water management projects, particularly water harvesting which has continued to be developed during 2012. The UK rainfall in 2012 was the second wettest year on record at 1,330.7mm (Y2000: 1,337.3mm) and 115 per cent of the 1981-2010 average. Greater volumes of rainfall have a positive impact on the Group's reported figures as the business prioritises the use of harvested rainwater or quarry water before mains or borehole water. During the year a rainwater harvesting system was introduced at the business's Sittingbourne site. Management, staff awareness and product mix have also contributed to the reduction in water intensity.



Energy efficiency measures - testing for compressed air leaks

Environmental Report (continued)

Transport

Target – to meet the challenge of reducing emissions whilst striving to maintain and improve upon customer service.

Fuel usage has a significant business impact. Marshalls undertakes one-on-one “green” driver training for its fleet drivers, which has the added advantage of gaining a broader understanding of the problems being faced by the drivers, allowing management to address the issues. The fuel efficiency of the Marshalls Large Goods Vehicle fleet (“LGV”) improved by 0.1 mile per gallon during 2012.

The Group is a member of the voluntary freight transport led Logistic Carbon Reduction Scheme (“LCRS”) which has a collective commitment to reduce the carbon dioxide emissions by eight per cent by 2015 (compared to 2010 levels). The business drafted an internal Transport Policy Statement during the year to provide focus on the key metrics to improve vehicle efficiency. The business also continues to investigate LGV speed restriction and alternative fuel trials.

The Group uses rail for stock movement to reduce carbon emissions and will continue to look at different modes of transport whenever practicable.

The Group’s company car fleet has an average emission of 130 carbon dioxide grams per kilometre reduced from 140 in the last 18 months. An in-house automated report using a combination of total mileage travelled and the achieved efficiency (miles per gallon) is being developed with a view to providing each driver with a ‘green’ driving score during 2013.

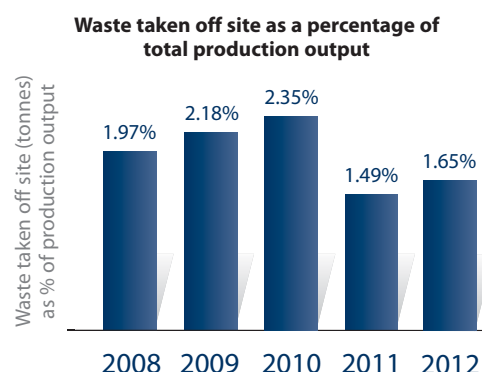
Waste Reduction

Target – to reduce by 3 per cent the total waste to landfill per tonne of production output per annum over a three year rolling average.

The Group has continued to measure the amount of waste, including material for recycling, leaving

sites as a percentage of total production output. The business aims to eliminate waste and where it is generated it investigates the opportunity for reuse or recycling within the business. The Group is currently ahead of its target.

The chart below illustrates the Group’s off-site waste performance between 2008 and 2012.



This chart does not differentiate between waste leaving site for reuse / recycling and waste leaving site for landfill. The absolute waste total for the year has decreased by 11,465 tonnes (2011: 46,312 tonnes) to 123,482 tonnes. The introduction of waste recovery as a trial and other efforts around recycling has meant that the Group has increased its recycling/recovery rate to 92.3 per cent (2011: 91.8 per cent) and reduced its waste sent to landfill to 7.7 per cent (2011: 8.2 per cent).

The Group continues to improve the accuracy of its data. Product mix is a factor in measuring waste generation across the Group, with certain product lines being associated with higher levels of waste generation than others.

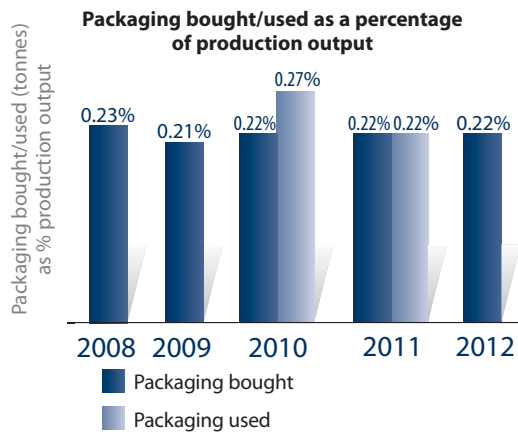
Packaging

Target - reduce by 2 per cent per annum, over a 3 year cycle, while ensuring that the pack and product safety is not compromised.

The Group reports packaging used which aligns with the duty to report under the Producer Responsibility Obligations (Packaging Waste) Regulations.

Environmental Report (continued)

The chart below illustrates the Group's packaging performance between 2008 and 2012.



