Marks & Spencer
Food:
Sustainability scorecard for suppliers

Making Business Mutual Case

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Marks & Spencer Food: Sustainability scorecard for suppliers

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About the Making Business Mutual Case Studies

This series of case studies explores how mutual approaches to business can help companies and their partners tackle some of the most pressing global challenges. The businesses featured in this series share a commitment to objectives beyond purely financial performance, as well as a serious intent to implement mutual practices through new forms of ownership, governance, leadership, measurement and management.

In particular, these cases address the measurement of multiple forms of capital, ecosystem shaping approaches, leadership development, business education, and policy formulation through laws and regulation that promote mutual conduct. The authors appreciate the collaboration of participating companies in creating these cases.

These cases were first developed for the annual Responsible Business Forum, the convening event of the Mutuality in Business Project, a joint research programme between Saïd Business School, University of Oxford, and the Catalyst think tank at Mars, Incorporated. The Responsible Business Forum brings together global companies, MBA candidates, scholars and activists to share their experience in confronting key challenges in their ecosystems to generate financial, social and environmental value.

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Author’s Note: This is a descriptive case study, based on publicly available materials as well as on the information shared by the company described. This case study is not meant to provide critical analysis of the literature or information used to develop it. All errors and omissions are the authors’ own.
### Case Name
Marks and Spencer Food: Sustainability Scorecard for Suppliers

#### Ecosystem

**Pain Point**
Although M&S’s own operations have an impact on the environment, its biggest impact comes through the products it sells and the way in which those products are used. Rising raw material and energy costs, availability and costs of labour, as well as the costs of managing waste, pose significant challenges for M&S’s supply base. At the same time as these challenges arise, customers are increasingly aware of their personal impact on the natural world.¹

Therefore, M&S wants to show leadership on sustainability. To this end, it works hard to build and maintain customers trust. M&S believes that a long-term relationship of trust with its suppliers helps ensure that the suppliers both understand and put into practice the values M&S has set for itself.² As part of the Supplier Collaboration Programme, M&S supports suppliers through training and development opportunities aimed at improving its sustainability performance.

#### Business Strategy
M&S’s work with suppliers is part of the company’s aspiration to become the world’s most sustainable major retailer.³ Its Sustainability Scorecard initiative seeks to improve performance in the M&S food supply chain by focusing on tracking and incentivising environmental, human resources, ethical sourcing and lean manufacturing practices.

Additionally, the programme allows M&S to understand its supply chain better. The Sustainability Scorecard helps to ensure positive trade relationships with employees, suppliers and consumers – a recognised aspect of the M&S brand.

#### Performance
As a result of the Sustainability Scorecard programme, M&S’s direct suppliers have reduced waste by over 250,000 tonnes. Further, over 60% of suppliers send no waste to landfill. Over half of all sites have improved their energy and water efficiency. This programme has also shown a positive impact on employees. Research has shown that 72% of suppliers score 65% or above on positivity in employee feedback.

#### Prognosis
In 2016, 56 supplier-sites were validated for the Sustainability Scorecard programme.⁴ Currently, 385 supplier-sites are part of the programme. M&S aims to source 100% of its products from at least Silver level suppliers by 2020 and to have a sustainability story for each product.

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Making Business Mutual Case Study:
Marks & Spencer Food
Sustainability Scorecard for Suppliers

About the Company
Marks and Spencer (M&S) is a major British retailer of household items, food products and clothing. Founded in 1884, M&S is now a public limited company, with over 1,000 stores across the world, 852 of which are located in the United Kingdom. It has over 80,000 employees and revenues of over GBP 10 billion. In the United Kingdom, M&S has 368 direct supplier-sites, which employ over 119,000 people. These include 302 food factories and 38 drinks factories.

Ecosystem Pain Point
Over 90% of M&S’s impacts fall within the supply chain and outside of its own operation. Even though 98% of M&S products are sold under its own brand, M&S does not manufacture any products and relies instead directly on its suppliers. For this reason, M&S takes special interest developing relationships with its suppliers.

There are benefits for M&S that can be gained through engaging with suppliers around sustainability. These include:

1. **Lower costs through more effective supply chain collaboration.** Using sustainability as a basis for collaborating with supply chain partners can help to reduce many commercial barriers. Examples include optimised packaging design, optimised transportation with load-sharing to increase truck fill and reduce empty running, reduction in transit packaging, better alignment of ordering and replenishment to reduce raw material waste that can occur through over-supply or from short production runs aimed at rapid response.

