

MARKS &
SPENCER



Corporate Social
Responsibility
Review 2003

Introduction



Luc Vandeveldt Chairman

Welcome to our first publication on Corporate Social Responsibility – or CSR for short. It explains how we as a company are seeking to meet our social, environmental and ethical responsibilities and to satisfy the expectations of all those involved in our business.

Our approach to CSR is not just to tick off boxes to say we've complied. Instead, we've done some hard thinking on how we can genuinely contribute to the societies in which we operate.

We start with the great advantage that Marks & Spencer has always been a socially responsible business. This ethos showed itself in the Company's determination to offer quality products by dealing directly with manufacturers, to provide excellent working conditions for its employees and to make local communities better places to live and work.

Despite the tough conditions we've faced in recent years, these values have persisted and are deeply ingrained in the way we run our business. Everything we do is influenced by the notion of good corporate behaviour.

We initiated our commercial recovery by going back to the fundamentals of the business. In the same way, we've looked again at

our CSR heritage and tried to make it fresh, relevant and effective. And just as we listened to our customers to get our products right, we've taken our CSR priorities from the things that you, our stakeholders, have told us are important.

This process has focused our attention on three main themes that have always been at the heart of our business.

The first is the products we sell. We know that many of our customers are concerned that their purchases are produced in an ethically and environmentally responsible manner. We want to meet that need – and are well placed to do so because we have total control of our products. That's why, for example, we now guarantee that all the eggs in our food products are free-range.

The second theme you've told us is important is the way we relate to our employees. A key feature of our recovery was creating an environment that allows people to be at their best. This adult-to-adult relationship between the Company and its employees makes Marks & Spencer a better place to work while also producing superior results.

Having seen that this approach can make a real difference to our business, we're applying the same

principle to a third aspect of our CSR activities – our work in the community. Under the philosophy of helping others to help themselves, our aim is not simply to give money but to try and tackle the root of the problem. A case in point is our decision to offer two-week work placements in our stores to 600 homeless people over the next two years, so helping to break the cycle of no home, no job, no home.

This publication addresses each of those three themes in more detail. As Chairman of the Marks & Spencer CSR Committee, I hope it provides the kind of information you find most useful. I'm also concerned that we measure the impact of our CSR activities. While this review is mainly about philosophy and principles, future publications will contain more by way of hard data to demonstrate our progress.

CSR is a matter of continuous evolution. As in all aspects of our business, we're keen to listen and ready to improve. We welcome your comments and will do our best to keep meeting your expectations.

Luc Vandeveldt
Chairman

Our heritage

‘We realise the main prop of our organisation is the goodwill of our public. This goodwill can only be maintained and extended by giving our customers the satisfaction of knowing that to shop in our stores is to purchase goods of outstanding value and merit, and to gain the benefits of our long experience in retailing. We are never satisfied with our achievements. We believe we can still, by helping to bring about more scientific production and by further economies in our costs of distribution, improve the standards, values, and prices of our goods, and so increase the number of our customers and our turnover.’

This could easily be a comment from this year’s *Annual Report*, yet it was actually made by a former Chairman of Marks & Spencer over 70 years ago. It represents what we might call the enlightened self interest that has always been a keystone of the Marks & Spencer philosophy. Since our beginnings in 1884 we have always believed that employing business practices which benefit society as a whole will contribute to the Company’s long-term performance.

1884

Michael Marks, a Russian-born Polish refugee opened his first stall in Kirkgate market.

1894

Tom Spencer became Michael Marks’ retail partner.

1920s

Company started buying directly from manufacturers to ensure quality and value.

1930s

First food department opened. Café Bars are introduced to provide nutritious mass catering for customers and subsidised canteens for employees.

1933

Chairman Simon Marks commissioned Flora Solomon to set up a staff welfare programme providing pensions, subsidised canteens, health advice, hairdressing, rest rooms and camping holidays.

1934

Marks & Spencer established a scientific laboratory to improve products.

1941

Staff raised funds for the war effort.

1959

Marks & Spencer became the first British retailer to introduce No Smoking rules.

1970s

Donations of unsold foods to local charities started, and reusable plastic trays for food deliveries to stores are introduced.

1975

Scheme for recycling unwanted coat hangers is introduced at all stores.

1980s

Marks & Spencer became a founding member of Business in the Community following urban riots, based on philosophy of ‘healthy high streets need healthy back streets’.

