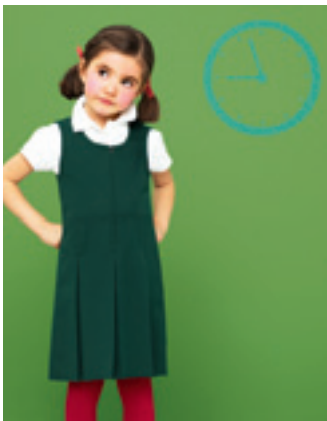


YOUR M&S

How we do business
report 2008



Quality · Value · Service · Innovation · Trust

What's inside...

- 1 Chief Executive's message
- 2 A year in review
- 6 Climate change
- 14 Waste
- 20 Sustainable raw materials
- 26 Fair partner
- 32 Health
- 36 People
- 38 How we do business
- 40 About this report
- 42 Listening and taking action
- 43 Independent assurance statement
- 44 GRI G3 Index

Using this report

This report covers our UK and Republic of Ireland operations for 2007/08 and provides three levels of detail:

- a year in review is an overview of progress across our Plan A activities including Climate change, Waste, Sustainable raw materials, Fair partner and Health;
- summary sections on each area of Plan A use a consistent approach to describe the issue, how it affects M&S, our partners and progress to date; and
- each summary section is followed by a more detailed performance section which provides a systematic update against all 100 of our Plan A commitments.

For more details, turn to the About this report section on pages 40 and 41.

About M&S

We are one of the UK's leading retailers, with over 21 million people visiting our stores each week. We offer stylish, high quality, great value clothing and home products, as well as outstanding quality food, responsibly sourced from around 2,000 suppliers globally. We employ over 75,000 people in the UK and abroad, and have 622 UK stores, as well as an expanding international business. Our Plan A 'eco plan' impacts on every part of our business.

In 2007/08 we recorded sales of £9,022m and adjusted profit before tax of £1,007m. We are the UK's largest clothing retailer with a value market share of 11.1% and 4.3% of the UK food market. Almost all the clothing, food and home products we sell are own-brand.

Right: Fairtrade certified cotton t-shirts



Our International business accounts for 7.9% of Group turnover and has grown to 278 stores in 39 territories globally. During 2007/08 we announced new ventures covering stores in India, Greece, Switzerland, Czech Republic, Slovakia, Latvia, Lithuania and Estonia.

Left: An M&S store in Lithuania

Marks and Spencer Group plc is a public limited company listed on the London Stock Exchange. Our principal trade associations are with the Confederation of British Industry and the British Retail Consortium and we were founding members of Business in the Community.

Right: One of our Lochmuir™ salmon products



You can find further information about our financial performance in our 2008 Annual report at

 marksandspencer.com/annualreport08

Chief Executive's message

We launched our Plan A 'eco plan' in January 2007, setting out 100 commitments across the challenges of Climate change, Waste, Sustainable raw materials, Fair partner and Health. Plan A includes aims for M&S to become carbon neutral, send no waste to landfill, extend sustainable sourcing, be a fair trading partner and help our customers and employees to lead healthier lifestyles. These commitments are underpinned by my belief that in the longer-term, a successful business also has to be an environmentally and socially sustainable business too.

Conditions on the high street have become tougher over the last six months and look set to stay this way throughout 2008/09. Despite this, we've made good progress in implementing Plan A. Most importantly, we've started to engage and involve our customers, employees and suppliers in change – helping to create a virtuous circle as their ideas and commitment spur us on to make further progress and find new solutions. Plan A helps our suppliers to see environmental and social issues as an opportunity to innovate and find new solutions rather than an issue of basic compliance. We need their creativity and energy to help us deliver Plan A across our 35,000 product lines.

Plan A has also re-emphasised the value of partnership in driving social and environmental change. Groups such as Forum for the Future, Oxfam, WWF, Breakthrough Breast Cancer, Save the Children, The Carbon Trust, Waste Resources Action Programme (WRAP), BRE (Building Research Establishment), Groundwork and many others have played an important role in helping us deliver Plan A to date. They've helped us innovate; they've provided the skills we don't possess; and have inspired our customers. Constructive partnerships like these will stay at the heart of Plan A in the future. Plan A gives us a clear direction in tackling issues that are evolving rapidly. As circumstances change, we will need to keep Plan A under constant review. Our 'freeze' on the use of bio-fuels and greater emphasis on working in partnership with our suppliers to manage labour standards are examples of where Plan A

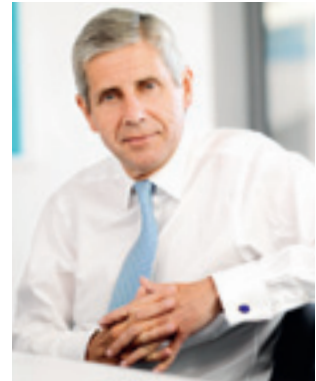
has continued to evolve. The sheer scale of Plan A has forced us to re-think the way we measure, manage and report on social, environmental and ethical issues. We believe that we understand the issues involved and are making good progress – but we need to support this with stronger management systems. For this reason Richard Gillies was appointed Director of Plan A in March 2008, to work across our business and improve the way we manage our performance.

This is our fifth report on social and environmental performance and the first systematic update on our progress against all of the 100 Plan A commitments. For the first time, our report includes measurements and key performance indicators to help you understand the full scale and breadth of our commitments and progress so far. Like every other aspect of Plan A, we aim to improve these measurements and performance over time.

We've always known that Plan A is ambitious, but over the last 12 months we've achieved a lot and learnt a lot too. We're convinced that to sustain our success in the long term we must offer exceptional products, service and store experiences in a way that reflects our customers' and stakeholders' expectations that Marks & Spencer is amongst the leaders in managing environmental and social issues.



Sir Stuart Rose
Chief Executive



Sir Stuart Rose

“Most importantly, we've started to engage and involve our customers, employees and suppliers in change – helping to create a virtuous circle as their ideas and commitment spur us on to make further progress and find new solutions.”

”

A year in review

Richard Gillies, Director of Plan A

We've now completed the first full year since Plan A was launched – a good point at which to assess our progress. Back in January 2007 we pledged to meet 100 separate Plan A commitments within five years and I'm pleased to say that we've already made progress on 94 of these. This is a good start, but we still have lots more work to do.



Benefiting business

We believe that Plan A supports the growth of our business. The current difficult economic climate will provide additional challenges but we believe that strong Plan A actions will provide short-term cost savings and longer-term competitive advantage. Fifteen months into our five-year plan we're already seeing benefits in reduced energy and waste costs, savings in packaging costs and our suppliers are benefiting from these activities too. But it's not all about cost savings; industry surveys such as the Chatsworth FTSE 100 Green Survey and the Covalence Ethical Ranking show how Plan A is having a positive effect on how people regard Marks & Spencer – retaining the loyalty of existing customers and winning us new business. Plan A has also inspired new ranges of Fairtrade, organic, recycled and energy efficient products. Plan A isn't just a 'nice to do' – it's a 'need to do'.

Involving our employees

We knew Plan A was ambitious when we first conceived it; we also knew we had to make it 'part of the day job' for M&S people. That's as much about motivating individuals to get involved as it is about integrating Plan A accountabilities into our business processes.

It's no surprise that our people have risen to the challenge. Our research shows that they're generally more aware of, and concerned about, environmental issues than our customers – and their willingness to put Plan A into practice reflects this. Our 570 Plan A Champions have done their bit too, working to promote Plan A, through business-wide initiatives like our two successful Green Weeks and also on a day-to-day basis with colleagues and customers.

Inspiring our customers

Our most recent research categorises customers' attitudes into four identifiable groups. 11% of our customers are 'Green crusaders'; the most well informed and passionate group, they're already making a significant difference themselves and expect business to take a lead as well. A further 27% are increasingly aware of the need to address sustainability issues and are willing to play their part 'if it's easy'. A further 38% fall into the largest group: 'What's the point?' They're increasingly concerned about environmental and social issues but don't believe they can make a difference. 'What's the point?' customers may be willing to make changes if others match their efforts. The remaining 24% of our customers are not currently interested in green or ethical issues.

Working in partnership

The social and environmental issues highlighted in Plan A are too large for us to tackle alone – that's why partnership is at the heart of Plan A. Our external partners have already provided solutions, improved our understanding of issues and helped us to inspire our customers. WWF is helping us tackle environmental issues associated with water, cotton, wood, fish and palm oil sourcing; Oxfam is helping us encourage clothes recycling. Groundwork has worked with us on our 'no to carrier bags' campaign; Tetrapak has helped us improve recycling facilities. The Fairtrade Foundation has helped us increase the availability of Fairtrade certified cotton and the BRE (Building Research Establishment) has helped us to improve the environmental specifications of our stores.

9%

less CO₂e was produced by our UK and Republic of Ireland stores, offices, warehouses and delivery vehicles than in 2006/07



1.5%

of adjusted pre-tax profits were invested in community programmes

Partnerships are a great way to put innovative ideas into practice. Partnerships with our farmers have led to the development of new small-scale, decentralised renewable energy generation facilities, based on anaerobic digestion and wind power. Partnerships with our clothing and home suppliers are also driving the development of five new 'eco' factories set to open in Sri Lanka, China and Wales.

We've also worked with Government, helping to develop a wider policy framework on issues such as the Carbon Reduction Commitment; a methodology for product carbon footprinting (PAS 2050); and the introduction of recycling information labels for packaging.

Independent benchmarks

As we implement Plan A it's important to make sure we meet the expectations of our customers, employees and society. This is why we refer to independent external benchmarks to help us assess our own performance.

Our progress in year one of Plan A has been recognised by a number of independent groups. In December 2007, we were awarded the World Environment Centre Gold Medal for Sustainable Business, while we lead the global retail sector in the Dow Jones Sustainability Index and share the retail top place in the Carbon Disclosure Project. Our efforts have also been recognised by a wide range of organisations: Greenpeace has rated us top retailer for the use of wood from sustainable sources to make paper tissues; Compassion in World Farming has judged us the top retailer for our food animal welfare standards; the RSPCA has commended our fashion, cosmetic and food animal welfare standards; the National Consumer Council has rated us a joint leader among 'green' supermarkets.

Keeping Plan A relevant

It's important to keep Plan A relevant as our understanding of issues continues to evolve. In the autumn of 2007, some supply chain organisations challenged our ambitions on labour standards. We've now acted on their advice by introducing more support for our suppliers in managing labour standards and by working with them to develop model 'ethical' factories to identify best practices.

Our performance was also challenged in a UK Local Government Association (LGA) survey of food packaging recyclability. Across our food product lines, over 70% of the weight of packaging we use is readily recyclable across most of the UK. Around 90% would be recyclable if all local authorities provided consistent collection facilities – we're currently working with the LGA, UK Government and other retailers to achieve this.

In January 2007, we believed the use of bio-diesel could play a key role in Plan A but there is now a growing consensus that these fuels may create new problems, such as loss of habitat. After completing a trial, we've stopped using them until sustainable sources of supply are available.

One year into Plan A we've made good progress, but still have a lot of work to do. Our successes so far reflect the increasing involvement of our customers, suppliers and employees across the aims of our five Plan A pillars.



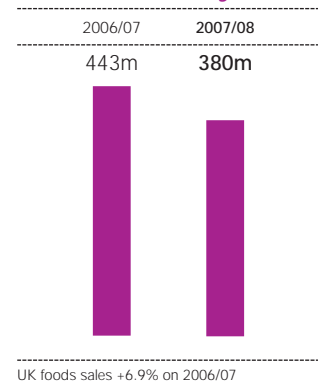
Climate change

Making our own operations in the UK and Republic of Ireland carbon neutral and helping customers and suppliers to reduce their emissions too.

We've made progress in tackling climate change across our supply chain, operations and consumers' use of our products: reducing our carbon dioxide and equivalent emissions (CO₂e) by 9%, despite a 5% increase in sales floor area, a cut of nearly 50,000 tonnes of CO₂e; improving energy usage in stores by 4% on a like-for-like basis; and increasing the renewable electricity used in our stores, offices and warehouses to 23%. Some of this renewable electricity comes from small-scale anaerobic digestion and wind turbine systems installed by our farm suppliers.

The first vehicles from our fleet of 141 energy efficient aerodynamic trailers are on the road and we've calculated a carbon footprint for our food business. With around 70% of our clothes now suitable for washing at lower temperatures, 31% of customers' washes are now being carried out at 30°C, up from 23% before the campaign.

Food carrier bag use down 14% on last year





Waste

Stop sending waste to landfill from our UK and Republic of Ireland stores, offices and warehouses; reduce our usage of packaging and carrier bags.

We've reduced the amount of waste our stores, offices and warehouses send to landfill by 6% and recycled more construction and fit-out waste too – 75% this year with 85% targeted for 2008. We're reducing prices of food items which will go past their display-life that evening – a move that could cut food waste from stores by 10%. A 5p food carrier bag charge, with profits donated to Groundwork, across our UK stores from 6 May 2008 could reduce usage by up to 70%, while all our clothes and food carrier bags are now made from recycled plastic. We've introduced the UK's biggest clothes recycling scheme with Oxfam, recycled 122 million clothing hangers and 11 million Christmas cards. We now have information for our customers about materials and recycling on nearly 80% of our food and 14% of our clothing and home packaging.



Sustainable raw materials

Ensuring our key raw materials come from the most sustainable sources available to us.

We've increased sales of organic food by over 40% in just one year and now offer over 590 organic food lines. Organic wool and

linen clothes have been added to our successful organic cotton products and we've also sold over 300,000 garments made from recycled PET plastic. Since the launch of Plan A we've made steady progress on our commitment to use Forest Stewardship Council (FSC) certified or recycled wood materials in our products – with all M&S tissues, kitchen and toilet rolls now manufactured this way along with our 'Your M&S' customer magazine and around 30 million M&S Christmas cards.

We're the first major UK retailer to meet the British Union for the Abolition of Vivisection's Cruelty Free (BUAV) standard for all our beauty and homecare products; all our whole ducks, geese and turkeys are now sourced from free range producers and Oakham chicken flocks are kept at reduced stocking densities in line with RSPCA recommendations.



Fair partner

We've increased our ranges of Fairtrade food sales and cotton clothing and extended our Farmers Price Pledge to cover some of our UK lamb and organic beef farmers.

Sales of Fairtrade certified cotton clothing topped 4.8 million singles and Fairtrade food sales were up by 20% on last year. More than 1,500 suppliers across over 30 countries have used our Supplier Exchange best practice website and some have also attended the supporting Supplier Exchange conferences. In total, we've invested £15m in community projects, equivalent to 1.5%

20%

increase in Fairtrade food sales

April 2007 'Together' campaign launches

M&S supported the launch of the Climate Group's 'Together' climate change awareness campaign by promoting 30°C garment wash temperatures.



August 2007 Save the Children – Back to school

Working with Save the Children we raised over £600,000 through the sales of our schoolwear enabling 15,000 children into education in Uganda.



September 2007 Green week

We held the second of two 'Green Weeks' for our employees enabling our 570 Plan A Champions to promote initiatives such as clothes hanger recycling, our 'No to carrier bags' campaign and energy efficiency.



October 2007 Bournemouth eco-store opens

We opened our three eco-stores in Bournemouth, Galashiels and Glasgow Pollok which will act as a test bed for the next generation of store specifications.



of our adjusted pre-tax profits. In the UK, 650 disadvantaged people have completed our Marks & Start work experience programme, with 40% going on to find employment. Our customers have helped to raise £1.6m for Breakthrough Breast Cancer in our seventh year of support and £646,000 for Save the Children.



Health

Helping thousands of customers and employees choose a healthier lifestyle.

Two highlights in 2008 were the removal of artificial colours and flavourings from all food and soft drinks produced for us from 1 April 2008 and the introduction of the Food Standard Agency's (FSA) nutritional Traffic Lights advice and Guideline Daily Amounts on FSA recommended food products.