2. **Improved products** through a collaborative approach to addressing sustainability issues and encouraging innovation. By working jointly on alternative product designs or formulations, products can be made more sustainable. Examples include: reduction in, or substitution of, non-renewable materials; use of lower impact modes of raw material transportation or use of returnable containers; and, local sourcing where greater assurance of supply offsets the potential increased costs compared with sourcing from distant lower cost countries.

3. **Reduced environmental risks**, such as through improving the sourcing of materials from regions with scarce natural resources.

4. **Reduced social/ethical risks**, such as through improving labour standards at suppliers.

5. **Reduced supply or reputational risks** through enabling greater transparency across the supply chain.

The abovementioned benefits accrue from engaging suppliers on issues of sustainability. There are, however, challenges associated with implementing new approaches to supply chain sustainability. As an industry report explains:

Most companies in the grocery sector initially approached supply chain sustainability from a need to ensure compliance and to minimise supply and reputational risks from across the supply chain. Whilst some industry wide initiatives, such as Sedex (Supplier Ethical Data Exchange) have been successful in providing an effective framework for this risk
management approach, this can result in defensive behaviour by suppliers and can reinforce relationships that are characterised by a “tick-box” process for ensuring compliance.  

Effective supply chain management, as this report suggests, comes into play when implementing new business strategies around sustainability. In order to offset potential risk, M&S needed to innovate new means by which to align suppliers with M&S’s broader sustainability goals.

**Business Strategy: The Sustainability Scorecard**

The supply chain forms a critical part of the M&S Sustainability Programme – Plan A. The Sustainability Scorecard initiative, on which this case focuses, is a key component of Plan A. It provides a crucial example of M&S’s efforts to improve supply chain performance and practices. The scorecard initiative advances a series of high-level goals for the company, particularly in the area of supply chain management. M&S’s supply chain aims to be ethical, resource efficient and lean:

- **Ethical**: Good working conditions throughout supply chains and to source products with integrity.
- **Resource Efficient**: To increase supply efficiency and reduce costs associated with raw material, energy and waste.
- **Lean**: To incentivise and facilitate better and leaner practices amongst suppliers.  

As an M&S brief explains, the Sustainability Scorecard endeavours to align suppliers with M&S’s wider sustainability goals:

We’ve developed a Sustainability Scorecard to help suppliers of M&S food & household products understand the business case for sustainability through progressively reducing their environmental impacts, increasing their efficiency and positively benefiting their workforce.  

In 2010, M&S established a sustainability scorecard that tracks the progress of suppliers’ sustainability activities. This scorecard enables M&S to award *Provisional, Silver, Bronze, and Gold* ratings to participating suppliers.

The scores are calculated based on three pillars: Environment, Human Resources and Ethical Trade, and Lean Manufacturing. As stated in the company’s Plan A Commitments report, this scorecard system is part of a larger effort to align suppliers with the company’s sustainability objectives:

We’ve been working with our business partners to develop best practices. We’ve taken these best practices and turned them into a set of factory and farm sustainability standards that we are now going to drive across thousands of farms and factories in our supply chain. These standards are vital. They will make Plan A how our suppliers do business too. 

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7 Ibid.


At least once a year each of the direct suppliers’ sites work through the scorecard’s framework and complete self-assessment questionnaires. As a case study by the Financial Reporting Council describes, suppliers take process of generating and auditing these scorecards seriously:

A critical part of the process is audit and assurance where it must both satisfy itself that the required standards are being met and avoid alienating its suppliers by being too strict...The company has opted to give a window for when audits will take place, so that the suppliers know that the assurance team will arrive at some point within the space of, say, a month. The period is short enough to limit the disruption but long enough to prevent bad practice being temporarily hidden.

In this way, M&S addresses the need to collect excellent data without overburdening suppliers. The practice of providing suppliers with a “window” during which the audit will take place helps foster goodwill and promote accountability, without disrupting production.

Buyers take these scores into account. Furthermore, only products from Silver and Gold factories are eligible for recognition as having “Plan A product attributes” for sale to consumers. By 2020, M&S plans to source 100% products from sites that are scored Silver or Gold. In recognition for their efforts, Silver suppliers are awarded certificates at the M&S annual commercial conference.