1985

Marks & Spencer Chargecard launched.

1991

First ranges of organic foods introduced.

1992

Marks & Spencer published its first brochure detailing environmental activities.

1994

Reusable packaging systems for delivering clothing to stores introduced.

1995

First Environmental Code of Practice covering the chemicals used in clothing production introduced.

1996

Fleet of liquefied and compressed natural gas food delivery vehicles launched.

Marks & Spencer becomes a founding member of the Business in the Environment Index, and is the highest ranked retailer.

1999

Marks & Spencer published its Global Sourcing Principles.

2000

Marks & Spencer joined the Ethical Trading Initiative.

‘Count On Us’ healthy option foods launched and pilot ranges of organic cotton clothing introduced.

Children’s Promise Millennium campaign raised £21m for disadvantaged children.

2001

Company-wide employee representation forums known as Business Involvement Groups launched.

Marks & Spencer announced targets to work towards fruit, salad and vegetables free from pesticide residues.

Included in first and subsequent revisions of FTSE4Good ethical company index.

2002

First major UK retailer to sell and use free-range eggs in all food products.

Launch of fuel efficient ‘Urban Delivery Vehicle of the Year’.

‘Rainbow of Hope’ Queen’s Golden Jubilee campaign in support of national I-CAN charity.

Ranked as retail sector leader in worldwide Dow Jones Sustainability Index.

Opening of first new format Simply Food stores.

2003

Ranked in top 24 companies in Business in the Community’s first Corporate Responsibility Index.

First Corporate Social Responsibility publication.

Governance

One of four Board-level Corporate Governance committees provides leadership on Corporate Social Responsibility, meeting at least three times a year.

Supporting this committee is a network of key managers, known collectively as the Corporate Social Responsibility Forum.

All directors receive induction training on Corporate Social Responsibility and are kept informed of progress by monthly newsletters and regular operational reviews.

Marks & Spencer personnel who gather information relating to our Corporate Social Responsibility performance, work with external specialists, where required, on issues such as energy consumption and pesticide residue testing.

Risk assessments are carried out three times a year in all areas of the Company, with an additional assessment of non-financial performance risks every six months.

Corporate Social Responsibility Committee



Luc Vandavelde
Chairman



Jack Keenan
Non-Executive Director



Yasmin Yusuf
Creative Director for Clothing



Alison Reed
Finance Director



Paul Myners
Non-Executive Director



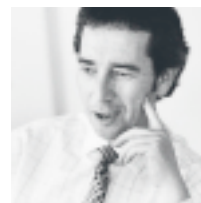
Flic Howard-Allen
Director of Communications



Justin King
Executive Director, Food



Graham Oakley
Group Secretary and Head of Corporate Governance



Ed Williams
Head of CSR

Key Facts:

- 335 stores in UK & Ireland
- Franchise operations in 26 countries
- 5 million Chargecard holders
- 30,000 product lines
- 1,500 suppliers in over 70 countries
- 67,000 employees
- 330,000 shareholders

Listening

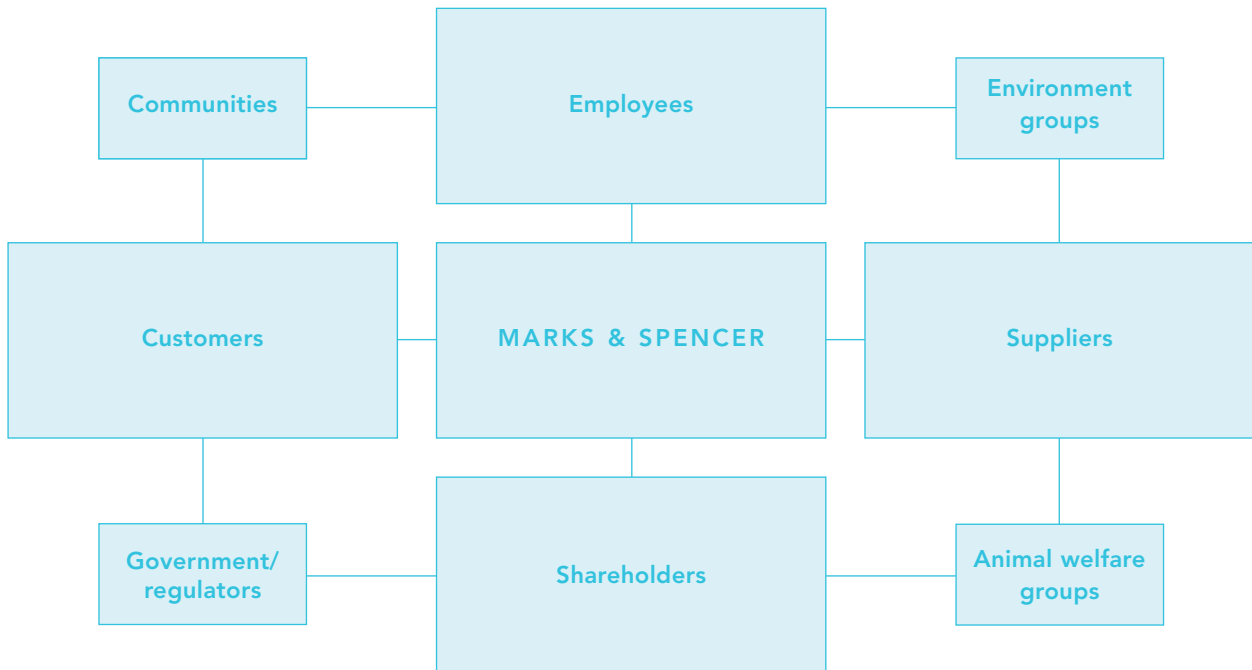
In many ways, Corporate Social Responsibility describes the standard of behaviour expected of companies by their stakeholders.