We made steady progress on our commitment to reduce salt in our products. We now meet 11 of the FSA's 15 salt targets for 2010 which recognise foods which contribute high levels of salt to the diet. These are buns, cakes, pastries, fruit pies, ready meals, sandwiches, breakfast cereals, bread, baked beans, soups and sauces. At the same time we've also switched all our conventional farmed salmon to omega-3 enriched Lochmuir™ salmon.

To keep our customers informed about health and encourage them to make healthier choices, we've trained 1,500 Healthy Eating Assistants

to help them in stores. We've run similar initiatives for our employees and now provide health advice through our website and both our employee and customer magazines.

Looking forward

Where next? One thing's clear: with trading conditions likely to remain tough, we must use Plan A to reduce costs, develop innovative new products and position M&S for future success. We think green and ethical issues will become more important in the medium and the long-term so we have to make it easier for our customers to feel their actions 'make a difference'.

Concern about the environment is likely to lead the Government to introduce new legislation – possibly a carrier bag levy and also a carbon trading scheme covering retailers.

We'll focus our efforts in 2008/09 on refining the way we manage and reduce carbon emissions across our products' lifecycles and on further reducing our packaging and carrier bag use. We'll work with the WWF to define our water footprint, put our sustainable cotton strategy into action and stay focused on animal welfare issues.

We plan to improve ethical standards in our supply chain by introducing semi-announced on-site assessments and creating up to six ethical model factories around the world. Closer to home, we'll continue to develop our community programme and encourage healthier lifestyles.

Plan A

Because there is no Plan B

1,500

Healthy Eating Assistants trained

December 2007 Free range Christmas

We introduced free range sourcing for all our fresh whole geese, ducks and turkeys.



January 2008 Oxfam clothes exchange

The Oxfam Clothes Exchange was launched so our customers can return unwanted M&S outerwear garments to the charity's stores in return for a discount voucher for future purchases.



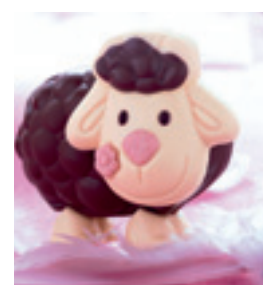
February 2008 Carrier bag charging

We announced plans to extend our scheme of charging 5p for carrier bags in our food halls from 6 May 2008 across all UK stores. All profits to be donated to Groundwork.



March 2008 Ban on artificial colours and flavouring

We announced that from 1 April 2008 all M&S food and soft drinks were produced without any artificial colours and flavouring.



Climate change summary

Climate change is one of the most pressing challenges the world faces today. Its basic mechanics are well understood – the earth is warming, mainly due to human generated greenhouse gas emissions, with potentially damaging consequences – the challenge is to take effective action to address the issue. The UK Government is introducing the Climate Change Act to help achieve at least a 60% reduction in carbon dioxide emissions by 2050, compared with 1990 levels.

How does this affect Marks & Spencer?

Every human activity has a carbon 'footprint'. The Carbon Trust estimates that the UK's carbon footprint is 684 million tonnes of CO₂. We've measured the emissions from our stores, offices, warehouses, transport fleets and business travel in the UK and Republic of Ireland at 469,000 tonnes of carbon dioxide and equivalent emissions (CO₂e) using international greenhouse gas reporting protocols, but we know our impact is even greater: emissions from production, use and disposal of M&S products by customers produce a carbon footprint of over 6 million tonnes of CO₂e. We all need to cut emissions to avoid the worst consequences of climate change and there are also practical considerations for our business: energy costs, the availability of raw materials, new markets and new legislation. The Carbon Reduction Commitment, the UK

Government's proposed carbon trading scheme for organisations such as retailers, banks and local authorities will also affect us from 2010.

Who are we working with?

We've worked with a number of organisations on climate change, including The Carbon Trust, Energy Saving Trust, The Climate Group, WWF, BRE (Building Research Establishment), British Retail Consortium, Institute of Grocery Distributors (IGD) and the National Federation of Women's Institutes. We've also helped Government to shape legislation.

What have we achieved so far?

One year into Plan A, we've already made progress on 27 of our Climate change commitments, one is yet to start and we've put one 'on hold'.

Our commitments (as published last year)

Making our operations in the UK and Republic of Ireland carbon neutral and help customers and suppliers reduce their emissions too

Reduce our energy use by 25% and power stores with green electricity only offsetting our remaining CO₂ emissions as a last resort

Use 50% bio-diesel in all our lorries

Commit to buying as much food from the UK and Ireland as possible

Cut air freight of food products and put an aeroplane symbol on food we do fly in

Develop low carbon products and services, such as energy efficient electrical products, to help customers reduce energy in their homes

Launch information campaigns for customers and M&S colleagues working with the WWF, the National Federation of Women's Institutes and The Climate Group

Shrinking our carbon footprint:

We've reduced our CO₂e emissions by 9%, a total of nearly 50,000 tonnes, improved energy efficiency by 4% for every square foot of space (on a like-for-like basis) and increased the proportion of renewable energy we use in our stores, offices and warehouses to 23%. This green energy includes electricity generated by small-scale anaerobic digestion and wind turbine operators, including farmers who supply M&S. Following the introduction of new technologies tested at our three 'green' stores in Bournemouth, Glasgow Pollok and Galashiels, our next generation of stores will be even more energy efficient in the future.



We've reduced our CO₂e emissions by 9% from 517,000 tonnes (2006/07) to 469,000 tonnes, despite a 5% increase in sales floor area; improved energy usage in stores by 4% on a like-for-like basis; and increased the proportion of renewable electricity used in our stores, offices and warehouses to 23%. Most of this renewable electricity is from the 'grid' but some is also coming from farm-based wind turbine and anaerobic digestion generators. We've opened our three planned 'green' stores, which are designed to use up to 55% less energy than comparable stores. Over half the innovations tested in these stores are now 'the norm' and form the basis of our Sustainable Construction Manual and revised building shell specifications; others, such as lower emission refrigeration, will be installed across a further 25 stores in 2008/09.

On the road, 141 of the new teardrop energy efficient aerodynamic trailers purchased by our logistics suppliers are now in use, and 37% of our food, clothing and home delivery fleet has been converted to use cleaner EURO V standard engines ahead of legislation. We've also introduced a new business travel policy prioritising rail travel and car sharing and making all new company cars diesel or dual fuel hybrid models.

We've introduced some ranges of 'green' products too, with 60 eco-products, including

energy efficient lightbulbs and electrical appliances launched at the end of 2007, labelled air freighted food and around 70% of our clothes are suitable for energy-saving 30°C washing temperatures. Market research shows that our 'Think Climate Wash at 30°C' labels have helped to increase the levels of 30°C washes carried out by our customers from 23% to 31%, saving around 25,000 tonnes of CO₂ every year.

We've also helped our customers and employees to understand their personal carbon footprints better as a first step to reducing them. We worked with WWF and the National Federation of Women's Institutes to develop a successful carbon awareness campaign. The Carbon Challenge, launched in March 2007 has already been taken up by over 8,000 WI members.

Our challenges next year

Our main challenges for 2008 are clear: we need to incorporate what we've learned at our three 'green' stores into our wider store modernisation and construction programme; develop plans to reduce the carbon footprint of our supply chains; and go on finding energising ways to engage our customers in tackling climate change.

For details of our 29 Climate change commitments and our progress last year go to page 8.

Energy efficiency

Our new energy monitoring website helps M&S stores in the UK and Republic of Ireland be more energy efficient

EURO V delivery vehicles

Ahead of legislation we've started to introduce new cleaner EURO V vehicles into our delivery fleets, out of the total, currently

37%



Air freighted

Our air freighted food is clearly labelled to help customers make an informed choice

Green Electricity

We've increased the amount of electricity we source from renewable supplies to

23%

Our CO₂e emissions

Store and office energy	51%
Store and office refrigeration and air conditioning	29%
Warehouse energy	6%
Warehouse gas	1%
Delivery fleets	12%
Business travel	1%

Washing

Our customers now wash more of their clothing at 30°C saving an estimated

25,000 tonnes of CO₂



Climate change performance

This section summarises our performance against all 29 of our Plan A Climate change commitments which were published for the first time in our How we do business report 2007.

To provide an overview of our progress, we've defined our performance against each commitment as: 'achieved', 'underway' or 'not started'. After discussions with our stakeholders, one Climate change commitment has been defined as 'on hold'.

To date, we've 'achieved' 4 of our Climate change commitments, 23 are 'underway', 1 'not started' and 1 'on hold'.

**Assurance on statements and claims provided by Ernst & Young (see page 43 for full details).

Five year Plan A commitments 2007/08

Making our operations more efficient

1 Carbon neutral**

→ Performance: underway

Aiming to make all our UK and Republic of Ireland operations (stores, offices, warehouses, business travel and logistics) carbon neutral.

(This information also supports a key non-financial indicator in the 2008 Annual report).

We commissioned independent specialists to advise us on how to calculate our operational carbon emissions using the international best practice standard known as the World Business Council for Sustainable Development's Greenhouse Gas Reporting Protocols. We have included all parts of the business where we consider we have operational control and have calculated a figure for both 2006/07 (as a starting point) and 2007/08 – see the table below. This is different from our previously published figure of 400,000 tonnes of CO₂e emissions because we have used the new higher UK Government energy conversion factors and included additional emissions such as refrigeration and business travel.

In 2007/08 our CO₂e emissions were reduced by 9%, mainly because of new renewable electricity supply contracts. Refrigeration gas emissions increased due to a longer-term move to HFC's which are 'ozone-friendly' but have much higher Global Warming Potential (GWP). We are working to develop alternatives to HFC refrigeration gases – see commitment 15 for more details.

In 2008/09 we will continue working towards making our operations carbon neutral by 2012.

Operational CO₂e emissions

	2006/07 000 t CO ₂ e	2007/08 000 t CO ₂ e	% change
Stores and office energy usage	279	235	-16
Store and office refrigeration and air-conditioning gases	125	136	+9
Logistics transport and dedicated home deliveries	54	57	+6
Warehouse energy usage	48	30	-37
Warehouse refrigeration gases	6	5	-17
Business travel (see commitment 4 for more details)	5	6	+7
Total	517	469	-9

Data calculated from a combination of measurements and estimates using Defra Greenhouse Reporting Guideline conversion factors and definitions of renewable electricity based on the acquisition of Levy Exemption Certificates as published in June 2007. Includes some building work consumption. Excludes all non-metered premises, shopping service contract supplies and per una operations. Refrigeration gas emissions are relatively small but have over 3,000 times more 'global warming potential' than CO₂.

Five year Plan A commitments 2007/08

2 Energy efficiency (stores)** → **Performance: underway**

Reducing the amount of energy we use in our stores by 25% per square foot of floor space.

(This information also supports a key non-financial indicator in the 2008 Annual report).

In 2006/07 our UK and Republic of Ireland stores used 67.8 kWh of energy per square foot of sales floor space and our target is to reduce this to around 50 kWh/sq ft by 2012. During the year we made good progress, reducing usage to 65.3 kWh/sq ft – equivalent to a 4% decrease – see the table below. We have identified new energy efficiency specifications which have been included in our programme to build and refurbish stores, supporting the work of a new team of energy managers. We have also introduced a new automatic energy monitoring and targeting website available to all M&S operated UK and Republic of Ireland stores and this is currently being used by around 140 locations. This will help us analyse store performance and identify potential improvements.

Energy efficiency in M&S buildings	2006/07 Actual	2007/08 Actual	Progress % change	2012 Target
Store energy usage in kWh/sq foot of sales floor	67.8	65.3	-4	51
Office energy usage in kWh/sq foot	55.5	55.5	Level	44
Food warehouse energy usage in kWh/sq foot	32.9	32.2	-2	26
Clothing and home warehouse energy usage in kWh/sq foot	24.5	23.7	-3	19

3 Energy efficiency (warehouses and offices) → **Performance: underway**

Achieving a 20% improvement in fuel efficiency and energy use in our warehouses and offices.

Overall, energy consumption in our offices, clothing and home warehouses remained unchanged whilst usage in our food warehouses improved by 2% and clothing and home warehouses by 3%. See the table above.

4 Business travel → **Performance: underway**

Introducing a Business Travel Policy to reduce CO₂ emissions caused by our travel.

We have introduced a new policy promoting the use of rail instead of domestic air travel and also launched a head office Plan A Travel Share Scheme website to promote car sharing. Our employees covered 12% less road mileage, a saving of around 400,000 miles. Our 2007/08 business travel CO₂ emissions were 5,642 tonnes (2006/07 5,287 t CO₂). This 7% increase is due to additional international travel due in part to our international expansion.

5 Company cars → **Performance: underway**

Introducing a 'green' company car policy to reduce average CO₂ emissions.

We have introduced a new company car policy. We no longer offer company cars to new joiners. Where employees require a car for their job, they can only choose a diesel or hybrid vehicle. This has succeeded in reducing the fleet's average emissions from 171 kgCO₂/km in March 2007 to 162 kgCO₂/km at the end of 2007/08.

6 BREEAM → **Performance: underway**

Targeting all new stores to achieve Building Research Establishments Environmental Assessment Methodology (BREEAM) 'excellent' rating and all other stores to be assessed against BREEAM rating system.

Our new large edge of town store in Glasgow Pollok has been estimated at the highest level of BREEAM score – excellent – and so has a new Simply Food store in Galashiels. Bournemouth, a 70-year-old modernised store is estimated at the second level of rating – very good. We have targeted a further 10 stores for BREEAM assessment during 2008/09 and are working with the BRE to develop a self assessment tool that would enable us to assess all Simply Food and Retail Park stores.

Five year Plan A commitments

2007/08

7 Green electricity**→ Performance: underway**

Sourcing or generating 100% 'green' (renewable) electricity for M&S stores, offices and distribution centres in the UK and Republic of Ireland.

Currently, 23% of our electricity (2006/07 2%), is generated from renewables. Whilst most of this is from 'grid' sources, we are also buying electricity from a farm-based wind turbine and an anaerobic digestion facility which generates power from food waste. This is in addition to over 60% of our electricity being sourced from less polluting good quality combined heat and power (CHP). See the table below.

We are working to ensure that we have longer-term renewable energy contracts in place although this may be affected by proposed changes in Government policy on how renewable electricity is reported.

Energy sourcing for UK and Republic of Ireland stores, offices and warehouses

	2007/08	% of total
Electricity		
Brown (grid)	108 gWh	13%
Greener (climate change levy exempt good quality combined heat and power)	535 gWh	64%
Green (renewable)	190 gWh	23%
Total	833 gWh	100%
Gas		
Metered gas	241 gWh	
Fuel oil gas	7 gWh	
Total energy usage	1081 gWh	

gWh – giga Watt hours

8 Anaerobic digestion**→ Performance: underway**

Working in partnership to build and operate anaerobic digestion facilities to generate renewable electricity.

During 2007 we funded a study tour for some of our UK farmers to visit on-farm anaerobic digestion (AD) operations in Germany. We signed our first contract to buy energy from AD in November 2007 and plan to have a further two contracts in place by summer 2008, supplying a total of 6 gWhs of renewable electricity.

9 Green stores**✓ Performance: achieved**

Opening 'green' concept stores in Glasgow Pollok, Galashiels and Bournemouth in 2007.

We opened our three planned 'green' stores which are test-beds for the next generation of store specifications. Over half of the innovations tested in these stores have already become 'the norm' and are featured in our new Sustainable Construction Manual.

10 On-site renewables**→ Performance: underway**

Having 20% on-site energy generation from renewables in all new builds where practicable.

Most M&S stores are in urbanised areas and currently we find it difficult to incorporate on-site generation. In March 2008 we installed a biomass heating boiler in our Brooklands store to evaluate its effectiveness. We are continuing to work with Government and the BRE on this issue.