M&S’s sustainability-related interactions with its suppliers started with a Supplier Collaboration Programme, which continues to support the scorecard framework. The Supplier Collaboration Programme has three main areas of focus: to facilitate supplier exchange meetings; to provide skills training and development opportunities for suppliers; and to deliver financial benefits and improved ways of working.

Environment
The first element of the scorecard is the environmental measures. These measures focus on energy use, water use, waste and carbon outputs. In particular, this part of the scorecard includes environmental impact assessment, risk assessment of key raw materials, sustainable procurement plan and tracks the percentage of renewable energy at site.

M&S has particularly identified waste as an issue, both in production and in packaging. The current goal is to source 25% of food produced in zero-waste factories. To advance this goal, M&S works with suppliers. As the company’s Plan A Commitments report describes:

Different parts of M&S supply chain face different challenges on waste. Food supply chains create more waste, but much of this is currently recycled. M&S works with food suppliers to help them recycle their remaining volumes that still go to landfill, by using the most carbon efficient approach available, for example anaerobic digestion or composting. We’ll also work with our suppliers to minimise food packaging write-offs.

As this example of food supply chain demonstrates, many opportunities for increasing sustainable business practices exist along the supply chain. Offering increased access to recycling, in this way, helps M&S align its suppliers with its ongoing sustainability goals by tackling the challenges of food waste.
**Human Resources & Ethical Trade**

A second key aspect of the scorecard is human resource management and ethical trade. This section includes employee representation, staff turnover, workforce cohesion and external accreditation for employee bodies. As the company reports: “We want our food to only come from factories demonstrating leading standards in training, workforce and community engagement, health and safety and employment practices.” The scorecard system helps advance M&S’s human resource and ethical trade goals.

The company’s Global Sourcing Principles draw from key international documents and standards, including UN Universal Declaration of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the UN Guiding Principles on Business and Human Rights, the UN Women’s Empowerment Principles, the UN Human Right to Water and Sanitation, the Children’s Rights and Business Principles and the UN Global Compact. By aligning the company’s requirements with these international standards, the company is able to encourage engagement and streamline the compliance burden for its suppliers.

**Lean Manufacturing**

The final element of the scorecard is lean manufacturing. Here the scorecard tracks whether suppliers use formal tools for cross-functional problem solving; employ value stream mapping; and identify of their key suppliers for improved relationships.

**Participatory Approach**

M&S seeks to encourage suppliers to own the agenda, and in agreement with M&S are actively seeking to not undertake audits and set compliance: “Instead M&S has chosen to collaborate with key suppliers and have jointly created a number of model factories.” Although some of the lessons from the model factories initiated supplier mandates through Plan A commitments, the larger focus was, and continues to be, demonstrating the business case for action. M&S views this as a more powerful incentive of galvanising change across the supply chain.

As a Product Sustainably Forum Report notes, “M&S’s approach has been to support its supplier-based commitments and mandates with lighter touch incentives and collaborative working models.” M&S, moreover, “encourages its suppliers to use an online knowledge platform where M&S is able to provide suppliers with advice, case studies and toolkits on how to make practical changes within factories and on farms.” These materials also highlight the business benefits of implementing the aforementioned practical changes.

Further encouragement occurs through other incentive and collaborative programmes such as the annual supplier awards programme. The “awards recognise and showcase suppliers that have made tangible and demonstrable improvements in areas such as process innovation or product sustainability.”

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17 Ibid.
18 Ibid.
19 Ibid.
Supplier networking sessions are also held every two-to-three months. The sessions focus on areas of the performance scorecard where suppliers experience difficulties. In these sessions, “[s]uppliers that have made progress on specific challenges are encouraged to share experiences and outcomes with their peers [and] M&S technical experts are also on hand to share operational knowledge and expertise.”

M&S makes a point of not requiring suppliers to share how much they have saved and how much is due to M&S’s involvement. This approach results from the belief that suppliers may be concerned that M&S’s buying departments would use the information to negotiate on price. This may also reflect the reality that drawing a direct correlation between the company’s supplier engagement and the decision of suppliers to make adjustments is not clear-cut.