Stakeholders are all the people and interests an organisation might

affect. As well as shareholders, customers, employees and suppliers this also includes a wide range of research and campaign groups who represent issues such as the environment, human rights and animal welfare.

Understanding exactly what our stakeholders expect is central to developing informed and confident policies. Listening and learning will continue to be our highest Corporate Social Responsibility priority, now and in the future.

This table summarises our stakeholders:



Our stakeholders	How we listen
Employees	<ul style="list-style-type: none"> • Business Involvement Groups – representing employees locally, regionally and nationally throughout the Company. • Confidential helpline. • ‘How are We Doing?’, a regular employee survey. • Internal communications including an employee magazine, regular business updates and team briefings. • Listening Groups that senior management hold during regular store visits. • Three month CSR consultation programme during 2002.
Customers	<ul style="list-style-type: none"> • Sales information. • Weekly and monthly monitoring of views. • Surveying customers at new and refurbished stores. • Customer panels. • 350,000 communications to Head Office. • Two million communications to Financial Services business. • Annual independent Corporate Social Responsibility survey.
Shareholders	<ul style="list-style-type: none"> • Annual General Meeting. • Regular meetings and presentations with institutional investors. • Regular surveys of institutional investor satisfaction. • Participation in Corporate Social Responsibility surveys and benchmarking such as FTSE4Good.
Suppliers including franchisees	<ul style="list-style-type: none"> • Regular visits and meetings. • Regular surveys of supplier and franchisee satisfaction. • Attending major UK agricultural shows and running farmers’ listening groups. • Direct relationships with important raw material suppliers. • Taking part in the Ethical Trading Initiative.
Communities	<ul style="list-style-type: none"> • Working on a wide range of urban initiatives like quality freight and crime prevention. • Regular meetings with key charity partners. • Partnerships initiatives to address issues of health, community safety, education and employability. • ‘One Community’ pilot, working through our employees, customers and neighbours.
Environment and animal welfare groups	<ul style="list-style-type: none"> • Regular meetings to discuss key issues. • Active participation in benchmarking and surveys. • Partnership initiatives across a wide range of issues such as wild fish, fish farming, free-range eggs, food pesticides, safer chemicals and food miles.
Government/regulators	<ul style="list-style-type: none"> • Regular meetings with bodies such as the Food Standards Agency, Department for Environment, Foods and Rural Affairs, Health & Safety Executive, environmental regulators, Financial Services Authority and key government departments. • Local authority partnerships on environmental health & safety, fire and trading standards.

Our principles in action

This review examines our progress on Corporate Social Responsibility within our three fundamental principles:

- Take care and act responsibly in delivering high quality products and services.
- Create great places to work.
- Help make our communities good places in which to live and work.

Each section contains an overview of our progress and plans as well

as a more detailed explanation of certain issues for our UK and Ireland operations. We have set out the Corporate Social Responsibility issues we cover by referring to the United Nations Global Reporting Initiative, an international template for best practice.