11 Bio-diesel**|| Performance: on hold**

Conducting trials and move towards the use of 50% bio-diesel in our lorries as sustainable sources become available.

We conducted two successful trials at our warehouses in Hemel Hempstead and Crewe. However, following further discussions with environmental groups about the possible impacts of fuel crop farming, we put this commitment 'on hold' in summer 2007 until sustainable supplies of bio-diesel are available.

Five year Plan A commitments 2007/08

12 Green transport → **Performance: underway**

Introducing innovative new transport technologies and set further targets as these become proven.

By the end of March 2008 we were operating 141 new aerodynamic trailers to transport clothing and home products to our distribution centres. These are 10% more fuel efficient and have 10% more capacity than our existing trailers. We are also conducting small-scale trials of electric vans to carry small loads over short distances and hybrid vehicles for medium weight loads over longer distances.

13 EURO engines** → **Performance: underway**

Progressively converting delivery fleets to cleaner EURO IV and V standard engines.

By the end of March 2008, 43% of our core food, clothing and home delivery fleets had been upgraded to Euro IV or V specifications (2006/07 21%). See the table below.

Our introduction of Euro V standard engines is currently at 37% of the fleets. We are aiming for 50% of our fleets to be Euro V standard by the end of 2008/09.

Core food, clothing and home UK and Republic of Ireland delivery fleets

	2006/07	2007/08	% change
% Euro IV/V	21%	43%	+22
Fuel use in million litres	20	21	+5
CO ₂ in tonnes	53,000	56,000	+6

Data for 2006/07 has been recalculated to show warehouse to store journeys only. Excludes Lunch to Go fleet of small delivery vans.

14 Carbon offsetting → **Performance: underway**

Working with Government and environmental groups to develop an acceptable approach to using carbon offsets where no other method of reducing CO₂ emissions is available.

We submitted our views to a Government consultation on carbon offset standards in 2007. We believe that robust standards are required in order to build confidence in the offset market but that there are suitable applications for both regulated offsets used by companies to meet legal targets and voluntary offsets which could be used by companies and individuals on a discretionary basis.

We again offset the emissions from our home delivery service (producing 2,000 tonnes of CO₂ emissions), by supporting a reforestry scheme planting 10,000 trees at College Valley, Northumberland.

15 Refrigerants → **Performance: underway**

Continuing to replace HCFC gases and help to develop better alternatives than HFCs for use in our refrigeration and air conditioning systems.

At the end of 2007/08 the gases in our store refrigeration and air-conditioning systems comprised 1% CFCs, 25% HCFCs, 73% HFCs and 1% other natural fluids and gases.

We have installed CO₂ and hydrocarbon based refrigeration in our 'green' stores. This approach produces much lower greenhouse gas emissions, is more energy efficient and has so far proven reliable but we need to ensure that these systems can be maintained and repaired throughout the UK before extending their usage. We aim to install this type of system in a further 25 stores during 2008/09.

Five year Plan A commitments 2007/08

Helping reduce emissions in our supply chain

16 UK and Republic of Ireland	→ Performance: underway
Sourcing as much food as possible from the UK and Republic of Ireland.	We source a significant proportion of our food from the UK, for example, in 2007/08 we bought 10% of UK blackberries, 12% of UK raspberries, 26% of UK plums, 10% of UK strawberries and 48% of UK cherries. However, we are still working on a method of measuring overall progress for this commitment.
17 Seasonal food	→ Performance: underway
Launching five research and development projects to extend UK growing seasons and develop new varieties that reduce the need for imports.	We have started projects on UK-grown sugar snap peas, melons, apricots, and sweet potatoes as well as a trial to extend the UK seasons on potatoes and watercress.
18 Supplier logistics	→ Performance: underway
Working with our suppliers to understand how we can improve the efficiency of their deliveries to our distribution centres, including increasing the use of rail transport.	We are working with our logistics suppliers and other companies to find ways of increasing efficiency and particularly increasing our use of rail.
19 Food carbon footprint	→ Performance: underway
Working with the Carbon Trust we will identify carbon 'hot spots' in the food supply chain in 2007 and set targets to reduce CO ₂ emissions.	Working with the Carbon Trust we measured the approximate 'footprint' of all the food we sell at 3.3 million tonnes of CO ₂ e. This work demonstrated that the emissions caused by packaging and transportation are relatively small in comparison with raw material production and manufacturing. We will continue to address the efficiency of our transport and packaging and also work with suppliers and other stakeholders to determine how we can reduce the most significant emissions of CO ₂ e.
20 Reducing air freight	→ Performance: underway
Investigating and minimising our use of air freight whilst balancing the need to trade with developing countries and provide nutritional choice.	We have identified (and labelled) all our air-freighted food and ensured that we only use this form of transport where more local alternatives are not available. However, the unseasonal UK weather in 2007/08 made it necessary to supplement UK supplies of fruit and salads with some transported by air. Our challenge next year is finding a balance between minimising air freight and providing customers with a choice of good quality food.
21 Supplier Exchange (climate)	→ Performance: underway
Mobilising our key suppliers via our Supplier Exchange to significantly reduce their CO ₂ emissions.	Following the launch of our Supplier Exchange in May 2007 (see commitment 82 for more details) we have introduced many of our UK based suppliers to the Carbon Trust and promoted the development of 'green', low carbon clothing factories. We will promote and encourage best practices rather than set reduction targets.
22 Green factories	→ Performance: underway
Supporting the development of 'green' factories with our suppliers.	Our first two 'green' supplier factories opened in April 2008 in Sri Lanka independently assessed and accredited by Leadership in Energy and Environmental Design (LEED). A further three (one in Wales, one in China and one in Sri Lanka) are under development.
23 Agricultural carbon balance	✗ Performance: not started
Undertaking research to understand the carbon balance associated with the production of agricultural raw materials.	

Five year Plan A commitments 2007/08

Helping our customers to address climate change

<p>24 Labelling air freighted food</p>	<p>✓ Performance: achieved</p>
<p>Labelling all air freighted food products within 12 months.</p>	<p>We introduced labelling to identify air freighted food in our food halls in response to growing customer concerns about the unnecessary use of air transport. Our customers can now see that we transport very small amounts of food by air – and even then, only when similar alternatives are not available from more local sources. Sales have been unaffected.</p>
<p>25 Carbon labelling</p>	<p>→ Performance: underway</p>
<p>Supporting the work of the Carbon Trust to develop a carbon labelling scheme for consumer products and services.</p>	<p>We have contributed to the Carbon Trust/British Standards Institute's development of a standard for calculating the carbon footprint of a product – known as Publicly Available Specification 2050. We share concerns about how useful this information is when translated into carbon label and believe that much more research and development is required on possible labelling options.</p>
<p>26 Low carbon products</p>	<p>→ Performance: underway</p>
<p>Developing and selling products with a low carbon impact.</p>	<p>At the end of 2007 we launched a range of 60 eco-products which included energy efficient electrical equipment and a range of energy efficient light bulbs, now suitable for all the light fittings we sell. In January 2008 we also launched a range of large household electrical appliances such as fridges, freezers and washing machines, all of which are at least 'A' rated for energy efficiency. Many of these products are featured on the Greener Living section of our website.</p>
<p>27 Footprint campaign</p>	<p>✓ Performance: achieved</p>
<p>Launching campaigns with the WWF and National Federation of Women's Institutes – to help our customers and employees understand their carbon footprint and how to reduce it.</p>	<p>The Carbon Challenge was launched at the end of March 2007 and was taken up by more than 8,000 members of the WI, who pledge to reduce their footprints by an average 20% – a combined reduction of 10,000 tonnes of CO₂.</p>
<p>28 The Climate Group campaign</p>	<p>✓ Performance: achieved</p>
<p>Working with the Climate Group on a major educational campaign in 2007 encouraging people to wash clothes at 30°C to cut energy use and CO₂ emissions.</p>	<p>In April 2007 we took part in the launch of The Climate Group's 'Together' campaign designed to illustrate different ways that customers can reduce their carbon footprints. M&S promoted 30°C washing temperatures for clothing. Around 70% of our clothing is labelled with the 'Think Climate Recommend Wash at 30°C' message and supported with in-store information. In early 2008 the 'wash at 30°C' message was added to the front of all our washing detergent packaging.</p> <p>This is an important step because around 75% of the carbon footprint of clothing can result from washing, drying and ironing. During the year we succeeded in helping to raise the percentage of 30°C washes carried out by our customers from 23% to 31% (according to market research). We believe that this move has the potential to save around 25,000 tonnes of CO₂ a year.</p>
<p>29 Public transport and cycling</p>	<p>→ Performance: underway</p>
<p>Progressively introducing facilities to encourage the use of public transport and cycling for both customers and employees where appropriate.</p>	<p>We now include cycle storage pods and showers in the specification for new and refurbished stores wherever possible.</p>

Waste summary

We throw away around 400 million tonnes of waste in the UK every year. According to UK Government figures, about 30 million tonnes of this is household waste – which includes 6 million tonnes of discarded packaging. Over 60% of all packaging used in the UK is currently recycled in some way, but the materials and energy used to make non-recycled packaging are lost forever and too much of the UK’s waste still ends up in landfill sites.

How does this affect Marks & Spencer?

We create around 93,000 tonnes of waste a year at our stores, offices and warehouses. At present, 45% of this is recycled in some way. Most of our waste is packaging, including cardboard, polythene, or unsold food that can’t be donated to charities.

Finding an efficient, cost effective way to collect recyclable waste from all our stores is a real challenge – and all waste has a dual cost attached. We pay for it as materials and we pay again for its disposal.

We use around 100,000 tonnes of packaging a year on the products we sell – to protect them from damage and in the case of food, to keep them fresh.

Who are we working with?

We’ve worked with many specialist organisations to tackle waste issues, including WRAP (Waste & Resources Action Programme), Envirowise (a Government sponsored best practice programme) and London Remade. We’re currently running recycling programmes with help from Closed Loop London, the Woodland Trust and Oxfam.

We’re working closely with the Government and the British Retail Consortium on various waste initiatives, including the recycling of used electrical products, and are signatories to two major voluntary agreements. The Carrier Bag Agreement commits us to reduce the environmental impacts of our carrier bags by 25% before the end of 2008 and the Courtauld Commitment which sets targets to cut packaging usage by 2010.

Our commitments (as published last year)

Stop sending waste to landfill from our UK and Irish stores, offices and warehouses; reduce our use of packaging and carrier bags

Reduce non-glass packaging by 25% and use packaging materials that are easy to recycle or compost

Cut carrier bag use by 33% and make them from recycled plastic

Stop sending food waste to landfill and instead use it to produce green energy via ‘anaerobic digestion’ or compost

Trial ‘closed loop’ recycling (making new packaging from old packaging) in our Café Revives

Make sure customers can eventually dispose of our clothing without sending it to landfill

Christmas card recycling

Working with the Woodland Trust we’ve recycled

11 million Christmas cards

Turning food waste into electricity

Trials involving 38 stores collected unsold food items to create electricity by processing

1,100 tonnes of food waste

Clothing hangers

We’ve doubled the number of clothing hangers we’ve collected for reuse and recycling to

122 million hangers

Food carrier bags

Our ‘bag for life’ and 5p charge trial reduced carrier bag use by

14%

Oxfam Clothes Exchange

In January 2008 we launched the Oxfam Clothes Exchange to encourage customers to recycle their old clothes. As the biggest programme of its kind in the UK, the Clothes Exchange aims to raise money to support the work of Oxfam and reduce the amount of clothing sent to landfill in the UK, currently around one million tonnes. The Clothes Exchange encourages M&S customers to recycle by offering them a free £5/€7 M&S discount voucher valid for a month (for use on purchases of clothing or homeware of £35/€50 or more) if they take used M&S outerwear to any of Oxfam's 790 stores across the UK and Republic of Ireland. The Clothes Exchange is being trialled for six months.



What have we achieved so far?

One year into Plan A, we've already made progress against all 18 of our Waste commitments.

We've made modest progress on reducing the amount of waste our stores, offices and warehouses send to landfill by 6% and increased our recycling rate to 45%. We're reducing prices of out of display-life food items, a move that could help us cut food waste from stores by 10%. We're also trialling the collection of food waste for use to generate electricity or make compost.

We've improved recycling of construction waste, from an industry average of 65% to 75% this year – and aim to hit 85% in 2008/09. We're also working hard to increase the amount of recycled materials we use in store construction and 'fit outs' from 20% of expenditure to 30%.

We've already met our commitment to recycle more clothing hangers, collecting and recycling over 122 million in stores this year. We've also recycled 164 tonnes of Christmas cards and launched the UK's biggest clothes recycling initiative with Oxfam. In April 2008 we launched a scheme with the recycling company Closed Loop to collect and recycle M&S Food To Go packaging from offices in four UK cities.

Two years ago less than 1% of the polythene in our carrier bags was recycled. As of May 2008, all our medium and large size clothing, home, food carriers and our 'bags for life'

Waste and recycling

Total waste produced (stores, offices and warehouses)	93,000 tonnes	+8%
Recycled	42,000 tonnes	+31%
Sent to landfill	51,000 tonnes	-6%

were made from 100% post-consumer recycled plastic. Following successful trials, we introduced a 5p charge for all food hall carrier bags on 6 May 2008, with all profits going to the environmental charity Groundwork. This move could reduce our food carrier bag use by up to 70% or over 250 million bags a year.

We've worked with other retailers and WRAP to develop standard labels to tell consumers about different types of packaging materials and how they can be recycled. We now have these WRAP information labels on nearly 80% of our food and 14% of our clothing and home packaging.

Our challenges next year

We need to address a number of issues in 2008/09. This includes making further reductions in the waste we send to landfill and reducing our usage of packaging whilst also improving its recyclability. We also aim to review the progress of our Oxfam Clothes Exchange.

For details of our 18 Waste commitments and our progress last year go to page 16.



Waste performance

This section summarises our performance against all 18 of our Plan A Waste commitments which were published for the first time in our How we do business report 2007.

To provide an overview of our progress, we've defined our performance against each commitment as: 'achieved', 'underway' or 'not started'.

To date, we've 'achieved' 3 of our Waste commitments and 15 are 'underway'.

**Assurance on statements and claims provided by Ernst & Young (see page 43 for full details).

Five year Plan A commitments 2007/08

Reducing waste from our stores, offices and warehouses

30 No operational waste to landfill → Performance: underway

Aiming to ensure that M&S operations in the UK and Republic of Ireland (stores, offices and warehouses) will send no waste to landfill.

(This information also supports a key non-financial indicator in the 2008 Annual report).

We have calculated the total amount of waste generated by our business wherever we have operational control and have also conducted a number of trials to process food waste into energy. For 2007/08 the amount of waste we sent to landfill was 51,000 tonnes (2006/07 54,000 tonnes, down 6%) – see the table below.

Following an independent review of our operations we are now developing plans that would enable us to collect greater amounts of recyclable materials from stores in the future.

Waste and recycling for M&S stores, offices and warehouses in the UK and Republic of Ireland

	2006/07 tonnes	2007/08 tonnes	% change
Total waste produced	86,000	93,000	+8
Amount recycled or reused	32,000	42,000	+31
% of total waste which is recycled or reused	37%	45%	+8
Amount sent to landfill	54,000	51,000	-6

This data has been calculated from a combination of actual measurements and sampled estimates. It excludes construction waste.

31 Food waste (reduction) → Performance: underway

Setting targets over the next 12 months to reduce food waste from our stores and distribution centres.

We believe that the amount of food sent to landfill will be cut by reducing the price of food items across the UK as they go out of display-life at the end of the day.

32 Food waste (alternative disposal) → Performance: underway

Sending all remaining food waste to some form of recycling including composting and anaerobic digestion.

In 2007/08 we diverted 20% (2006/07 17%) of our food waste from landfill by a combination of recycling and donations to charities.