The Group used 10,461 tonnes of packaging in the reporting year which was a reduction on previous years and nearly one per cent more than the reduction in production output. The intensity of packaging used to production output remains at 0.22 per cent which is ahead of our target.

This measure is affected by product mix, so a reduction can be achieved by selling a higher volume of those products that have less packaging. The Group uses packaging only to the extent appropriate, for example, to ensure safe handling, storage and transport of its products and to minimise damage to the product and hence waste. In addition, packaging may be used to provide health and safety information to prospective users of the products and instructions on installation. Packaging principally comprises timber pallets and polythene.

The Group continues to concentrate on the reduction of timber and plastic which represent 86 per cent and 12 per cent respectively of the reported packaging tonnage.

The Group's Timber and Paper policy continues to support its commitment to obtain pallets from FSC accredited suppliers where available. During the year the Group has extended a trial of pallet repatriation which has the potential to reduce its timber impact. A limited trial on 3 pallet designs at two sites reduced the number of new pallets by approximately 2.5 per cent.

Work continues on the reduction of polythene film thickness to deliver material savings, with an estimated full year saving of 29 per cent at the initial trial site. If successful, the benefit will be rolled out to other Group operating sites.

Suppliers and Contractors

The Group has an effective Procurement Policy in place. The policy provides a framework which all employees engaged in procurement activities are expected to operate. It contains a clear statement with regard to Marshalls' commitment to responsible sourcing. The Group will continue to



Argent Walling and Water Feature

Environmental Report (continued)

work with our key suppliers to ensure they have appropriate management systems to minimise risk and environmental impacts in place. Where significant risk is identified with a supplier, a rigorous audit will be carried out.

Marshalls' Anti-Bribery Code reinforces policies and procedures already in place and is communicated to external suppliers and contractors as well as within the organisation.

Environmental Impact of Products

The Group maintains its policy of producing products intended for a long life with low maintenance. Marshalls is a world leader in terms of the number of its products (over 2,000) having a measured carbon footprint (using the Publicly Available Specification 2050:2008, "Specification for the assessment of the life cycle greenhouse gas emissions of goods and services"), all of which have been verified by the Carbon Trust. It is expected that the data obtained through this process will enable the business to focus on energy savings throughout its supply chain. The

results are available online for our customers to use in their selection of most suitable product for their project.

During 2012 the Group completed its annual audit for its Responsible Sourcing Certification to the Building Research Establishment Standard BES6001 for its concrete paving and walling products. The products have been rated as "Very Good."

The Group's products are considered to have low environmental risk and in the majority of cases are readily re-usable and recyclable at the end of their life.

Sustainability

The Group has a sustainable business plan and has set KPIs for the key areas of this plan. It addresses economic, social and environmental aspects of Marshalls' operations underpinned by development of management systems recognised by an independent third party (BSI).



Athletes Village - Olympics 2012

Environmental Report (continued)



The Group's publishes targets, progress and data on its website at www.marshalls.co.uk/sustainability to communicate its agenda on the triple bottom line of environmental, social and economic issues. The aim is to have a platform which allows interested stakeholders access to the latest information on our activities.

Marshalls is an active member of the British Precast Concrete Federation Sustainability Committee and a signatory of the Precast Sector Sustainability Charter. The business is also a signatory to, and an active member of, the Sustainable Concrete Forum.

Land Management

During 2012 all development projects were either located on brownfield land, within Marshalls' sites, or acquired on-going operations.

Environmental Awareness and Training

The Group recognises the need to raise the environmental awareness and competencies of its employees and has targeted energy management with a poster campaign aimed at improving the energy culture across the Group.

The Contractor Handbook includes more detailed environmental information and has been delivered to those working on behalf of the

Group. Operational employees received Toolbox Talk training on a range of environmental topics including waste, environmental permits and biodiversity.

Biodiversity

Target – to have biodiversity action plans in place at all appropriate sites by the end of 2012.

The Groups' biodiversity strategy was written in consultation with external stakeholders and it documents a systematic approach to our legal, protection and enhancement commitment to the biodiversity on our sites. This strategy includes a priority approach to defining appropriate sites together with evaluation of the biodiversity ecosystem services delivered. During the year, in view of the operational changes within the business, this target was adjusted to focus on maintaining legal compliance.

Marshalls continues to maintain its accreditation to the Wildlife Trusts' Biodiversity Benchmark at three sites.

Legal Compliance

There were no environmental prosecutions at any of Marshalls' operating sites during 2012.

Verification

This section of the Annual Report has been audited by a qualified verifier on behalf of BSI. On the basis of the work undertaken, the Environmental Report is considered to be a fair reflection of the environmental performance of the organisation during 2012 and contains no misleading information.



PAS 99
IMR 72571