Over the next few years we aim to report our progress across all these issues. On some aspects of CSR we already report performance, such as our involvement in the Ethical Trading Initiative, Business in the

Community's Impact on Society website and the London Benchmarking Group. Our website currently contains performance reports on many issues, based on Business in the Community's 'Impact' model.

For more information please visit: <http://www2.marksandspencer.com/thecompany/ourcommitmenttosociety/index.shtml>

Business in the Community's 'Impact' based reporting model includes:
Marketplace
Community
Workplace
Environment
Supply chain

Principle one – Take care and act responsibly in delivering high quality products and services

What we mean by this

- Recognising that when we make a profit we also accept a responsibility.
- Striving to achieve the best balance of quality, value for money, social wellbeing, environmental protection and animal welfare.
- Listening and responding to the needs of our stakeholders openly and honestly.

Anticipating customer needs and acting in their interests is how we aim to meet their expectations. We want to be able to reassure our customers that all their

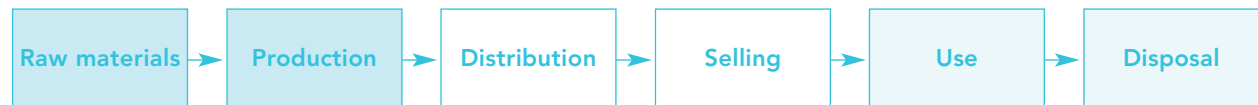
Marks & Spencer purchases have been produced in an ethically and environmentally responsible manner.

The ways our products and services affect people, the environment and animal welfare, present many of our toughest Corporate Social Responsibility challenges, and we're constantly having to ask ourselves what responsible behaviour means, as the range of concerns continues to grow. The greatest challenge for us is the sheer diversity of raw materials, production processes, chemicals and countries of operation involved in producing Marks & Spencer goods.

We exercise direct control over the middle two sections of the life of our products, during distribution and selling. However, as a 100% own brand retailer we also influence most other aspects of the production and use of our products.

We believe our role is to help everyone get the best out of Marks & Spencer products as responsibly as possible. We can only achieve this by working with a wide range of stakeholders to agree what is, or isn't, acceptable and how we can help to make improvements.

Product lifecycle



Principle one – Review of progress and priorities for next year

Issue	Progress	Priorities for next year
Product safety	<ul style="list-style-type: none"> • Comprehensive systems for ensuring quality and safety developed over many years. • Independent safety specialists for clothing, footwear, home and beauty products regularly consulted. • Use of standards to avoid skin contact with materials that can cause allergic reactions when clothing is worn. • Policy of using non-GM food ingredients and derivatives in 100% of Marks & Spencer foods.* • A non-GM policy for key animal feeds.* • Chemicals Strategy made publicly available on our website, identifying chemicals of concern and actions. • Environmental code of practice covering chemicals used in dyeing, finishing and printing of textiles implemented. • Implementation of programme to phase-out the use of 79 potentially harmful pesticides in the production of fruit, salad and vegetables. • Setting of long-term goal to sell fruit, salads and vegetables free from pesticide residues. 	<ul style="list-style-type: none"> • Website Chemicals Strategy to be updated annually in line with latest scientific research and stakeholder views. • Conduct pilots to audit on-site management of dyeing, printing and finishing chemicals. • Publish progress updates on our website on moving towards fruit, salad and vegetables free from pesticide residues. • Monitor developments on Genetically Modified materials. • Consult with suppliers, trade associations and environmental groups on ways of improving safety.
Sustainable raw materials	<ul style="list-style-type: none"> • Introduced all available and suitable Marine Stewardship Council approved types of fish and participating in WWF's Invest in Fish initiative. • We do not sell 19 of the 20 species on the Marine Conservation Society's blacklist.* • Implemented schemes to improve environmental standards of salmon farms and restocking of natural species. • Major sources of wood used in the production of fabrics and furniture identified along with supporting forestry certification. • Organic foods relaunched in 2002 and intention to further extend ranges whilst maintaining level of sourcing from the UK at 60%. • Lifecycle assessment studies carried out on clothing, packaging and some aspects of food sourcing to identify future improvements. • Funding postgraduate research project into sustainable food sourcing. • Website publication of performance on sustainable raw materials. 	<ul style="list-style-type: none"> • Develop sustainability standards for cotton, wool, agricultural produce, renewable plastics and horticultural growing media. • Continue to improve existing sustainability standards on wood, farmed fish and sea fish. • Launch range of 0/organic beauty products made from at least 70% organic ingredients. • Continue to promote and develop ranges of organic foods. • Participate in further research projects to identify future best practices. • Improve the quality of information available on our website.