Throughout 2007/08 we collected food waste from 38 stores. Around 1,100 tonnes of food waste was collected and processed to produce electricity and compost. Before the trial can be extended, we need to develop an efficient means of collecting suitable food waste from stores.

Five year Plan A commitments 2007/08

33 Construction waste → Performance: underway

Sending no waste to landfill from M&S store construction programmes.

By carefully selecting waste contractors and introducing a segregation policy with all waste reporting and measurement conducted through the BRE SmartWaste system, we have improved the recycling of our construction waste from an industry average of 65% to 75%. We are aiming for a recycling rate of 85% in 2008/09.

34 Construction and fit-out materials → Performance: underway

Working with WRAP (Waste and Resources Action Programme) to increase the amount of recycled materials used in the construction and fit-out of our stores.

In 2007/08 around 20% of the materials used in construction and fit-out were made from recycled content by value according to work conducted with WRAP. Our aim for 2008/09 is to increase this figure to 30%.

35 Café Closed Loop → Performance: underway

Trialling closed loop recycling for packaging in Café Revives over the next 12 months.

We conducted a small-scale trial in M&S Cafes in five stores. This was only partially successful due to difficulties in collecting recyclable materials from stores efficiently.

In April 2008 we launched a scheme with Closed Loop, a recycling company, to collect and recycle M&S Food To Go packaging from offices in Greater London, Birmingham, Leeds and Manchester. Our longer term aim is to extend this scheme.

36 Consumables → Performance: underway

Improving our use of recycled and recyclable materials in consumable items used in our stores and offices.

We have identified that we could purchase 'greener' alternatives for 31% of our stationary expenditure and currently do so on 19%. For consumable items there are 'greener' alternatives for 53% of our expenditure and we currently purchase 41%.

Reducing packaging and ensuring that its easy to recycle

37 Packaging (reduction)** → Performance: underway

Reducing the weight of non-glass packaging by 25%.

We have been working to improve data as well as to reduce the amount of sales packaging we use.

Food

During the last 12 months we have been working to improve the accuracy of our food sales packaging data by increasing the number of measurements from which it is calculated. Using these improved measurements we have calculated that in 2007/08 we used around 53,000 tonnes of non-glass food sales packaging. We plan to use this figure to report future performance against. We aim to provide an update on our progress in summer 2008 on our website.

In 2007/08 we ran over 300 packaging reduction projects which together are estimated to save 1,400 tonnes of packaging a year once they are fully implemented. These included reducing the weight of our Easter egg packaging by 20% and reducing the weight of our 1.5 and 0.5 litre still water bottles by around 30%.

Clothing and home

We used around 15,700* tonnes of non-glass sales packaging for clothing and home products in 2007 compared with around 17,400* tonnes in 2006. A reduction of approximately 10%. During 2007/08 we will continue to improve the accuracy of these measurements.

*Data based on calendar year

38 Packaging (sustainable raw materials)** → Performance: underway

Increasing the amount of packaging made from more sustainable raw materials such as recycled materials and Forest Stewardship Council (FSC) wood pulp.

Food

In 2007/08 around 40% of our cardboard packaging was produced from board containing recycled or FSC materials and over 20% of our plastic packaging contained recycled plastic or bio-plastics.

Clothing and home

In 2007 around 1,400* tonnes of recycled, FSC or other more sustainable sources of board were purchased for use in M&S clothing and home product packaging.

*Data based on calendar year

Five year Plan A commitments		2007/08
39	Packaging (recycling and composting)**	→ Performance: underway
<p>Ensuring that all packaging can be easily recycled or composted accepting that in some case this may require the use of heavier materials.</p>		<p>Along with other companies we pay an annual recycling levy based on the amount of packaging we use; however, we believe this is not currently providing local authorities with the funding they need to provide comprehensive and consistent recycling services across the UK. We are currently discussing with the Local Government Association (LGA), WRAP (Waste And Resources Action Programme) and other retailers how we can help to improve the range of recycling services available across the UK.</p> <p>Food Over 70% of the weight of all the food sales packaging we used in 2007/08 could be recycled in over 60% of UK local authorities, as defined by the WRAP and a further 17% is recyclable in some locations. We believe that over 90% could be recyclable if collection services for all types of plastic packaging were available across the UK.</p> <p>Clothing and home Over 90% of the weight of all the clothing and home sales packaging we used in 2007 could be recycled across the majority of the UK.</p>
40	Packaging (WRAP logos)	→ Performance: underway
<p>Labelling all our packaging with the WRAP and Recycle Now symbols.</p>		<p>We have worked in partnership with other retailers and WRAP to develop a common, consistent and robust system of labelling to show what types of packaging are recyclable. We have incorporated these new labels onto nearly 80% of our food and 14% of our clothing and home packaging.</p>
41	Packaging (Courtauld Commitment)	→ Performance: underway
<p>Continuing to work with WRAP in order to achieve the targets to reduce packaging and food waste contained in the Courtauld Commitment between 2008 and 2010.</p>		<p>The Courtauld Commitment is a voluntary agreement between the UK Government (Defra) and a number of retailers and manufacturers signed in 2005. It contains targets to stop the growth in packaging usage by the end of 2008 and to achieve reductions by the end of 2010.</p> <p>Marks & Spencer's food business agreed to support these aims and our total food sales packaging usage has increased by only 4% between 2005 (71,000* tonnes) and 2007 (74,000* tonnes) despite sales growth of more than 10% over this period.</p> <p>*Data based on calendar year and drawn from Packaging Waste Regulation submissions.</p>
<h2>Reducing waste from our products and making them easy to recycle</h2>		
42	Bin bags	✓ Performance: achieved
<p>Launching a range of bin bags made from recycled polythene collected from M&S distribution centres.</p>		<p>These were launched in March 2007 and are still available in our stores.</p>
43	Clothing hangers	✓ Performance: achieved
<p>Extending hanger recycling with a customer awareness campaign to build on the 50 million we currently recycle and reuse each year.</p>		<p>We promoted our clothing hanger reuse and recycling scheme again, increasing the total we collected to over 122 million hangers in 2007/08.</p>
44	Customer recycling services	✓ Performance: achieved
<p>Introducing a range of recycling services for our customers including a project for used clothing.</p>		<p>We introduced Christmas card recycling during January 2008 and recycled 164 tonnes, equivalent to 11 million cards. The money raised has funded the planting of trees in the UK by the Woodland Trust.</p> <p>At the end of January 2008 we launched the largest clothing recycling initiative in the UK. The Oxfam Clothes Exchange encourages our customers to return unwanted M&S outerwear garments to Oxfam stores in return for a discount voucher valid for a month giving £5/€7 off for use on any clothing and home purchase of £35/€50 or more in the UK and Republic of Ireland stores. The initial trial will run for six months, but results to date are very positive with increases in sales for M&S, and in returns and sales at Oxfam stores. Revenues generated from the sale of donated garments will provide funding for Oxfam's work to help people to escape poverty around the world.</p>

Five year Plan A commitments 2007/08

Reducing our use of carrier bags

45 Carrier bags (reduction)****→ Performance: underway**

Reducing carrier bag use by 33% by 2010 including launching a 'No to Bags' campaign.

In 2007/08 we used 380 million free disposable carrier bags in our food halls, a reduction of 14% (2006/07 443 million), and a further 195 million (2006/07 192 million) for clothing and home.

In March 2007 we introduced a 'Do you need a bag?' campaign and launched a new bag-for-life range selling at 10p a bag. At the end of 2007 we also introduced a range of organic cotton bags aimed at our clothing and home customers.

Following successful trials in Northern Ireland and South West England, in February 2008, we announced our intention to introduce a 5p charge for carrier bags in our food halls across the rest of the UK from 6 May 2008. Profits from the sale of the 5p bags, which are made from 100% post-consumer recycled polythene, are donated to the environmental charity Groundwork who will use the money to create parks, gardens and play areas. As with the trials, we distributed free reusable bags-for-life for a month before introducing the charge.

We believe that this approach could reduce our food carrier bags usage by up to 70%, equivalent to over 250 million bags. The UK Government has announced plans to introduce legislation on free carrier bags similar to the actions we have already taken.

46 Carrier bags (recycled plastic)****→ Performance: underway**

Making our remaining carrier bags out of recycled polythene by 2008/09.

In 2006/07 less than 1% of all the polythene we used to make our carrier bags was recycled. However, during 2007/08 we moved our standard clothing and home carrier bags and 'bags for life' to 100% post-consumer recycled plastic and incorporated 20% post-industrial recycled plastic on our standard food carriers. From May 2008 our standard food bags moved to 100% post-consumer recycled polythene.

For 2007/08, 51% of the total amount of polythene we used to make our food, clothing and home standard carrier bags was recycled. Around half this material was collected and recycled from our own warehouses.

Our target for 2008/09 is to increase the amount of recycled polythene we use to 85%.

47 Carrier bag agreement**→ Performance: underway**

Working with Department for the Environment, Food and Rural Affairs (Defra), the British Retail Consortium and Waste & Resources Action Programme (WRAP) to reduce the overall environmental impact of carriers bags by (at least) 25% by the end of 2008.

During the calendar year of 2007 we reduced the environmental impact of our carrier bag usage (defined by WRAP as the amount of virgin polythene) by 50%* – a year ahead of the agreed 25% target.

From May 2008 we also introduced carrier bag recycling in our UK stores.

*Data based on calendar year

Sustainable raw materials summary

Producing and harvesting raw materials can cause significant harm to the environment. Becoming more sustainable means making better use of the materials already available to us and at the same time making sure that key raw materials are sourced in ways that allow them to be naturally replenished. We must also uphold and improve standards of welfare for animals in our supply chains.

How does this affect Marks & Spencer?

We use lots of different natural raw materials to make M&S products, run our stores and other operations. If we don't take proper care we could damage the environment, create shortages and destroy natural habitats. We can't source raw materials in a sustainable way on our own – we need to work with others to develop and implement common standards and agreements.

Who are we working with?

We work with lots of different sustainable sourcing partners, including the Marine Stewardship Council – (MSC) and Marine Conservation Society (MCS) on fish and the WWF Forest and Trade Network (FTN), Forest Stewardship Council (FSC) and Rainforest Alliance on wood. We're also members of the Roundtable on Sustainable Palm Oil (RSPO) and are working with LEAF (Linking Environment and Farming) on farm standards.

We also consult the RSPCA, Compassion in World Farming (CIWF), and British Union for the Abolition of Vivisection (BUAV) on animal welfare and environmental groups such as WWF, Greenpeace and Friends of the Earth on a range of different raw material issues.

What have we achieved so far?

One year into Plan A, we've already made progress across all 20 of our Sustainable raw materials commitments.

Our sales of organic food are up 40% from last year – and we now offer just over 590 organic food lines, including children's chocolate and all shortbread products. We're the first major UK clothing retailer to launch organic wool and linen garments, in addition to our successful organic cotton products. Altogether, we've sold over 700,000 organic cotton, wool and linen garments this year.

We've also sold over 300,000 garments made from recycled PET plastic – including fleeces for men, women and children made from 4 million plastic bottles.

We achieved another notable milestone this year when we met the BUAV's Cruelty Free standard for beauty and homecare products. We've never tested these products on animals, but as of 26 January 2008 we can also guarantee that none of the ingredients they contain have been tested on animals either. During 2008/09 we'll be including the BUAV Leaping Bunny logo on our beauty and homecare products packaging.

Our commitments (as published last year)

Ensuring our key raw materials come from the most sustainable sources available to us

Only use wood which is recycled or independently certified as coming from a sustainable source

Make our fresh turkey, geese and pork free range

Sell only fish from independently certified sustainable sources

Triple sales of organic food and selling clothing ranges made from organic cotton, linen and wool

Use recycled plastic, not oil, to make ranges of polyester clothing and home products

Reduce our water use in the UK and Republic of Ireland by 20% and helping suppliers reduce theirs

FSC and recycled wood materials

Since the launch of Plan A we've made steady progress on our commitment to use Forest Stewardship Council or recycled wood materials in our products – with all M&S tissues, kitchen and toilet rolls now manufactured using these materials along with our Your M&S customer magazine and around 30 million M&S Christmas cards. Most of our wooden garden furniture ranges and all sandwich cardboard packs are also FSC certified and even our photocopier and printer paper contains 80% recycled wood pulp. For 2008/09 we are aiming to convert at least 70% of the wood we use in construction over to sustainable sources.



Our fresh whole ducks, geese and turkeys are now sourced from free range producers and our Oakham chicken flocks are now kept at reduced stocking densities to meet RSPCA recommended standards. We've also become the first major UK retailer to stop selling imported white veal and calves liver because of animal welfare concerns. From 2008 onwards, we'll sell only UK-reared veal which meets rigorous animal welfare standards backed by the RSPCA.

Our efforts on raw materials and animal welfare have been recognised this year by a number of independent bodies. We were joint leaders of the Marine Conservation Society's supermarket league table on responsible fish sourcing; we won the RSPCA's Good Business Award in the large fashion retailer category for our 'outstanding commitment to improving animal welfare'; and were runners-up in the same awards for our work on cosmetics.

We banned the use of 10 additional pesticides on our fruit, salads and vegetables this year and continued to support our farmers' efforts on our behalf through a Pesticide Network.

We also employed the principle of using sustainable raw materials in our stores. Working with the BRE (Building Research Establishment) we've developed a Sustainable Construction Manual which contains new specifications and targets and has been distributed to our design and construction suppliers.

Our challenges next year

Looking forward to 2008/09, we aim to focus a lot of effort on understanding and reducing our water footprint. We're also determined to develop and implement our draft cotton strategy, continue to improve our animal welfare policies for clothing and continue to work as a member of the Roundtable on Sustainable Palm Oil. On construction, we also want to improve the sustainability of the concrete, steel and flooring we use to build stores.

For details of our 20 Sustainable raw materials commitments and our progress last year go to page 22.



2007 Good Business Award

For the third year in a row we were awarded the RSPCA's Good Business Award in the large fashion retailer category

Organic

We've doubled organic food sales in two years and now offer 590 food products – we're also the first major UK clothing retailer to launch organic wool and linen garments



Free range

All our fresh whole ducks, geese and turkeys now come from free range producers

Water usage

Water use in our stores and offices is down

2%
from last year

Fleeces

We've sold over

300,000

fleeces made from 4 million recycled PET plastic bottles

Sustainable Construction Manual

We've worked with the Building Research Establishment to develop and publish our own Sustainable Construction Manual for all M&S construction and design contractors



Leaping Bunny

We're the first major UK retailer to meet the British Union for the Abolition of Vivisection's Cruelty Free standard on all our beauty and homecare products

Sustainable raw materials performance

This section summarises our performance against all 20 of our Plan A Sustainable raw materials commitments which were published for the first time in our How we do business report 2007.

To provide an overview of our progress, we've defined our performance against each commitment as: 'achieved', 'underway' or 'not started'.

To date, we've 'achieved' 3 of our Sustainable raw materials commitments and 17 are 'underway'.

**Assurance on statements and claims provided by Ernst & Young (see page 43 for full details).

Five year Plan A commitments 2007/08

Farming

48 Sustainable farming

→ Performance: underway

Producing our fruit, vegetables, salads and meat to independent environmental standards and developing a set of sustainable farming measurements to demonstrate the environmental benefits of these standards.

We have included key elements of the LEAF (Linking Environment and Farming) Mark environmental standard into our own 'Field-to-Fork' standards. We are also working with WWF to develop indicators that will help us measure our environmental impacts in farming.

49 Organic food**

→ Performance: underway

Tripling our sales of organic food in the UK and Republic of Ireland.

Our UK organic food sales in 2007/08 were up by over 40% against 2006/07 and more than double 2005/06 levels. We offered over 590 organic food lines throughout the year including our children's chocolate and all shortbread products.

50 Pesticides (phase-out)**

→ Performance: underway

Phasing out a further 19 pesticides used in fruit, vegetable and salad production by the start of 2010 in addition to the 60 we have already banned.