The Benefits of the Scorecard Approach

The scorecard enables M&S to understand and manage its supply chain better. This approach helps incentivise best practices. As summarised in a blog post by Hazel Cully, Sustainability Manager, the programme brings to the fore many previously unnoticed aspects of the supply chain:

It’s great to be able to see the real change that’s happening, for example when we started out only 70 of our sites had staff surveys, now more than 200 do. We’ve also seen great environmental improvements including over 40% of our sites sending no waste to land fill and 25% volume is now from sites that have reduced energy by 20%.  

More broadly, through the suppliers’ self-reporting M&S gains insights on the energy, material, waste and carbon performance measurements for those factories; suppliers’ risk assessment of their raw materials; suppliers’ employee representation, gender ratio, employee turnover and employee survey results at those supplier-sites; and the production capabilities of its suppliers. These insights allow M&S to better select and interact with its suppliers for product innovation and other improvements in its products.

Performance

Overall, the Plan A programme, of which the scorecard is a component, has delivered significant saving through waste reduction and environmental efficiency. As M&S has noted, “some of these savings accrue to the supply chain.” In the 2014/15 business year, these savings totalled GBP 160m. The programme has saved GBP 625 million since 2007.

However, M&S views the value of the programme as extending beyond these savings. As reported in a case published by the Financial Reporting Council:

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The company does not seek to measure the financial impact of Plan A in terms of margin, corporate earnings and brand value. It considers this a number that cannot be calculated, but it believes that the impact of Plan A in terms of the trust it generates with customers, as well as on the morale of its workforce and that of its suppliers, will make the company more resilient and more adaptable, enhancing its sustainability in a rapidly changing world.

As the report indicates, putting an increasingly sustainable supply chain into practice creates benefits for both M&S and its suppliers. The Sustainability Scorecard initiative bolsters brand value by enhancing relationships among the main business, suppliers and customers.

**Examples of Supplier Achievements**

As a result of the Sustainability Scorecard programme, M&S created value creation and savings across its supply chain. Below are examples of supplier achievements:

- Through the introduction of vacuum packing for fresh meats, an unnamed company calculates it saved GBP 16.3 million in 2011-2012.
- Worldwide Fruit, an M&S food supplier, was named supplier of the year in 2012 for its achievements in reducing electricity consumption by 14% a year and water demand by 75%.
- Brandix, a designated M&S eco-factory, was named clothing supplier of the year in 2012 for reducing carbon emissions by 80%, energy usage by 46%, and water consumption by 58%.
- AMC Grupo Alimentación Fresco y Zumo, a fruit supplier, introduced a closed-loop manufacturing methodology for fruit squeezing. This led to zero fruit waste, with 90% of fruit waste being used elsewhere in the business.
- Courtauld, a clothing supplier, developed a new bra made from 100% recycled polyester, with improved durability and guaranteed non-yellowing.

As this supplier achievements show, the scorecard initiative has the potential to align suppliers with M&S’s sustainability goals in mutually beneficial ways.

**Prognosis**

Looking ahead, M&S aims to source 100% of products from at least Silver level suppliers by 2020. In addition to meeting its internal standards, the company plans to have a sustainability story for each M&S product. This way, it can demonstrate the origins of its products and highlight the benefits of its new supply chain model.

Additionally, M&S plans to expand its Plan A initiatives to include a wider range of sustainability programmes. To this end, M&S will launch a five-year, GBP 50 million Plan A innovation fund to support new ideas in the business. An additional future goal will be to help suppliers create 200 Plan A factories and have 10,000 farmers join the initiative. Taken together, these programmes aim to catalyse innovation along M&S’s sustainable supply chain and continue fostering good relations between the company and its suppliers.

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26 Ibid.
## M&S Sustainability Scorecard

### Environment
- Legal compliance with environmental legislation in country of operation.
- A senior manager has accountability for environmental management at the site.
- Site has carried out an environmental impact assessment & business resilience health check and understands the key environmental risks and opportunity areas.
- Environmental management system in place, with annual targets.
- Measurement systems are in place for M&S KPIs on energy, water, waste.
- Best practice actions as defined by M&S have been implemented on site e.g. lighting, cleaning, water pressure, insulation.
- Site understands the sustainability impacts of its key raw materials.
- Demonstrable and verified year on year improvements in KPIs.
- Environmental targets & achievements are communicated to all staff.
- Site has 1 or 2 step change projects running either in energy, water, waste or carbon.
- Water, waste & energy action plans in place.
- The site is trialing new approaches/technologies to resource efficiency and sharing learnings.
- Zero waste to landfill.
- Sustainable procurement plan in place.
- Significant energy reduction on baseline.
- % of renewable energy where possible.
- Significant waste reduction of raw materials (inc. packaging).
- Maximising water recycling/efficiency where appropriate, including water stewardship projects in water stressed areas.
- Site champions new standards for the industry through relevant collaborations.
- Sustainable management of supply chain & raw materials.
- Innovative lower carbon solutions.