*Updated since publication

Issue	Progress	Priorities for next year
Animal welfare	<ul style="list-style-type: none"> • Exclusive sale and use of 100% free-range eggs in all food products introduced from September 2002. • System for ensuring use of free-range eggs reviewed by independent specialists. • Application of comprehensive animal welfare standards for all Marks & Spencer foods covering housing, feed, care and transport. • Operation of Marks & Spencer Select Farm schemes for all fresh meat, poultry, eggs and farmed fish. • Piloting of Key Production Indicator/Key Welfare Indicator monitoring of chicken. • Policy of not conducting or commissioning animal testing since 1988. • Start of programme to work with other companies, Government and animal welfare and environmental groups on the best way to implement proposed legislation on ensuring the safety of chemicals. • Policy and performance information available on our website. 	<ul style="list-style-type: none"> • Continue to identify ways we can help to improve standards of animal welfare. • Consult with stakeholders about the effects of new European chemicals safety legislation. • Continue to develop Key Production Indicator/Key Welfare Indicator measurements. • Improve the quality of information available on our website.
Easy to understand labels and information	<ul style="list-style-type: none"> • All clothing labelled with country of origin. • Revised food labelling policy launched in autumn 2002 including origins of all main meat, poultry and fish ingredients. 	<ul style="list-style-type: none"> • Continue to ensure that labelling and information meets customer needs.
Reducing waste from packaging and products	<ul style="list-style-type: none"> • Annual packaging usage calculated and recycling levy payments made since 1998. • Operation of recycling scheme for unwanted coat hangers in all stores. • Search facility on website to help find local recycling banks. • Introduced use of recycled cardboard in many types of food packaging. • Conducted extensive packaging stakeholder consultation event with the Environment Council. • Sponsorship of Community Recycling Network annual conference and RECOUP who recycle plastic packaging. • Comprehensive performance information available on our website. 	<ul style="list-style-type: none"> • Conduct pilots to find sustainable uses for recycled clothing. • Test renewable and biodegradable plastics for packaging and products. • Launch project to improve the environmental performance of packaging.

Issue	Progress	Priorities for next year
Reducing energy, water use and waste	<ul style="list-style-type: none"> • Operation of energy and water usage management programmes at all locations including half hourly monitoring of electricity consumption and monthly performance audits. • Participated in the first UK emissions trading scheme. • System for energy and water management reviewed by independent specialists. • Implementation of programme to replace all remaining HCFC refrigeration systems and develop alternatives to HFCs. • Operation of reusable packaging systems for delivering products to stores, and internal recycling systems for cardboard, polythene, paper, uniforms and computer equipment. • Scheme to donate maximum feasible amounts of unsold foods to local charities operating in all stores since the early 1970s. • Participation in Government sponsored ACORN project encouraging suppliers to improve their environmental performance. • Comprehensive performance information available on our website. 	<ul style="list-style-type: none"> • Recycle obsolete plastic food delivery trays into new more efficient metric versions. • Continue with second year of programme to replace older HCFC store refrigeration systems with new more efficient units. • Participate in development of Building Research Establishment Environmental Assessment Methodology for stores. • Target to purchase 10% of electricity from renewable sources from April 2004. • Food distribution centres working towards international environmental management system standards.
Responsible financial services	<ul style="list-style-type: none"> • Use of rigorous system of credit scoring to ensure a responsible approach to money lending. • All information designed to be easy to understand. • Policy of no hidden charges implemented. • Programme of sensitive debt management operated. • Co-sponsoring of Money Advice Trust call centre. 	<ul style="list-style-type: none"> • Consult with stakeholders about Corporate Social Responsibility in financial services. • Build our portfolio of products that remain socially responsible in today's credit driven society.
Choice of nutritious and healthy foods	<ul style="list-style-type: none"> • Using the expertise of nutritional specialists when developing recipes and labelling. • Providing a wide range of healthy option foods. 	<ul style="list-style-type: none"> • Continue to develop and promote a wide range of healthy foods like 'Count On Us', '5-a-day' and 'healthy options'.
Respect of privacy	<ul style="list-style-type: none"> • Comprehensive data protection policy, systems and training in place. • System to allow employee access to personal data introduced. 	<ul style="list-style-type: none"> • Continue to review systems.