From the end of April 2008 we have banned the use of a further 10 pesticides on our fruit, vegetables and salad production. An additional nine will be banned by the end of 2009.

51 Pesticides (post harvest)**

→ Performance: underway

Eliminating the post-harvest usage of pesticides on our fruit, vegetables and salads.

This is a longer-term project; it will be advised by our new Pesticide Network (see commitment 52 below).

52 Pesticides (Network)**

✓ Performance: achieved

Launching a Pesticide Residue Reduction Network with our suppliers.

In September 2007 we held a Pesticide Network conference for key suppliers and industry experts. At the conference we awarded three £5,000 prizes to what we believed to be the best supplier projects to reduce pesticide residues.

We believe that the Pesticide Network will help us to develop best practices, allowing us to phase-out additional types of pesticide including post-harvest applications.

Five year Plan A commitments 2007/08

2007/08 pesticide residues at or above 0.01 parts per million

Results from this year's data are not comparable with previous years as tests have been conducted to the more demanding levels of 0.01 parts per million in place of 0.05 parts per million.

	% residue-free	Ongoing target
Vegetables	82	90%
Potatoes	87	80%
Salads	62	80%
Fruit	27	60%
Organic	89	100%
Other	69	
Total	64	

During 2007/08, a total of 357 samples were tested on behalf of M&S. Of these, one was found to contain a residue in excess of the Maximum Residue Limit (MRL). Further details are available on our website. In addition, four residues were found on organic products three of which were caused by contamination rather than a pesticide application.

53 Non-GM (genetically modified) → Performance: underway

Maintaining our non-GM food policy.

Our policy on only using non-GM ingredients has been maintained.

54 Sustainable textiles → Performance: underway

Reducing the environmental impact of the textiles we sell by trialling new fibres such as bamboo, renewable plastics and new ways of producing fibres such as organic cotton, linen and wool.

In 2007/08 we became the first major UK clothing retailer to launch organic wool and linen garments. We sold over 700,000 organic cotton, wool and linen garments during the year.

We are also developing products made from waste cotton created when garments are manufactured. In January 2008 we distributed 40,000 wine carriers made with recycled cotton.

55 Cotton → Performance: underway

Launching a sustainability strategy covering all our cotton including initiatives such as Fairtrade, organic and the international cotton industry 'Better Cotton Initiative' by 2008.

A draft M&S Global Cotton Sourcing strategy has been developed and is being circulated within M&S and to some of our cotton expert stakeholders for comment.

56 Food commodities → Performance: underway

Working with key stakeholder groups, including the 'Roundtable for Sustainable Palm Oil' and the 'Roundtable for Sustainable Soy' to set acceptable standards. Set targets for our usage once these standards become available.

We are members of the RSPO and attended its fifth international conference in Kuala Lumpur. We are working to reduce our use of palm oil and replace it with other suitable alternatives wherever possible. We are also members of GreenPalm, a certified palm oil trading scheme and are currently waiting for the first volumes of certified palm oil to become available. We are also helping to fund the WWF Heart of Borneo project which aims to restore and conserve forest land in Borneo affected by palm oil and logging activities.

We've also joined a Roundtable for Responsible Soy (RTRS), which aims to address environmental and social issues associated with the production of soya.

Five year Plan A commitments

2007/08

Harvesting natural materials

57 Wood

→ Performance: underway

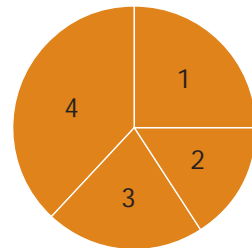
Making sure all the wood we use is Forest Stewardship Council (FSC) certified (or where FSC is not available, an equivalent independent standard) or is recycled.

During the year we converted all our toilet rolls, kitchen rolls and tissues to either FSC or recycled paper. We also used FSC materials for more than 50% of our range of Christmas greetings cards (over 30 million in total) as well as our publications for customers, including the Your M&S magazine. In total 62% of current wood materials used in M&S products are FSC, certified by another independent organisation or recycled, excluding fabrics. See the pie chart below.

In 2008/09 we plan to launch our first range of clothing made from FSC certified fabrics and our first range of FSC certified books. We will also continue to work with our suppliers of store equipment and stationery to introduce more FSC items.

2007/08 wood material sourcing for M&S products excluding fabrics

- 1 Forest Stewardship Council 25%
- 2 Recycled 16%
- 3 Other certified sources 21%
- 4 Other usage 38%



58 Fish

→ Performance: underway

Ensuring all the fish (fresh and processed) we sell is Marine Stewardship Council (MSC) certified or, where MSC is not available, another equivalent independent standard.

We were named as joint leaders of the Marine Conservation Society's (MCS) supermarket league table for responsible fish sourcing. We have recently funded the development of Marine Stewardship Council (MSC) assessment of small scale fisheries where certification of sustainability is currently difficult. We have also supported the Seafish Industry Authority's Responsible Fishing Scheme for UK fleets and have encouraged all boats supplying fish to M&S to adopt this standard.

We are working with WWF to develop standards for freshwater species including their North East Atlantic Marine Environment programme.

Man-made materials

59 Dye-houses

→ Performance: underway

Further improving our auditing system for dye-houses to ensure compliance with our sector leading environmental and health & safety standards.

We have improved the percentage of dye-houses covered by recent environmental and health and safety standards audits from 63% to 68%

During 2008/09 we aim to increase this figure to 75%.

60 Polyester

→ Performance: underway

Using recycled plastic (eg used bottles) to make polyester, rather than using oil. Make ranges of men's, women's and children's polyester fleeces from recycled plastic within a year. Extend to other polyester ranges such as trousers, suits and furniture 'fill' by 2012.

We sold over 300,000 garments manufactured from the equivalent of four million two-litre recycled plastic bottles.

Five year Plan A commitments 2007/08

Animal welfare

61 Clothing standards

→ Performance: underway

Improving traceability in our non-food supply chains for animal-derived raw materials and work with animal welfare groups to develop sourcing policies on animal welfare for leather and wool.

We won the RSPCA's Good Business Award for a large fashion retailer for our "outstanding commitment to improving animal welfare". The award was in recognition of our fur-free policy and ban on skins such as snake and crocodile. We are currently working to improve our policies covering animal welfare standards in our clothing and home supply chains.

We were also runner-up in the cosmetic retailer category of the Good Business Awards in recognition of our work on adopting a 'fixed cut-off date' for our household and beauty products – for more information see commitment 62 below.

62 Fixed cut-off date for animal testing

✓ Performance: achieved

Launching a fixed cut-off date commitment for all our beauty products.

We became the first major UK retailer to meet the BUAV's Cruelty Free standard for all the beauty and homecare products we sell. We have never tested our beauty or household products on animals but can now guarantee that none of the individual ingredients are tested in this way either, starting from a fixed cut-off date of January 2006. We will be including the BUAV Leaping Bunny logo on packaging during 2008.

63 Free range

→ Performance: underway

Converting all our fresh turkey, geese, duck and pork products to free range.

Our fresh whole ducks, geese and turkeys are now sourced from free range producers. We will be working to change our fresh outdoor bred pork over to free range during 2008/09.

We became the first major UK retailer to stop selling imported white veal and calves liver due to welfare concerns. From spring 2008 we are only selling UK-reared veal which meets high animal welfare standards, backed by Compassion in World Farming (CIWF) and the RSPCA.

64 Oakham chicken

✓ Performance: achieved

Further improve stocking densities for our welfare award-winning Oakham chicken.

We have reduced the stocking densities of our Oakham chicken flocks (giving more space for movement) to the RSPCA recommended standard of 30kg/m².

Water use

65 Water efficiency (stores and offices)

→ Performance: underway

Reducing our store and office mains water usage by 20%.

We have introduced a range of water saving features in our new and refurbished stores, including, percussion taps, use of rain water and waterless urinals. We are also trialling improved automatic forms of metering in 20 stores.

During the year, our water usage reduced by 2% to 1,026,088 m³ (2006/07 1,050,097 m³).

66 Water efficiency (suppliers)

→ Performance: underway

Working with our suppliers to improve the efficiency of water use during the production of raw materials and products.

We are working with WWF to calculate our water 'footprint' in key parts of our supply chains. As with our carbon footprint, this will help us to set targets and find ways where we can work with suppliers to reduce the most significant usages of water.

Store construction and equipment

67 Stores (raw materials)

→ Performance: underway

Setting sustainable raw material standards for store construction and equipment.

We have worked with the BRE (Building Research Establishment) to develop a Sustainable Construction Manual which has now been published and distributed to our design and construction contractors. In 2008/09 we plan to continue working with BRE on the proposed British Standard framework (BS6001) for construction materials and intend using this as an M&S specification in the future.

We also completed environmental 'life-cycle assessments' on the building materials and operations of three stores – and in 2008/09 we aim to take this work forward by focusing on the most important materials of concrete, steel and floorings.

Fair partner summary

All businesses need the communities in which they buy and sell their products or services to be economically strong and stable. Being a fair partner means paying a fair price to our suppliers and producers of raw materials, while supporting the communities where we trade. It also means taking responsibility for ensuring good working conditions throughout our supply chains.

How does this affect Marks & Spencer?

Every week some 21 million customers visit our stores to buy M&S products and services provided by about 2,000 suppliers around the world. Over half of our food ingredients are produced in the UK and over 80% of our finished food products come from UK companies. Over 90% of our clothing and home products are made overseas.

We trade with communities across the world and were founding members of Business in the Community and the commitment to invest at least 1% of pre-tax profits in community projects in the UK and Republic of Ireland.

Who are we working with?

For supply chain programmes we have worked with the Ethical Trading Initiative (ETI), a group who promote ethical working practices since 1999, while the Chartered Institute of Purchasing and Supply (CIPS) is currently helping us develop ethical purchasing training for our employees. We also sell a wide range of Fairtrade certified products and have worked with the Shell Foundation and Traidcraft.

On community programmes, as well as our long-standing relationship with Business in the Community we have a wide range of charity partners such as Breakthrough Breast Cancer Awareness, Prostate Cancer Charity, Shelter, Disabled Go, Business Action on Homelessness, The Prince's Trust, One Parent Families, Save the Children and Groundwork.

What have we achieved so far?

One year into Plan A, we've already made progress on 19 of our Fair partner commitments and a further two are yet to start.

This year we launched our Supplier Exchange – an internet-based resource for information about all aspects of Plan A. So far, over 1,500 suppliers, operating in more than 30 countries, have used the site and we've held regular best practice workshops with our largest food, clothing and home suppliers.

As a fair partner we need to be available to our suppliers to monitor performance and offer advice. We've recruited three new clothing and home Regional Compliance Managers this year and now have seven

Our commitments (as published last year)

Improving the lives of hundreds of thousands of people in our supply chain and local communities

Be a leader in managing labour standards in our supply chain

Convert key clothing ranges to 100% Fairtrade cotton over the next year (that's 20 million garments)

As well as selling only Fairtrade coffee and tea, offering Fairtrade preserves and bagged sugar

Extend our Milk Pledge into other farming sectors

Support our local communities through Marks & Start, our programme to help groups such as the homeless and disabled get into work

Launch the M&S Supplier Exchange to share best practice among our suppliers

Marks & Start

2007/08 was the fourth year of our Marks & Start work experience programme. A further 650 people in the UK and Republic of Ireland benefited from the scheme with

40% going on to find employment

Plan A Champions

We've appointed around 570 Plan A Champions in our stores and offices and held two Green Week events to communicate progress and inspire ideas during March and September 2007



Fairtrade products

This year, we purchased over 30% of the world's Fairtrade cotton and sold over 4.8 million Fairtrade certified cotton garments – including our £5 plain t-shirts, women's vests and men's Oxford shirts. We're focusing on Fairtrade food too with ranges like our jams and preserves now switched to Fairtrade sugar in addition to all our tea and coffee. In total our sales of Fairtrade food increased by 20%.



in total in our Donguan, Shanghai and Bangladesh sourcing offices. We plan to increase their numbers significantly next year and extend their presence to more key sourcing countries. We've also appointed a UK-based food social compliance manager. During the year we also conducted a number of unannounced on-site assessments of suppliers which will allow us to develop a better system of monitoring in 2008/09.

We've sold over 4.8 million Fairtrade cotton garments this year and increased Fairtrade food sales by 20% with all our jams and preserves now also Fairtrade certified. We've also extended our Farmers' Price Pledge, which guarantees independently-agreed prices to some of our UK lamb and organic beef farmers.

This year we've invested £15.0m in community projects (2006/07 £13.9m) in the UK and Republic of Ireland. This total is equivalent to 1.5% of our adjusted pre-tax profits. It included £5.4m in cash, £1.9m of employee time and £7.5m in donations of stock.

Our Marks & Start work experience programme has now been running for four years and this year 650 disadvantaged

people have completed the programme in the UK and Republic of Ireland, with 40% going on to find employment, a quarter with Marks & Spencer. We've now been recredited with a Business in the Community 'Big Tick' for Marks & Start.

M&S customers have helped to raise £1.6m for Breakthrough Breast Cancer, a cause we've backed for seven years and over £600,000 to our Save the Children 'Back to School' campaign. The introduction of our 5p food carrier bag charge has also allowed us to donate over £100,000 to the environmental charity Groundwork to create parks, gardens and play areas.

Our challenges next year

We know we need to do even more and we're determined to do so. Next year we'll be rolling out our new labour standards commitments and want to extend the use of our Supplier Exchange. We're also keen to develop our community programme and help our franchise partners get more involved in Plan A.

For details of our 21 Fair partner commitments and our progress last year go to page 28.

Model Ethical Factories

We plan to launch at least six Model Ethical Factories to develop best practices on ethical trading

Groundwork

Following successful trials, all profits from our new 5p food carrier bag charge will go to environmental charity Groundwork and be used to create or improve 'greener' living spaces

Community

During the year we invested a total of £15.0m equivalent to 1.5% of our adjusted pre-tax profits

Supplier Exchange

Launched in May 2007 to provide information about Plan A to our suppliers. We have also held a series of supplier conferences for our largest 15 clothing and home, and largest 25 food suppliers. The site has been used by over

1,500
suppliers in 30 countries



Fair partner performance

This section summarises our performance against all 21 of our Plan A Fair partner commitments which were published for the first time in our How we do business report 2007.

To provide an overview of our progress, we've defined our performance against each commitment as: 'achieved', 'underway' or 'not started'.

To date, we've 'achieved' 4 of our Fair partner commitments, 14 are 'underway' and 3 are 'not started'.

**Assurance on statements and claims provided by Ernst & Young (see page 43 for full details).

Five year Plan A commitments 2007/08

Supply chain standards

68 Unannounced assessments**

➔ Performance: underway with a revised wording for 2008/09

Introducing random checking of our suppliers to ensure they are working to our Global Sourcing Principles at all times.

Up to the end of 2006, virtually all our on-site assessments were arranged in advance. However, during 2007 we conducted 13* unannounced on-site assessments of clothing and home factories and four* at UK food growers.

Based on the experience of these audits we have reviewed this commitment. We believe that unannounced independent on-site assessments can only go some way to providing a more accurate picture of day-to-day activities but can also damage our working relationship with our suppliers.

As a result we have amended commitment 68 to read:

Strengthening our ethical compliance monitoring

Introducing semi-announced on-site assessments of our suppliers, conducted within a three-week period, to ensure they are working to our Global Sourcing Principles at all times. These on-site assessments will have a greater level of involvement of worker representatives.

Additionally, 25% of site visits by Regional Compliance Managers (RCMs) to clothing and home factories will be unannounced.

*Data based on calendar year

69 In-country resources**

✓ Performance: achieved

Increasing the number of people based in the countries of production to follow up concerns identified by our assessment system within 12 months.

During 2007 we recruited a further three clothing and home RCMs making seven in total at our sourcing offices based at Donguan, Shanghai and Bangladesh.

