

## Marks & Spencer

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### Response to the consultation on Reporting Guidance for Business Reporting on Environmental KPIs

Dear Mr Benin,

Marks & Spencer is one of the UK's leading retailers of high quality clothing, food and homeware with over 700 stores in the UK and a further 400 worldwide.

We have been reporting on our environmental performance for nearly a decade and have a wide experience of sectoral, national and international reporting guidelines. For the last four years, the M&S How We Do Business Report has been rated by readers as the best and most read UK sustainability report by IPSOS/ MORI. We have also received the PWC Building Trust Award for best FTSE100 sustainability report in two of the last four years.

This response complements our existing submission on the draft proposals for mandatory GHG Reporting.

In summary:

- We welcome DEFRA's update of its 2006 Environmental Reporting Guidance but believe that it requires more focus on managing and reporting value chain impacts.
- We believe that there should be a better and earlier explanation of materiality including references to existing sectoral, national and international initiatives.
- We do not agree that 'air pollution' is a key environmental impact of the General Retail sector but we believe that energy efficiency should be included as an environmental KPI for all sectors.
- The boundary of reporting should be as close to Financial Reporting as possible (as with GHG emissions) but must be defined by 'operational control', 'financial control' or 'equity share' in line with established international best practice.
- The guidance would benefit from improved explanations on the importance of downstream and upstream value chain impacts which are far more significant for many sectors. Guidance is also required on how these impacts should be assessed, managed and reported.
- We believe that that chapters 4 and 5, on biodiversity and materials need to be re-structured, moving GHG and Waste impacts into their relevant chapters and providing clearer guidance on high impact materials, existing sustainability stewardship schemes and regulation.

Our feedback is detailed on the following pages:

## **Background**

We believe that it would be helpful in this section to reference existing sectoral, national and international reporting frameworks such as The British Retail Consortium's 'A Better Retailing Climate', Business in the Community's Corporate Responsibility Index, EU Retail Environmental Action Programme and United Nations Global Reporting Initiative etc.

These will all help organisations to identify materially important issues for their sector.

## **Materiality**

Although pages 77-88 towards the end of the guidance attempt to summarise materially important impacts for each sector, we suggest that these are referenced much earlier so that organisations can more easily identify relevant sections of the guidance.

Whilst we agree with the suggested priorities of **GHG emissions** and **waste** for the retail sector we do not believe that the inclusion of '**air pollution**' for the General Retail category is correct and we would assume that this is an error?

Most retail environmental reporting frameworks would generally also include consumer engagement, energy efficiency, water consumption and product raw materials.

## **Definition of a key performance indicator**

By definition a 'key' performance indicator as used in any other business context is a high priority, materially important measurement.

We would suggest that most organisations will have a very small number of environmental 'key' performance indicators but a much large number of supporting environmental performance indicators.

The distinction between 'key' and 'supporting' environmental performance measurements is particularly important in the context of the Business Review and Integrated Reporting.

## **Boundaries/ scope of reporting**

Whilst we agree that reporting of environmental KPIs should be aligned with Financial reporting as much as possible, the guidance is currently too simplistic.

Activities which generate a company's turnover and profits are not necessarily the same activities which also generate environmental impacts for which the company is accountable. For example, outsourcing, franchises, joint ventures, intellectual property rights and other contractual business partnerships will all generate impacts for which other organisations are partly or wholly responsible.

M&S, like most organisations will apply either the 'operational control' or 'equity share' definitions contained within the WRI/ WBCSD GHG Corporate Accounting and Reporting Standards and then apply these consistently to other impacts.

## **Intensity ratios**

We support the suggested use of an intensity ratio to be defined by the company.. For example, the British Retail Consortiums A Better Retailing Climate has adopted 'per unit of sales floor'.

To allow comparison, sectors should be encouraged to adopt common approaches.

## **Content on environmental impacts**

### **Chapter 1 (GHG/ air pollution)**

Whilst we understand that GHG emissions are covered in the consultation on mandatory GHG Reporting we are very surprised that energy efficiency is not included as a KPI. For many sectors including retail, this is a key measurement of eco-efficiency.

We recommend the inclusion of energy efficiency as an environmental KPI for all sectors.

### **Chapter 2 (Water)**

Many retailers, including M&S report on water efficiency though the volumes and impacts are relatively small. This section provides a good description of supply impacts which are likely to be more materially important for many sectors but upstream use of water also needs to be included.

Operational water usage will only be materially significant for a few sectors. Greater emphasis needs to be given to downstream and upstream value chain impacts which will be more significant for many sectors.

### **Chapter 3 (Biodiversity and ecosystems)**

Reporting on biodiversity and ecosystems is rapidly developing but currently immature.

Reflecting this, Chapter 3 is very theoretical and provides little practical guidance on management and reporting. There is no reference to existing sustainability stewardship schemes such as those that exist on wood, cotton, fish, palm oil, coffee etc. nor indeed legislation such as the EU Timber Regulations.

We believe that this sections needs to be re-structured and combined with chapter 4.

### **Chapter 4 (Materials)**

This primary focus of this chapter is on the impacts of metals and fossil fuels as well as the GHG emissions associated with peat and forestry.

Many of the impacts described in this section should more accurately feature under the Chapters on GHG emissions and Waste. Other raw materials and processes with significant environmental impacts such as agriculture, livestock and seafood are not mentioned.

We believe that this sections needs to be re-structured. Waste and GHG emissions impacts should be covered in their relevant Chapters. Biodiversity impacts detailing high impact materials, existing stewardship schemes and Regulation should be set-out in a new section combing some elements contained in chapter 3.

### **Chapter 5 (Waste)**

This chapter focuses on operational waste and no reference is made to upstream or downstream impacts which for many sectors will be far greater. We would also expect to see references to Government sponsored initiatives such as WRAP's Courtauld Commitment, Halving (Construction) Waste to Landfill, Sustainable Clothing Action Plan and producer responsibility regulations on packaging and WEEE.

We believe that this chapter needs to provide better guidance on upstream and downstream value chain impacts and reference Government sponsored initiatives and regulation.

Yours Faithfully

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