### Ethical trade
- Legal compliance with Labour law in country of operation and commitment to improve to meet ETI base code.
- Clear policies and evidence of HR KPIs.
- Staff survey in place.
- Elected worker committee or trade union which meets regularly.
- Strong health and safety, management and training.
- Strong agency oversight and targeting lower proportion of agency use.
- Very good approach to Health and Safety.
- Ethical KPIs compiled.
- People/HR included in site strategy and strong HR team in place.
- Excellent communications and engagement.
- Employee representation via a worker committee/staff forum or trade union.
- Strong approach to training and workforce cohesion.
- Good agency management.
- Employability scheme for young people or other disadvantaged groups.
- Excellent approach to HR and H&S - representing leadership within the industry.
- Very strong level of communications and engagement.
- Strong deployment of ethical trade within the supply base.
- May have external accreditation eg. Investors in People, RSPCA.

### Lean Manufacturing
- The site has recognised it needs a formal strategy including an element on Lean.
- The site has begun to align its control measures to the strategy and senior managers objectives.
- The senior manager recognises the need to solve problems cross functionally using formal tools.
- Key suppliers have been identified and are managed closely.
- A structured approach exists for establishing site level strategy.
- Management process has been formalised across all level.
- All managers have regular appraisals.
- There are one or two examples of value stream mapping which have delivered improvements.
- Structural problem solving is underway with a some managers.
- Key suppliers have been identified and are regularly being measured for performance.
- The strategy is clear and well communicated to all levels.
- Managerial objectives are all aligned to delivering the strategy.
- The management process that delivers control and improvement is robust at all levels & works hourly, daily, weekly, monthly.
- Leaders are skilled in encouraging bottom-up improvement and have proven capability in coaching.
- Value stream mapping is used regularly and is in line with the strategy to drive improvement involving employees at all levels.
- A formal system for problem solving has been deployed to all levels of the business and is used frequently.
- Key suppliers are managed effectively and work with you to deliver improvements.
- Continuous improvement of strategy, business processes, people, application of tools and techniques is happening at all levels of the organisation.
- Many different problem solving tools are used, everyone takes time to solve problems every week.
- Teams work not only to maintain, but also improve the process and add value.
- Key suppliers work together to help deliver the strategy.

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**Figure:** M&S Sustainability Scorecard

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Saïd Business School

Saïd Business School at the University of Oxford blends the best of new and old. We are a vibrant and innovative business school, yet deeply embedded in an 800-year-old university. We create programmes and ideas that have global impact. We educate people for successful business careers, and as a community seek to tackle world-scale problems. We deliver cutting-edge education programmes and ground-breaking research that transform individuals, organisations, business practice, and society. We seek to be a world-class business school community, embedded in a world-class university, tackling world-scale problems.

Mars Incorporated

Mars’ approach to business has long since been guided by five principles – quality, responsibility, efficiency, freedom and mutuality. Together they inform and guide the actions of all Mars associates every day as they do their jobs and interface with the outside world. The Mars’ leadership has tasked its economic research unit, Catalyst, to start new work into unexplored territory for business; to identify critical drivers of mutuality and, using business pilots, to develop and test new metrics and management practices that can help boost mutuality in business situations. This work is called the Economics of Mutuality.

The Oxford–Mars Mutuality in Business Partnership

On the back of these promising findings, a multiyear partnership with Oxford University’s Said Business School was established in 2014 to focus on the development of a business management theory for the Economics of Mutuality with corresponding teaching curriculum, new management practices, and case study research. The research programme has combined the pursuit of normative questions – what is mutuality and how should it be enacted? – with grounded, ethnographic research on current thinking and practices. This has led to the development of field experiments and case studies examining how large corporate actors conceive of and pursue responsible business practices, and how these relate to their financial and social performance the Economics

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