

Managing risk

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Background

- UK based clothing, beauty, home and food retailer
- 100% own brand
- Trades at 20-30% above mid-price averages
- Turnover £8bn- difficult trading
- Employs 70,000 people
- Around 430 UK stores
- 1500 non-food and 500 food suppliers
- 30% of shares held by individuals

Board

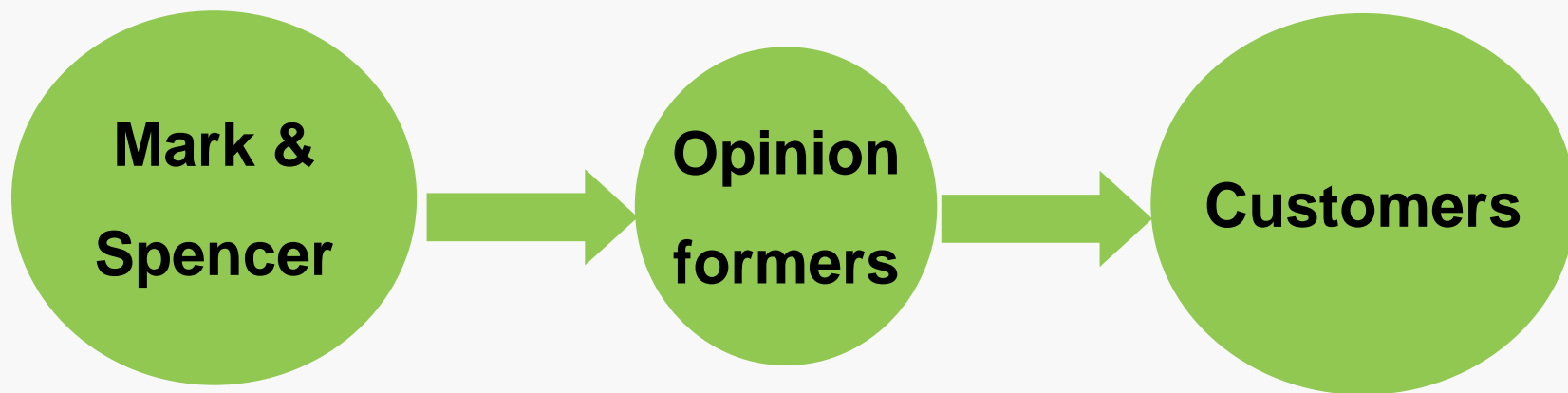
CSR Committee

CSR Forums

Ethical trading history

- 1996- World in Action TV Programme
- 1999- Global Sourcing Principles developed
- 1999- Joined ETI
- 2003- Started to report publicly on progress
- 2004- First externally assured CSR Report, launch of first Fairtrade products.

***Any communication to customers is edited and critiqued by
'them out there'***



What results depends on customer expectation

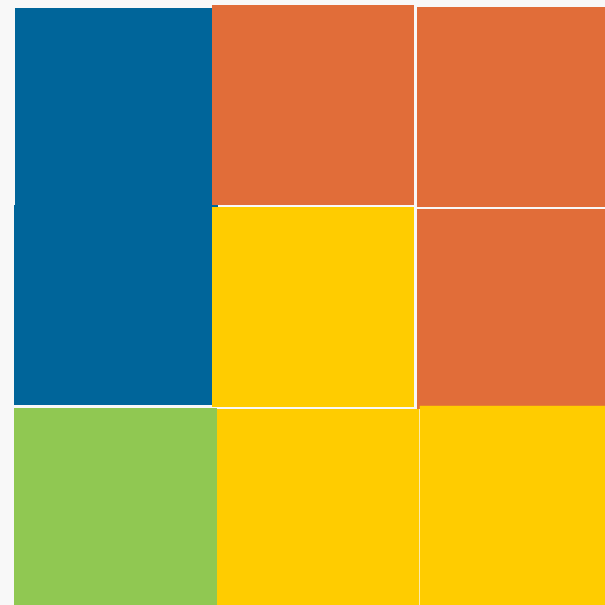
Assessing risk

**Customer
Expectations**

M&S responsible

M&S responsible as
Part of a group

M&S responsible
With everyone else



Good

Average

Poor

Performance

What are customer expectations on ethical trading?

- **Important but not as high as product, price, service, employee welfare or supplier relationships.**
- **Growing understanding of 'price' versus 'sourcing trade-off's.**
- **Logic is; good relationship with suppliers= good welfare= good quality products.**
- **Interest is based around personal benefits- what do I get from it?**
- **Difficult to differentiate on ethical trading (but Fairtrade maybe possible).**
- **In UK, very isolationist view about overseas sourcing (if not UK- not interested).**
- **Tsunami Disaster provided visibility but did not change views.**

What risks should SRI address?

- To what extent does business strategy rely upon ethical trading?
- Is the company aware of its customers' expectations?
- Does it have a system for Governance/ managing risks?
- Are activities proportionate to expectations?