Product safety

Our customers expect the best from Marks & Spencer products. We employ around 150 specialist technologists to set and develop quality standards, and work with our suppliers to make sure we meet them. Alongside traditional types of product quality, such as the taste of food or the fit of clothing, we also take a serious approach to safety issues that affect the wider world.

Chemicals are the building blocks of life, and therefore an ingredient used in the production of every product we sell. For this reason we take an approach to chemicals that responds to both known science and stakeholder concerns. We were one of the first companies to commit to Friends of the Earth's Pledge on Chemicals, to replace potentially harmful chemicals ahead

of legislation, and have worked on implementing this with the help of suppliers and environmental groups. An overall Chemicals Strategy is publicly available on our website as are the environmental standards used in the dyeing, printing and finishing processes of our clothing. Our greatest chemicals challenge for foods is the use of pesticides. We have set a long term goal to eliminate all pesticide residues from fruit, vegetables and salads as well as phasing out the use of 79 potentially harmful pesticide chemicals. Since the start of 2002 we have been publishing our progress on our website. At the end of 2002 Friends of the Earth rated our actions on pesticides ahead of all other UK food retailers.

For food products, we believe that safety is dependent on high standards of raw materials. For this reason we operate comprehensive

systems of traceability for food ingredients.

This approach means we can respond to current customer concerns over genetically modified foods by ensuring that none of our foods use GM ingredients, including feeds for our fresh poultry, lamb, beef, farmed salmon and milk-producing dairy herds.

Our clothing, footwear, home and beauty ranges are assessed by specialists to ensure the safety and suitability of products for their intended customers. For example, our range of 'angel' underwear for girls under 16 years of age has been endorsed by the National Society for the Prevention of Cruelty to Children (NSPCC) and Kidscape. We also avoid the use of materials that can cause allergic reactions, such as nickel or latex, next to the skin.

safer

Eleven consecutive Government surveys have given Marks & Spencer a clean bill of health in meeting the guidance levels set for pesticide residues. No other major food retailer has achieved this, but that is no reason to be complacent and with help from suppliers and environmental groups we are still working hard to meet our long term goal of selling fruit, salads and vegetables free from pesticide residues.





fresher

All fresh salmon on sale in our stores comes from Marine Stewardship Council approved sources or Marks & Spencer Select Farms. This means customers can be sure the salmon they buy meets the highest environmental standards.

Sustainable raw materials

Marks & Spencer products rely on the plentiful supply of high quality raw materials. This means that we have a commercial need to secure long term supplies of these materials and a social responsibility to protect the natural environment.

The current crisis in world fish stocks, threatening an estimated 65% of commercial fisheries, is one of many challenges that will affect us all. Marks & Spencer is not going to be able to solve these problems on its own but we are prepared to take a lead, which we're doing in three ways:

Support the best: We sell as many as we can of the suitable and available types of fish approved by the Marine Stewardship Council (MSC);

Avoid the worst: We do not sell 19 of the 20 species on the MCS's blacklist.* For the 20th, Scottish Haddock, we are working on a research project to identify more sustainable fishing methods.

Improve the rest: By supporting WWF's Invest in Fish project, we're helping to fund research into the best ways of restoring fish stocks around the UK. Farming fish can provide both solutions and a new set of environmental challenges, so we launched a scheme requiring all our salmon growers to reduce the environmental impacts of their operations. We're also supporting a project at Inverness College to restock the population of wild salmon.

We intend to apply this approach to cotton, wool, renewable plastics, agricultural produce and replacements for peat over the next two years.

Our sourcing of wood is also critical in ensuring that we support good standards of forestry management around the world. Most of the wood we use goes into fabrics, such as viscose for clothing, and we have identified all the main sources of this timber and their respective forestry programmes. We support the best schemes like the Forestry Stewardship Council (FSC), avoid badly managed forestry regions and are working to improve our use of other forestry schemes. Wood for our furniture comes entirely from known regions with good standards of forestry management.

*Updated since publication

For organic food and beauty products we've had to adopt a slightly different approach recognising the need to meet both our own standards of quality as well as those of organic production. However, one of the reasons we're very keen to extend our choice of organic foods is because organic techniques help promote more environmentally sustainable methods of farming.