There are plans to significantly increase this number during 2008 and extend their involvement to additional key sourcing countries. The RCMs are responsible for monitoring supplier performance against our Global Sourcing Principles, promoting good labour standards and carrying out follow-up visits to help suppliers solve issues raised in assessments. They provide practical help to suppliers and our aim is that over time they will develop relationships with relevant local organisations.

In 2007 we also recruited a UK-based food social compliance manager.

Five year Plan A commitments

2007/08

70 Ethical Trading Initiative standards****→ Performance: underway** with a revised wording for 2008/09

Working with our suppliers within the Supplier Exchange to share best practices on issues such as working hours and living wages.

Our new Supplier Exchange website was successfully launched as an additional means of communicating best practices in May 2007.

In October 2007 our annual UK ethical trading supplier conference was hosted by our Chief Executive, Sir Stuart Rose. Over 100 suppliers were briefed on current best practice initiatives. Throughout the year we provided regular updates and new guidance documents to help suppliers. These included 20 new country law briefings and a Growers Workbook which was distributed to 500 UK fruit, vegetable and salad growers. We also continued to conduct research into key issues such as 'living wage', on which we commissioned a specialist review of current practices.

For 2008/09 Plan A commitment 70 is now:

Supply chain labour standards

Enabling suppliers to address difficult issues such as 'living wage' and working hours through collaborative networking, conferences and the launch of an Ethical Exchange website. Setting up best practice projects including at least six Ethical Model Factories and a worker's rights training programme which can be extended across our supply chains.

Monitoring

We have 1,380* clothing and home suppliers on our database, 1,087* (79%) have up-to-date assessments of which 742* were carried out independently, in foods we have 953* food suppliers on our database, 857* (90%) have up-to-date assessments of which 178* were carried out independently.

Corrective actions

Our clothing and home suppliers made 1,944* corrective actions in 2007 (2006: 570* +240%). Our food suppliers made 942* corrective actions (2006: 444* +112%). We believe these improvements are due to more effective use of the Supplier Ethical Data Exchange (SEDEX) database and the introduction of our Regional Compliance Managers for clothing and home to assist suppliers in completing their corrective actions. We are also finding more non-compliances per audit. We believe this is due to more consistent auditing, resulting from the use of an improved standard audit methodology for all independent audits.

*Data based on calendar year

71 Ethical trading assessments****→ Performance: underway** with a revised wording for 2008/09

Extending the scope of our ethical trading assessments to include other parts of our supply chains eg laundries, embroidery operations and goods not for resale.

Ten trial audits of laundries, four at metal plating factories and one at a knitwear fabric factory were conducted. For food, we have extended our assessments to in excess of 1,000 factories who pack food before it is labelled and 454 of these have been registered on the SEDEX database with assessments.

This commitment has been reworded to more accurately reflect our aims:

Extending our ethical trading assessments

Extending the scope of our ethical trading assessments to include other parts of our supply chain.

72 Confidential complaints**✓ Performance: achieved**

Trialling a confidential worker complaints mechanism for workers in 2007/08.

During 2007 we trialled a confidential complaints hot-line and website with a small number of our UK food suppliers. This proved successful and we believe it is appropriate for many more of our suppliers.

We will make the lessons learned from the trial available to suppliers on our Supplier Exchange website and promote its wider use.

73 Product information**✗ Performance: not started**

Introducing an enhanced web-based system that further improves the information we have about factories and raw material suppliers within three years.

Five year Plan A commitments

2007/08

Responsible buying

74 Supplier ranking

→ Performance: underway with a revised wording for 2008/09

Introducing a benchmarking system for clothing and home for suppliers (eg Gold, Silver, Bronze) covering ethical trading and participation in our Supplier Exchange initiatives by the start of 2008.

We have tested this approach in rating our food suppliers as part of a 'balanced scorecard' over a range of performance measurements.

For clothing and home, we aim to rank all our suppliers by summer 2008.

This commitment has been reworded to more accurately reflect our aims:

Supplier ranking

Introducing a ranking system for suppliers covering ethical trading performance by the end of 2008.

75 Buying guidelines

→ Performance: underway

Further developing our responsible buying guidelines and integrate into our buying process.

We will continue our work with the Chartered Institute of Purchasing and Supply (CIPS) to develop responsible buying guidelines for use in training and performance measurements. The performance of our buying practices will then be assessed using a supplier questionnaire.

76 Small suppliers

→ Performance: underway

Increasing our use of small and small local suppliers by improving the understanding of our buying teams of the different needs of small producers.

We have maintained our relationship with the Shell Foundation and Traidcraft to develop the way we support small developing country producers. Our Shell Foundation pilot projects have come to an end and resulted in the setting up of 'The Better Trading Company' to introduce small suppliers to retailers. We have also agreed a long-term relationship with Traidcraft to supply greeting cards.

Support for UK farmers

77 Buying Pledges

→ Performance: underway

Extending our Milk Buying Pledge, that offers a guaranteed set price, to other types of food in consultation with our farmers.

Our 'buying pledge', which fixes the prices paid to farmers for an agreed period of time using an independent formula, has been extended to some of our UK lamb and organic beef farmers. This guarantees a price for the entire UK season.

78 Linking customers and producers

✗ Performance: not started

Connecting our customers to our suppliers by developing a website providing information on how and where UK foods are produced.

79 Regional food sourcing

→ Performance: underway

Doubling the amount of food we source regionally and improve the information we provide to customers.

We already sell a wide range of regional food but definitions vary across the UK. Food produced in Scotland or Wales is regional to customers living there whereas those living in parts of rural England describe regional foods by the county in which it was produced. We will continue to develop our plans over the next 12 months.

Fairtrade

80 Fairtrade food

→ Performance: underway

Continuing to expand our ranges of Fairtrade food including converting all our jams/conserves, bagged sugar to Fairtrade and offering more Fairtrade fruit, wine and other products.

Our 2007/08 Fairtrade food sales increased by around 20%. Our jam and conserve ranges were converted to Fairtrade sugar.

Five year Plan A commitments 2007/08

81 Fairtrade clothing** → Performance: underway

Converting 20 million clothing garments including £5 plain t-shirts, women's strappy vests and Oxford shirts to Fairtrade cotton – equal to 10% of all M&S cotton use.

The largest volume Fairtrade cotton clothing product, our £5 t-shirt was launched in September 2007. During 2007/08 we sold over 4.8 million (2006/07 0.5 million) Fairtrade cotton clothing items including plain t-shirts, women's strappy vests and Oxford shirts.

We estimate that our 2007/08 Fairtrade cotton usage was equivalent to around 4% (or 2,300 tonnes) of all the cotton we used.

Support for suppliers

82 Supplier Exchange ✓ Performance: achieved

Launching a Supplier Exchange to drive best practices, stimulate innovation and help suppliers secure funds to develop more sustainable production techniques and invest in their workforces and local communities.

We launched our Supplier Exchange website in May 2007 to provide information about our Plan A commitments, progress, best practices and useful contacts. More than 1,500 of our suppliers in over 30 countries have used the site. We have also held a series of supplier conferences for our largest 15 clothing and home, and largest 25 food suppliers. We aim to continue development of our Supplier Exchange content over the next 12 months.

83 Supplier community investment → Performance: underway

Working with our suppliers via our Supplier Exchange to help them invest to improve livelihoods in vulnerable communities.

Since 2004 our suppliers have provided work placements for over 100 disabled women in Sri Lanka, Bangladesh, India and Turkey under our Marks & Start International initiative.

Employee involvement

84 Marks & Start → Performance: underway

Continuing to help disadvantaged groups like the disabled and homeless get into jobs via work placements in our stores, offices and suppliers' factories.

2007/08 was the fourth year of our Marks & Start work experience programme. A further 650 people in the UK and Republic of Ireland benefited from the scheme, with 40% going on to find employment. We were recredited with a Business in the Community 'Big Tick' for our work on Marks & Start during the year. Marks & Start will continue to operate at the same level in 2008/09.

85 Plan A Champions ✓ Performance: achieved

Appointing and training Plan A Champions in all our stores and offices.

We appointed around 570 Plan A Champions in our stores and offices. We held two 'Green Week' events to communicate progress and inspire ideas during March and September 2007. Over the year, our Champions focused on initiatives on energy conservation, reducing carrier bag usage and clothing hanger recycling.

Engaging customers

86 Customer campaigns → Performance: underway

Developing and launching initiatives on environmental and international community issues.

In August 2008 we launched a 'Back to School' campaign with Save the Children which raised over £600,000, providing 15,000 children in Uganda with access to education.

87 Breakthrough Breast Cancer → Performance: underway

Maintaining our campaigns with Breakthrough Breast Cancer.

We helped to raise £1.6m (2006/07 £1.5m) for Breakthrough Breast Cancer during the seventh year of support. We will support the campaign again in 2008/09.

Engaging franchise partners

88 Franchise Exchange → Performance: underway

Launching a website for our franchise partners to inform them about Plan A and the activities that they could undertake in their own businesses.

During the year we announced plans to move towards more directly owned businesses and partnerships internationally – further details can be found in our Annual report 2008. We are already discussing Plan A with our international franchise partners and have launched a Franchise Exchange website.

Health summary

Our health and wellbeing depend on diet and lifestyle. In the developed world there's a growing imbalance between the amount we eat and the exercise we take. Overall, we're eating fewer calories and less fat, but don't feel the benefit because we're taking a lot less exercise too. It's no surprise that obesity and obesity-related conditions like heart disease and Type 2 diabetes are now growing social problems.

How does this affect Marks & Spencer?

All of the food we sell is own brand, so we can control the quality of ingredients we use. As a business that's built a 4.3% share of the UK food market by selling high quality fresh foods as well as indulgent treats, we have a responsibility to help our customers and employees make informed choices that support healthier lifestyles.

Who are we working with?

The Food Standards Agency (FSA) has developed targets on salt, 'traffic light' nutrition labelling to guide consumers, and have now started to develop plans for reducing saturated fats. As well as contributing to this work, we have also shared our own plans with the British Nutrition Foundation (BNF), Consensus Action on Salt and Health (CASH), National Consumer Council (NCC), Which? and the Hyperactive Children's Support Group.

What have we achieved so far?

One year into Plan A, we've already made progress on 10 of our Health commitments and 2 are still to be started.

We've achieved our aim of introducing the FSA's nutritional traffic light labels and Guideline Daily Amounts (GDA) information on all food products covered by the FSA's guidelines. However, our proudest achievement on health this year has been our success in exceeding our own targets by removing all artificial colours and flavouring from our food and soft drink production as of 1 April 2008. We've continued to make steady progress on our commitment to reduce salt and now meet 11 of the FSA's 15 2010 salt targets that are recognised as contributing high levels of salt to the diet and have been priority areas for M&S. These are buns, cakes, pastries, fruit pies, ready meals, sandwiches, breakfast cereals, bread, baked beans, soups and sauces. We're confident that we'll meet the remaining salt reduction targets by 2010. These achievements build on the removal of hydrogenated fats from all our food in 2006.



Our commitments (as published last year)

Helping thousands of customers and employees choose a healthier lifestyle

Put 1,500 Healthy Eating Advisers in stores

Increase our Eat Well range from 30% to 50% of food

Continue to lead the way in reducing salt and fats

Replace artificial colours with natural colours in kids' sweets and cakes in 12 months

Introduce Food Standards Agency traffic lights and Guideline Daily Amounts (GDA) product labelling

Only natural colours and flavouring

Last year we set a target to remove the artificial colours in our children's sweets and cakes. This was extended in stages, first to include artificial flavouring in our all children's food and then to cover all our food and soft drinks. On 1 April 2008 we achieved our new target – and no artificial colours or flavouring at all are now used in our food and soft drink production. In some ways this is 'business as usual' for Marks & Spencer – we've already banned the use of over half the food additives allowed in the European Union and stopped using Monosodium Glutamate (MSG) 10 years ago and Tartrazine 20 years ago.



Another success this year has been the switch of all our conventional farmed salmon to omega-3 enriched Lochmuir™. All our fresh farmed conventional salmon products, including sandwiches, are now Lochmuir™ and their omega-3 content is clearly labelled for customers.

We've worked hard this year to keep our customers informed about health and encourage them to make healthier choices. We've trained 1,500 Healthy Eating Assistants to help customers with health-related food questions in-store – and made them easy to spot thanks to the Eat Well sunflower symbols on their uniforms. Healthy Eating training is set to be rolled out for more of our people in the future.

In January 2008, we distributed an Eat Well food guide to the managers and Healthy Eating Assistants who work in our food halls under the title 'Feel Great in 08' and we've now relaunched the 'Ask the nutritionist'

feature on our website. M&S employees can now choose Eat Well options in our employee restaurants and can learn more from regular health features in our employee magazine. As of February 2008, some are also participating in trials of health-related initiatives as part of a pilot wellbeing programme. The results of this programme will be analysed and used to shape our long-term health and wellbeing plans.

Our challenges next year

Looking ahead to next year, we have a number of key objectives: we want to continue to reduce salt levels in our food and continue to develop our on-pack labelling to make it easier for customers to choose a healthier diet. We're also determined to do all we can to encourage our customers and employees to choose healthier lifestyles.

For details of our 12 Health commitments and our progress last year go to page 34.

Salt reduction

Out of the 15 of the Food Standards Agency's 2010 salt targets that are recognised as contributing high levels of salt to the diet and have been priority areas for M&S, we now meet

11

Lochmuir™ salmon

All our conventional farmed salmon is now Lochmuir™ enriched with omega-3. Lochmuir™ has also been extended to salmon ingredients

Removing artificial colours and flavouring

To remove all artificial colours and flavouring from our food we had to rewrite the recipes for

900 food lines

SERVES 1 - THIS PACK PROVIDES				
CALS	SUGAR	FAT	SAT FAT	SALT
235	5.9g	2.0g	0.6g	0.60g
12%	7%	3%	3%	10%
OF YOUR GUIDELINE DAILY AMOUNT				

Traffic light labels

We have introduced both the Food Standards Agency's (FSA) nutritional traffic light and Guideline Daily Amounts (GDA) front of pack labels on all categories of food recommended by the FSA



Ask the nutritionist

We offer a nutritional information section on our website along with an 'Ask the nutritionist' service. We've also introduced a health page in each edition of the Your M&S magazine and developed fact sheets available to our store colleagues

Healthy Eating Assistants

To support our Eat Well ranges and respond to customers' questions on health and nutrition we have now trained

1,500

Healthy Eating Assistants in our stores

Health performance

This section summarises our performance against all 12 of our Plan A Health commitments which were published for the first time in our How we do business report 2007.

To provide an overview of our progress, we've defined our performance against each commitment as: 'achieved', 'underway' or 'not started'.

To date, we've 'achieved' three of our Health commitments, seven are 'underway' and two 'not started'.

**Assurance on statements and claims provided by Ernst & Young (see page 43 for full details).

Five year Plan A commitments 2007/08

Providing healthier foods

89 Eat Well**

→ Performance: underway

Increasing the amount of Eat Well healthier food we sell from 30% of our food to 50%.

(This commitment has been reworded to more accurately reflect our aim).

In January 2008 we had around 1,100 Eat Well healthier choice products on sale – accounting for 29% of our total catalogue of main*** food lines.

Since launching our Eat Well ranges in 2005/06 the UK market for healthier food has continued to evolve. There is a growing trend (Source: TNS 2007 market data) towards customers preparing meals from ingredients. We have responded to this demand by introducing a series of recipe cards, some of which can be prepared from M&S Eat Well products.

In 2008/09 we will review how our Eat Well ranges can best meet the changing needs of our customers.

***Food lines above a minimum level of sales excluding wines, newspapers, household, flowers and plants and special occasion products.

90 Labelling

✓ Performance: achieved

Introducing the use of nutritional 'traffic lights' to relevant food products.

We have introduced the Food Standards Agency's (FSA) nutritional traffic light and Guideline Daily Amounts (GDA) front of pack labels on all FSA recommended categories of food.