Another aspect of sustainable raw materials is the relatively new term of 'food miles'. Although it's usually taken to mean the distance and expense of transporting food from source to store, food miles decisions also include elements of locality, freshness, use of preservatives, packaging, choice, support for UK farmers and quality. We're currently funding a four-year, post graduate research project into Food Miles with the University of Surrey in order to improve our understanding of best practices and performance.

In the 7th annual Business in the Environment Index published in March 2003, Marks & Spencer was rated as the best performing general retailer, finishing 32nd out of more than 200 companies.

sustainable

Wood is an enormously versatile material – used in products ranging from furniture to clothing. Managed effectively, timber is a renewable resource – contributing to the development of natural habitats and absorbing damaging greenhouse gases. Marks & Spencer products are always made with wood sourced from known locations using good standards of forestry.



Animal welfare

There is a wide spectrum of views on animal welfare, from those who believe it is ethically wrong to use animals as a source of produce at all, to a broader consensus about promoting higher welfare standards.

Food products

Over the years we've worked closely with our suppliers, the vast majority of whom are UK based, on a variety of initiatives including:

- Moving to free-range eggs for all food products.
- Improving standards of animal husbandry.
- Promoting free-range poultry.
- Only using antibiotics for veterinary purposes.

- Developing alternatives to veal crates and stall and tether housing for pigs.

We base our standards of animal welfare on the 'Five Freedoms' of the Farm Animal Welfare Council. All our fresh meat, poultry, eggs and farmed fish comes from suppliers in the Marks & Spencer Select farm scheme, working to our own unique standards covering housing, feed, care and transport. As well as visiting farms and suppliers, we are piloting a welfare monitoring scheme for chickens by regularly assessing certain important measurements, known as Key Production Indicators/ Key Welfare Indicators.

In 2002 we received Compassion in World Farming's Compassionate Supermarket of the Year award.

Farm Animal Welfare Council Five Freedoms:

- Freedom from hunger and thirst
- Freedom from discomfort
- Freedom from pain, injury and disease
- Freedom to express normal behaviour
- Freedom from fear and distress



free-range

In 1997 Marks & Spencer became the first major UK retailer to sell exclusively free-range eggs. In September 2002 this policy was extended to the 250 million eggs we use as ingredients in products like quiches, cakes, pasta and biscuits. As a result, 700,000 birds are now living in free-range conditions.

Beauty products

All chemicals for human use have to pass safety tests traditionally conducted on animals.

Marks & Spencer has never commissioned any animal testing or asked our suppliers to carry it out for us, a policy we formalised in 1988.

Concerns over the legal standards used to assess safety have resulted in European Commission proposals to re-test many chemicals to new standards.

Marks & Spencer has for many years supported the search for new types of testing which don't use animals and we were one of the founder corporate members of the Fund For Replacement of Animals in Medical Experiments (FRAME). Over the next few years we will work with other companies, Government, and animal welfare and environmental groups to agree the best approach for ensuring human safety whilst avoiding the needless suffering of animals.

Clothing, footwear and home products

We have introduced policies designed to protect the welfare of animals. For example, we specify that down used in duvets, pillows and cushions is not obtained by 'live plucking'. However, we are keen to help further improve animal welfare standards in our leather sourcing.

organic

Developed over three years, ^O/ORGANIC EXTRACTS is made from at least 70% organic ingredients and is free of genetically modified materials and artificial colours or fragrances. In keeping with all Marks & Spencer Beauty products, the range contains no animal derivatives and is not tested on animals.



Reducing waste from packaging and products

The disposal of used packaging and clothing contributes relatively small but still significant amounts of the materials sent to landfill in the UK.

Packaging plays an important role in reducing waste by protecting products from damage, and we try to choose the type of packaging that will result in the best overall performance. These decisions are not as straightforward as they might appear. For example, apples sold in packaging generate no more waste in total than loose apples which suffer higher levels of damage during transportation and handling.

Over the next year we will be working with a wide range of stakeholders to agree the best overall solutions. In common with all retailers, Marks & Spencer has paid a levy on packaging since 1998 to help fund national levels of recycling. In addition we support groups such as the Community Recycling Network, and RECOUP who recycle plastic packaging.

As the UK's largest retailer of clothing we are investigating and piloting projects to find uses for recycled clothing.

Our new reusable packaging system for delivering cut flowers won the Business Initiative category at the 2003 Grower of the Year Awards for saving over 2,000 tonnes of cardboard per year.