91 Children's sweets

✗ Performance: not started

Removing children's sweets from till points.

We intend to run a series of trials during 2008/09.

92 Natural colours

✓ Performance: achieved

Using only natural colours in our children's sweets and cakes by the start of 2008.

We have removed artificial colours and flavouring from all our food and soft drinks production as of 1 April 2008 – exceeding our original commitment to remove only artificial colours in children's sweets and cakes. We already ban the use of over half the food additives allowed in the European Union and stopped using Monosodium Glutamate (MSG) and Tartrazine many years ago.

93 Salt**

→ Performance: underway

Making further reductions to the amount of salt in our foods by working to M&S targets many of which go beyond those set by the Food Standards Agency (FSA).

We continued to make progress during the year and now meet 11 of the 15 FSAs 2010 salt targets, recognised as contributing high levels of salt to the diet and priority areas for M&S. These are: buns, cakes, pastries, fruit pies, ready meals, sandwiches, breakfast cereals, bread, baked beans, soups and sauces. We believe that we will achieve the remaining targets by 2010. We are also continuing to make further salt reductions across all types of food and have set ourselves even more challenging targets on key areas such as ready meals.

Five year Plan A commitments 2007/08

94 Omega-3 (salmon) ✓ Performance: achieved

Ensuring all our fresh salmon meets our new Lochmuir™ standards (enriched with omega-3) during 2007/08.

All our conventional farmed salmon is now Lochmuir™ enriched with omega-3. Lochmuir™ has also been extended to salmon ingredients such as in sandwiches.

95 Natural enrichment → Performance: underway

Developing agricultural projects to provide naturally enriched foods.

We have recently started a number of projects; these are at an early stage of development.

96 Nutritional enrichment → Performance: underway

Developing nutritionally-enriched product choices within selected ranges.

We have a range of products enriched with omega-3 and probiotics. We will continue to develop this range.

Encouraging healthier lifestyles

97 Healthy Eating Advisers → Performance: underway

Introducing 1,500 Healthy Eating Advisers in our stores and extend this training to our food section employees by the start of 2010.

We have now trained 1,500 Healthy Eating Assistants in our stores. They can be easily identified by the Eat Well sunflower on their uniforms. We are developing plans to extend healthy eating training across our food section teams and to identify the best way of providing information to our customers using a combination of packaging, in-store and website communications.

98 Health campaigns ✗ Performance: not started

Launching at least two major health initiatives for our employees and customers.

99 Diet and health information → Performance: underway

Evaluating the most effective means of providing expert diet and health information to customers including trialling in-store nutritionists and the provision of a nutrition customer care line.

We offer a nutritional information section on our website along with an 'Ask the nutritionist' service. We have also introduced a health page in each edition of the Your M&S magazine and developed fact sheets available to our store colleagues.

100 Lifestyle information → Performance: underway

Providing improved health and lifestyle information to our employees and customers.

We have introduced Eat Well healthier meal options into our employee restaurants and a regular health features section in our employee magazine. We are also trialling a health and wellbeing initiative in four stores. This will be extended if successful.

People

As we continue to grow our business and invest for the future, it's more important than ever to keep strengthening our team at every level, from the shop-floor through to management. To attract and retain the best talent in the industry, we have to demonstrate each day that M&S is a good employer, committed to making all our people feel valued and providing them with career opportunities and quality training.

Recruitment and retention

We employ around 71,000 people in the UK, 75,000 worldwide. We have one of the lowest employee turnover rates in UK retail, at 27% for customer assistants and 12% for management. Around 40% of our people have been with us for over 5 years and 22% for more than ten years.

We can offer graduates a fast track into management and last year received a record 8,500 applications in just over two months. Each year we employ between 150 and 200 graduates and business placement undergraduates for positions in retail, food technology, design, HR, buying, IT and other specialist roles. We won four major graduate recruitment awards, including the 2008 Times' 'Graduate Employer of Choice' for retail.

Training and development

We need to train people thoroughly to do their jobs, but we also want to retain their skills and experience by giving them real opportunities to plan and build a career with Marks & Spencer. We have defined career paths in place for many of our people, including Customer Assistants and store management. During the year we introduced new career paths for store Section Managers and our HR and marketing teams. Everyone joining our stores completes a thorough induction and up to 26 weeks ongoing training – the longest on the high street. We have over 7,500 people in stores who act as coaches to train and support their less experienced colleagues.

This year we've also run specialist training for people moving into senior management roles or taking up international assignments. Additionally, more than 4,000 people

7th National Volunteer Awards

To recognise the contributions of our employees we have held annual National Volunteer Awards since 2001. Out of the hundreds of our employees who apply we present awards to individuals who have made outstanding personal contributions to a range of volunteering, fundraising, Marks & Start and Plan A activities across 10 categories

Head office training

More than 3,250 people developed their buying skills in our Buying Academy programme and 880 improved their knowledge at our Culinary Academy



2007/08 Workforce diversity (as at 29 March 2008)

	Gender	Gender	Ethnicity	Ethnicity	Age	Experience
	Women employees	Women managers	Employees from ethnic minority backgrounds	Managers from ethnic minority backgrounds	Employees over 50 years of age	Employees with over 10 years service
M&S employees	76%	66%	15%	8%	25%	22%

Management is defined as people with first line supervisory responsibilities, or professional and technical specialists.

Our aims	2007/08
Retention To achieve an M&S employee two year stability measure of at least 60%	The % of permanent employees who were with us two years ago and were still employed by M&S at the end of 2007/08 was 69.7%
Training and development For at least 90% of Customer Assistants to have at least an 'achieve' performance rating	The % of current Customer Assistants with an 'achieve' or 'exceed' performance rating at the end of 2007/08 was 98%

completed our Buying Academy and Food Academy courses. We're now trialling similar academies for womenswear and merchandisers.

Involvement and communications

We have more than 3,500 democratically-elected employee representatives in the UK who sit on Business Involvement Groups (BIGs) representing their colleagues' views on matters relating to work and employment. These representatives regularly discuss employment issues directly with company management at a local, divisional and national level. We also engage with employees through our annual YourSay survey, which gives employees the chance to tell us what they think about a range of issues – including job satisfaction and management performance.

Employee health, safety and wellbeing

We're committed to help our people make informed health choices at work. In February 2008, we launched a pilot wellbeing programme in several stores to trial a wide range of mental and physical health initiatives. We'll assess the results of these trials to fine tune our longer-term employee wellbeing plans. We also continued our breast screening programme this year, completing

Great service awards

Great Service Awards recognising outstanding customer care were handed out to around

40,000
employees



around 13,000 screenings for employees and pensioners. The service is available from the age of 40 (10 years earlier than the NHS), and can play a potentially life-saving role by detecting cancer early.

We're working hard to help our people prevent fire, health and safety related incidents, but also to report any incidents if they happen. This year, we've completed further training for all the Fire, Health & Safety officers in our stores and offices. The number of reported incidents was 27,828 (or 26,210 if new stores are excluded) against 30,883 in 2006/07. The number of RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) incidents fell to 957 (or 892 if new stores are excluded) compared with 1,057 in 2006/07. No work-related fatalities occurred during the year.

Community

To encourage teamwork, we recognise and support the work that employees do for charitable causes by matching their fundraising by up to £3,000 when they work in a team of five or more. Last year we supported around 1,000 employees with £220,000 donated to 80 charities. We also encourage employees to regularly donate to charities that they care about in a tax effective way. Our Payroll Giving scheme enables monthly donations and was taken up by around 2,800 of our employees who donated £270,000 to over 340 charities.

Diversity

Our store teams and workforces across the UK generally reflect national diversity averages. We regularly review our policies and procedures to make sure we comply with legislation. See the table on page 36.



Sharesave

Over 25,000 employees participated in our Sharesave Schemes during 2007/08. Some 11,160 employees shared a gain of £37m from the Sharesave Scheme that matured in January 2008

7,500 good causes

Such as schools, hospitals and other local organisations received small donations from our stores in 2007/08

How we do business

We've always taken our responsibilities to customers, employees, partners, suppliers and local communities seriously. Doing business in a responsible way underpins our values – Quality, Value, Service, Innovation and Trust. This section tells you about how we manage social, environmental and ethical issues across the business and how we listen to our stakeholders. It also explains the technical detail that supports this report.

Managing how we do business

We operate an executive level 'How we do business' Committee chaired by Chief Executive Sir Stuart Rose. The Committee includes senior managers who hold responsibilities for key aspects of our social, environmental and ethical performance. The Committee's role is to ensure the implementation of Plan A, provide leadership and respond to stakeholder expectations. The Committee also ensures the integration of social, ethical and environmental issues into our everyday activities. The Chair of the 'How we do business' Committee briefs the Board on activities and progress at least once a year.

During 2007/08, the 'How we do business' Committee has met on 12 occasions to

review the implementation of our Plan A commitments. Each Plan A pillar – Climate change, Waste, Sustainable raw materials, Fair partner and Health – is sponsored on the committee by at least one representative and is also supported by a steering group. An additional sixth steering group supports the involvement of employees.

In the fourth quarter of the year a Director of Plan A was appointed and three additional sub-committees were introduced each chaired by Directors to support the 'How we do business' Committee on Developing Strategy, Monitoring progress and Communications.

The work of the 'How we do business' Committee is also supported by a small team of social, environmental and ethical

“

The 'How we do business' Committee's role is to ensure the implementation of Plan A, provide leadership and respond to stakeholder expectations. It also ensures the integration of social, ethical and environmental issues into our everyday activities.

”

'How we do business' Committee as of May 2008

Sir Stuart Rose	Chief Executive and Chair of Committee
Steven Sharp	Executive Director, Marketing
Richard Gillies	Director of Plan A
Flic Howard-Allen	Director of Communications and Corporate Social Responsibility
Tanith Dodge	Director of Human Resources
Clem Constantine	Director of Property and Store Development
Steve Rowe	Director of Retail
David Gregory	Director of Technology, Food Division
Nayna McIntosh	Director of Store Marketing and Design
Krishan Hundal	Head of Technology, General Merchandise
David Hordle	Head of Plan A Delivery
Mike Doyle	Head of Finance, Food and Plan A
Mike Barry	Head of Corporate Social Responsibility and Secretary

specialists. This team focuses on the development of policies and solutions, stakeholder relationships and the management of risks.

Integrating Plan A

Implementation, budget management and co-ordination of Plan A is overseen by the Director of Plan A. Food, clothing and home and store development functions also have their own Plan A Delivery Managers. Plan A objectives form part of relevant individuals' performance targets. We've also trained 570 Plan A Champions in our stores and head offices to co-ordinate local activities.

Managing risks

Every six months the Board reviews risks as part of a wider Group Risk Profile. Further information on our Governance systems and Board committee membership is contained in our Annual report 2008.

Certified international social, environmental and ethical standards

In line with most major retailers, M&S mainly uses internally developed systems to keep pace with a fast-moving trading environment. Our Code of Ethics is communicated across the Company and senior management are asked to confirm acceptance annually,

with breaches reported to the Audit Committee. Our employment policies meet the requirements of the United Nations Universal Declaration of Human Rights.

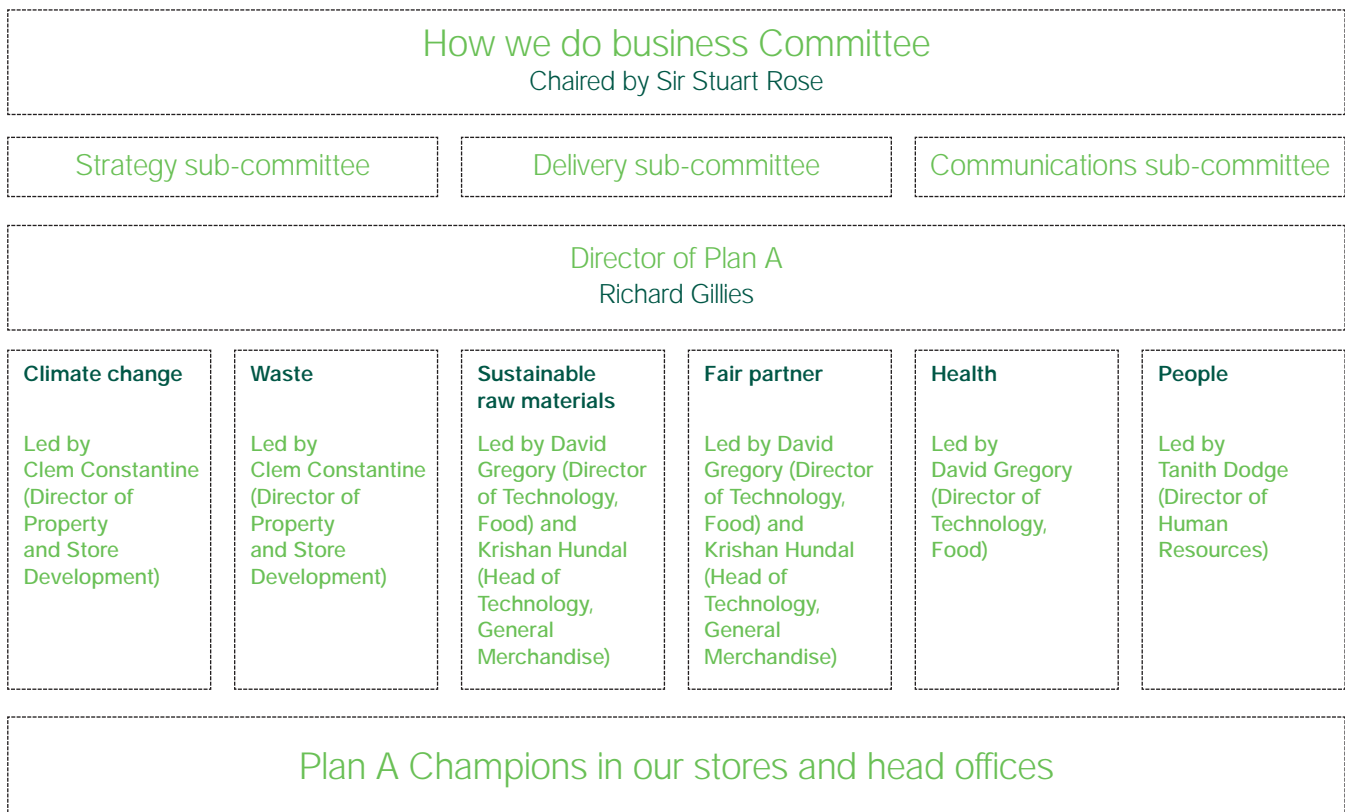
Listening and taking action

Our policies are guided by what our stakeholders – customers, shareholders, employees and suppliers – tell us. We have formal ways of listening and responding to their views. We also have regular discussions with the UK and Republic of Ireland Governments, regulators, community partners, trade associations and environmental, human rights and animal welfare groups.

During 2007/08 we also held two major Plan A external stakeholder events where up to 60 representatives from the UK Government, regulators, community partners and environmental, animal welfare and human rights groups were able to discuss Plan A activities with members of the 'How we do business' Committee.

A summary of feedback gathered throughout the year and our responses is shown on page 42. Details of how we have responded on specific issues is also included against many of our Plan A commitments.

The diagram below illustrates the structure of our 'How we do business' governance.



About this report

This is our fifth report on social, environmental and ethical performance. It is the first opportunity we have had to provide a full progress update on the first financial year of our Plan A commitments since they were announced in January 2007. This is an annual report and covers our financial year running from April 2007 to March 2008 and was published in June 2008.

Audience

A wide range of stakeholders have an interest in Marks & Spencer's performance on social, environmental and ethical issues. Some require technical data; others want more general information. To balance the content for this varied audience, we have tried to include sufficient specialist detail, while making sure that the report is accessible to those with a broader interest. The report has been written primarily for an external audience. We will communicate relevant information to other audiences through other media, such as our employee magazine and in-store marketing initiatives.

Report structure

Following on from last year's report, we have structured information so that it meets the needs of as many external audiences as possible. For those who want a brief overview of our sustainability performance in 2007/08 we have included a four page summary, while for those who need further information on a particular topic, all five of our Plan A pillars – Climate change, Waste, Sustainable raw materials, Fair partner and Health – are covered in summary sections. In addition to these summaries, we provide a full review of progress against the 100 five-year commitments published in our 2007 'How we do business' report. We also include information about our employees in a People section.

The way we manage social, environmental and ethical issues is explained in the 'How we do business' section.

Key impacts

As a major UK retailer selling a wide range of goods and services, a wide range of social, environmental and ethical issues have an impact on our business, either directly or

through our global supply chains. This means that we have to manage a continually evolving set of issues rather than a small number of set measurements. The stakeholder consultation conducted during the on-going development of our Plan A (summarised on page 42) identified five key impacts. These are: Climate change, Waste, Sustainable raw materials, Fair partner and Health. As a large employer we also identify the importance of workplace issues under the heading of People.

Decisions on report content

Our 'How we do business' report is intended to supplement the comprehensive financial performance information published in our Annual report with relevant updates on social, environmental and ethical activities. For this reason, the report does not generally include financial statements on the costs or benefits of particular activities.

This year's report provides a progress update against the 100 Plan A commitments published in our 'How we do business 2007' report. We have also provided information on employees in a People section to ensure coverage of key issues and meet the requirements of the Global Reporting Initiative.

Scope

We concentrate mainly on our UK and Republic of Ireland business, which accounted for more than 90% of 2007/08 revenue. Product performance data also relates to our stores in the Republic of Ireland and Hong Kong as well as our overseas franchise stores. Operational information relating to M&S Money, per una, UK Simply Food Stores operated under franchise and our wholly-owned chain of outlet stores are not included.

Data

There were no significant structural changes to the business. Most of the data and statements contained in this report relate to the financial years 2006/07 and 2007/08. Where data is presented by calendar year for other purposes, we have followed the same format in this report, marking the data with the * symbol. Where we have included significant events which occurred after the end of our financial year in March 2008 we have quoted the date.

There are a number of significant changes to the data in this year's report, mainly through the adoption of revised definitions contained within Plan A. As a result, some 2006/07 data published in our 'How we do business 2007' report has been restated.

The main changes are as follows:

1. The addition of Republic of Ireland operations unless otherwise stated.
2. The addition of other sources of CO₂ emissions, such as M&S dedicated warehouses, refrigeration, air-conditioning and M&S dedicated home delivery vehicles as specified in Scope 1 and 2 of the World Business Council for Sustainable Development Greenhouse Gas Reporting Protocols.
3. The restatement of delivery transport emissions to more accurately reflect the UK and Republic of Ireland 'warehouse to store' section of our distribution network.
4. The recalculation of energy derived CO₂ emissions using the most recent guidance published in June 2007 by Defra. This guidance has had the effect of increasing reported emissions by around 20% for the same level of energy usage.

Assurance

The content of this report has been provided by M&S management. Data on energy, gas, water, and delivery transport has been provided by suppliers and collated by M&S. This report is reviewed by our Plan A Delivery team, 'How we do business' Committee and the Board. Statements contained in sections marked ** are independently assured by Ernst & Young. You can find full details of Ernst & Young's assurance on page 43.

During 2007/08 the M&S Internal Audit team reviewed management of Plan A activities and reported their finding to the 'How we do business' Committee and Audit Committee.

Report technical standards

To meet technical standards requested by some of our readers, we have again used the Global Reporting Initiative third generation framework, known as G3, as a checklist and point of reference. The G3 framework has six possible levels of compliance. This report has been designed in accordance with the 'entry' level C. GRI G3 references are shown on pages 44 and 45. Some GRI information on governance, financial performance and employment data can be found in our 2008 Annual report.

The report also meets the retail industry requirements as set out in the Department of the Environment, Food and Rural Affairs (Defra) environmental reporting guidelines for UK business. Conversion factors for measuring CO₂ are taken from the latest guidance published by Defra in June 2007. We also report on the British Retail Consortium's 2007 'A Better Retailing Climate' framework under commitments: 1, 2, 3, 7, 14, 18, 19, 20, 21, 22, 24, 25, 26, 27, 28, 30, 32, 33, 37, 39, 40, 41 and 65.

Legal compliance

We had no environmental prosecutions or work related fatalities in our business in 2007/08.

M&S Annual reports

You can find a more comprehensive review of our financial performance and governance in our Annual report. Both the 'How we do business' report and Annual report are available online. You can download a PDF and large font and sound versions of the two reports at marksandspencer.com/thecompany

Your views

We welcome your comments. Please send us your views either through our website at marksandspencer.com/howwedobusinessreport08survey via e-mail: Plan.A.Suggestions@marks-and-spencer.com or by writing to Marks and Spencer Group plc, CSR Department, Waterside House, 35 North Wharf Road, London W2 1NW. Further information and our previous CSR reports are available from our website at: marksandspencer.com/csr

Listening and taking action

We listened to	What they told us	What we've done
Customers by: <ul style="list-style-type: none"> • Monitoring sales • Research and surveys • Direct feedback through our customer service team 	<p>During the year we conducted research which showed our customers' attitudes fall into four broad categories – largely in line with the public as a whole:</p> <ul style="list-style-type: none"> • 'Green Crusaders' – 11% • 'If it's easy' – 27% • 'What's the point?' – 38% • 'Not my problem' – 24% 	<p>We've developed easy-to-use initiatives such as 30°C washing for clothing, Fairtrade products and the Oxfam Clothes Exchange for 'Green Crusaders' and 'If it's easy' customers. We'll continue to provide information which we believe will eventually involve customers currently in the 'What's the point?' category.</p>
Employees by: <ul style="list-style-type: none"> • Business Involvement Groups • Plan A Champions • Surveys 	<p>We also conducted similar attitude research with our own employees; they demonstrated a much more active approach compared to the public as a whole:</p> <ul style="list-style-type: none"> • 'Green Crusaders' – 24% • 'If it's easy' – 54% • 'What's the point?' – 21% • 'Not my problem' – 1% 	<p>We held two internal 'Green Week' events in March and September 2007, to promote best practices and encourage suggestions about how we can improve our performance.</p>
Shareholders by: <ul style="list-style-type: none"> • Annual General Meeting • Meeting with institutions • Survey of institutions • Ethical surveys 	<p>Shareholders who specialise in environmental and ethical issues are increasingly asking us to quantify the costs and benefits of Plan A.</p>	<p>During 2008/09 we'll work with Forum for the Future to develop a way to express the costs and benefits of Plan A in financial terms.</p>
Suppliers by: <ul style="list-style-type: none"> • Visits and meetings • UK agricultural shows • Supplier Exchange • Plan A meetings 	<p>Many of our suppliers expressed an interest in acting as a 'showcase' for environmental best practices as part of our Supplier Exchange programme.</p>	<p>We developed a programme of 'green' factories with suppliers. We also introduced a 'Supplier of the Month' award recognising the development of best practices and set-up a Sustainability Forum for our store construction and fit-out suppliers.</p>
Government & regulators by: <ul style="list-style-type: none"> • Submissions • Meetings • Working with trade associations • Plan A briefings 	<p>Over and above our Plan A commitments, Government and its agencies want us to support wider cross-industry initiatives. We're also asked to contribute our views and ideas on the development of legislation on social and environmental issues.</p>	<p>We've already met the voluntary targets on packaging and carrier bags contained in an industry-wide agreement drawn-up with Government. We also supported the development of the British Retail Consortium's climate change targets – launched in April 2008.</p> <p>We contributed to the development of the Carbon Reduction Commitment legislation and methodology for measuring carbon footprints (PAS 2050).</p>
Non-governmental organisations (eg Greenpeace, Friends of the Earth, WWF, RSPCA, Oxfam etc) by: <ul style="list-style-type: none"> • Regular meetings and discussions • Collaboration on joint projects. • Plan A meetings 	<p>Many NGOs have asked us to collaborate with them on a wide range of social, environmental and ethical projects. We have also been asked to support the development of robust legislation to ensure across the board market-place improvements.</p> <p>We were also challenged to make Plan A Fair partner commitments on ethical trading more ambitious.</p>	<p>We're working with WWF-UK on water-footprinting, Oxfam on clothes recycling and the BUAV (British Union for the Abolition of Vivisection) on standards to restrict the use of animal testing and set up a Store Development Advisory Board of independent experts.</p> <p>We've consulted with NGO stakeholders when developing submissions to the Government on carbon offsets, carbon trading, supply chain standards and international trade.</p> <p>We've reworded our ethical trading commitments to help us to set more demanding targets in the future.</p>

Independent assurance statement

To the management of Marks and Spencer Group plc

We have been asked to review Marks & Spencer's How we do business report 2008 ('the report') in accordance with the scope of work described below. Marks & Spencer management has prepared the report and are responsible for the collection and presentation of information within it. Our responsibility in performing our work is to Marks & Spencer management only in accordance with the scope of work agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation.

What did we do to form our conclusions?

Our work has been planned and performed to obtain a limited level of assurance in accordance with the International Federation of the Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000). The report has been evaluated against the following criteria:

- Whether the 100 Plan A commitments have been transferred from the previous How we do business report into this report.
- Whether claims regarding 18 of the Plan A commitments (listed below and denoted by **) in the report are consistent with the explanation and evidence provided by relevant managers at company level. The 18 Plan A Commitments included in our review were:
 - Carbon neutral (No.1), Energy efficiency in stores (No.2), EURO engines (No.13), Packaging (No.37, 38, 39), Carrier bags (No.45, 46), Organic food (No.49), Pesticides (No.50, 51, 52), Supply chain unannounced assessments and in-country resources (No.68, 69), Ethical trading assessments (No.71) 'Fairtrade' clothing (No.81), Eat Well (No.89), Salt content (No.93).
- Whether the data relating to these selected claims have been accurately transferred from company-level documentation to the report.

In order to form our conclusions we undertook the steps outlined below:

1. **Compared the 100 Plan A commitments published in this report** to the previous How we do business report.
2. **Where there were changes we sought evidence** to support the explanation for this.

For the selected 18 Plan A commitments (listed above and denoted by ** in the report) we:

3. **Interviewed a selection of Marks & Spencer managers** responsible for managing progress towards the commitments to understand the current status of progress and the mechanisms for measuring progress.

4. **Reviewed relevant documentation**, such as, guidance documents, status reports, meeting minutes, internal spreadsheets and assurance reports to review consistency with progress claims.

What are the limitations of our work?

We did not interview managers responsible for all 100 of the Plan A commitments. We do not make conclusions on the accuracy and completeness of data presented. We did not interview Marks & Spencer employees at stores or warehouses to discuss the topics covered in the report.

What are our conclusions?

Based on our review (as described) our conclusions on the report are outlined below:

- We are not aware of any Plan A targets that have been omitted. The following Plan A commitments have been amended since their publication in the previous How we do business report.
 - Supply chain unannounced assessments (No. 68)
 - Ethical trading initiative standards (No. 70)
 - Ethical trading assessments (No. 71).
 - Supplier ranking (No. 74)
 - Eat Well food (No. 89).
- We are not aware of any misstatements in the claims made regarding progress towards the selected 18 Plan A commitments denoted by **.
- We are not aware of errors in the transfer of data relating to the selected claims from company-level documentation to the report.

Are there any other observations based on particular aspects of our work?

With respect to the data presented in the report, whilst the quality of supporting documentation and internal assurance has improved over the last year it remains an area where further progress is required. This observation does not affect our conclusions presented above.

Our independence

This is the fifth year Ernst & Young LLP has provided independent assurance services in relation to Marks & Spencer's reporting on these topics. With the exception of this work we have provided no other services relating to Marks & Spencer's approach to social, environmental and ethical matters.

Our assurance team has been drawn from our global environment and sustainability network, which undertakes similar engagements to this with a number of significant UK and international businesses.

Ernst & Young LLP

London
14 May 2008

Global Reporting Initiative (G3) Index

	GRI References	Inclusion	Page
Vision and strategy	1.1 CEO's statement	Yes	1
	1.2 Key impacts	Yes	40
Organisation profile	2.1 Name of organisation	Yes	IFC
	2.2 Brands	Yes	IFC
	2.3 Operational structure	Yes	IFC
	2.4 Location of head office	Yes	41
	2.5 Countries of operation	Yes	IFC
	2.6 Nature of ownership	Yes	IFC
	2.7 Markets served	Yes	IFC
	2.8 Scale of organisation	Yes	IFC
	2.9 Significant changes in operation	Yes	41
	2.10 Awards received	Yes	3
Report parameters	3.1 Reporting period	Yes	40
	3.2 Date of report	Yes	40
	3.3 Reporting cycle	Yes	40
	3.4 Feedback	Yes	41
	3.5 Defining content	Yes	40
	3.6 Scope of report	Yes	40
	3.7 Exclusions from scope	Yes	40
	3.8 Joint ventures and subsidiaries	Yes	IFC
	3.9 Data measurement techniques	Yes	41
	3.10 Restatements	Yes	41
	3.11 Significant changes	Yes	41
	3.12 GRI table	Yes	44
	3.13 Assurance statement	Yes	43
Governance	4.1 Governance of SEE matters	Yes	38
	4.2 Chair of senior committee on SEE matters	Yes	38
	4.4 Stakeholder engagement with senior SEE committee	Yes	42
	4.5 Remuneration linkages	Yes	AR
	4.3 Board structure	Yes	AR
	4.13 Principal trade associations	Yes	IFC
	4.8 Code of Ethics	Yes	39
	4.9 Risk assessment and management	Yes	39
	4.14, 4.16, 4.17 Stakeholder engagement	Yes	42
	4.6, 4.7, 4.10, 4.11, 4.12, 4.15	No	-
Economic performance indicators	EC1 Economic profile	Yes	AR
	EC2 Climate change risks and opportunities	Yes	6
	EC3, EC4, EC5, EC6, EC7, EC8, EC9	No	-

	GRI References	Inclusion	Page
Environmental performance indicators	EN1, EN2, Material usage (packaging)	Partial	18
	EN3, EN4, EN5, EN6, EN7, EN18 Energy usage	Yes	8-10
	EN6 Energy efficient products	Yes	13
	EN8 Water usage	Yes	25
	EN16 Greenhouse gas emissions	Yes	8
	EN22 Waste data	Yes	16
	EN28 Environmental Fines	Yes	41
	EN29 Transport	Yes	9,11
	EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN17 EN19, EN20, EN21, EN23, EN24, EN25, EN26, EN27, EN30	No	-
Labour practices and decent work performance indicators	LA1 Workforce employment numbers	Partial	36
	LA2 Employer turnover or retention	Partial	36
	LA7 Health & Safety data	Partial	36
	LA11 Training	Partial	36
	LA3, LA4, LA5, LA6, LA8, LA9, LA10, LA12, LA13, LA14	No	-
Human rights performance indicators	HR2 Supplier assessments	Yes	29
	HR1, HR3, HR4, HR5, HR6, HR7, HR8, HR9	No	-
Society performance indicators	SO1 Community programmes	Partial	26,27
	SO5 Public positions on key legislation	Partial	42
	SO6 Political donations	Yes	AR
	SO2, SO3, SO4, SO7, SO8	No	-
Product responsibility performance indicators	PR5 Customer satisfaction	Yes	AR
	PR1, PR2, PR3, PR4, PR6, PR7, PR8, PR9	No	-

IFC: Inside Front Cover

AR: Annual report

SEE: Social, environmental and ethical

Plan A

Because there is no Plan B



This report is printed on Revive uncoated, a 100% recycled paper made from post-consumer collected waste. Revive uncoated is manufactured to the certified environmental management system ISO 14001.

Designed by Likemind www.likemindgroup.com

Printed by Royle Corporate Print