Reducing energy, water use and waste

Suppliers producing our products, and customers using them, consume 12 times more energy than the running of our stores. For this reason we've concentrated our efforts on improving the environmental performance of our products. However, we still operate a wide range of internal efficiency programmes.

We measure energy consumption every half hour, in all locations, with monthly audits and incentives to promote reductions in use. From April 2004, we will obtain 10% of



reuse

For nearly thirty years, we have reused or recycled some 50 million coat hangers a year, saving around 2,000 tonnes of waste. The use of reusable plastic trays to deliver food products saves a further 30,000 tonnes of packaging a year. These trays are now fitted with Radio Frequency Identification tagging for more efficient delivery to stores.

our electricity from renewable supplies. We've also taken part in the UK's first emissions trading scheme by making commitments to reduce energy consumption in our head office. Our programme to replace older store refrigeration containing ozone depleting HCFC gases, with modern, efficient ozone-friendly units, is well ahead of legislation. We also operate a wide range of reuse and recycling schemes for cardboard, polythene, paper, coat hangers, uniforms and computer equipment. And all our stores have donated unsold foods to local charities since the early 1970s.

Responsible financial services

Trust is an important factor in choosing a provider of financial services. Our aim is to provide the same levels of assurance and integrity that customers would expect from other Marks & Spencer purchases.

We want positive relationships with our customers, and have strict lending practices to ensure we do all we can to assist them to manage their money effectively. We use thorough and reliable credit scoring processes and use external credit reference agencies to ensure we sell only to people who can afford to

take on our loans and credit facilities. All our financial services products are designed to offer competitive pricing with no hidden charges. Supporting literature is written in plain English and avoids using small print. We maintain our growing savings and investments portfolio with a wide range of UK and international investments, managed by a team of specialists. These experts build relationships with the companies in which they invest, in order to achieve best value and optimum returns for our customers, within a socially and environmentally responsible framework.

responsible

All our financial services products are designed to offer competitive pricing with no hidden charges. Supporting literature is written in plain English and avoids using small print.



Principle two – Create great places to work

What we mean by this

- Employees and suppliers feel engaged in helping to grow a good and responsible business.
- Valuing the quality of our relationships with each other and our stakeholders.
- Encouraging the growth of diversity and responding to better work/life balances.
- Working with business partners who share our aspirations beyond our Global Sourcing Principles.

Creating great places to work is a principle we apply across Marks & Spencer but it's also an aspiration we have for others, whether suppliers, franchisees or business partners. It's an approach we believe creates shared benefits for the Company, employees and society as a whole.

During 2002/03 we carried out a wide range of consultation projects to define what it means to work for

Marks & Spencer, in the eyes of those who know best – our employees. They reported that working as a valued member of a close-knit team, who get results and enjoy each other's company was the most important part of working for us. It's an aspiration we aim to back up with our policies.

As well as our responsibilities on issues like Health & Safety and freedom from discrimination, our employees have also told us they believe a 'great place to work' needs to offer:

- Communication and consulting – to understand, from clear and concise communication, what the Company is striving to achieve, and to be actively involved.
- Reward for superior results – to feel rewarded and recognised for achieving results.
- Development of skills – the importance of feeling equipped to perform current and future roles.

We were placed 13th in the Irish Independent's 'Best Company to Work for in Ireland' survey.

In 2002 we won the Personnel Today 'Age positive at work' award. This recognises our commitment to attracting employees of all ages through policies designed to reflect the varied lifestyles of today's working population. As well as removing the official retirement ages for both men and women, we have increased the use of flexible working and introduced flexible retirement options.

In May 2002 we received the Opportunity Now award for gender equality in management.

participation

The *Sunday Times* rated us as one of the '100 Best Companies to Work For' in the UK in 2003. In the first year of our participation in this survey, where 80% of the marks are based on confidential employee feedback, we finished 76th out of over 200 companies who chose to enter.



Principle two – Review of progress and priorities for next year

Issue	Progress	Priorities for next year
Communication and consulting	<ul style="list-style-type: none"> • Priorities for the coming year linked to the Company's vision, mission and values communicated through annual 'cascade' programme. • Teamwork, listening and learning promoted as the bedrock of all our relationships. • Developed new policy to ensure that employees hear important business decisions direct from their employer. • Introduced Company-wide local, regional and national employee representation forums known as Business Involvement Groups. • Operation of confidential employee Welfare Helpline offering advice on a wide range of employment, legal and personal concerns. • Regular 'How are We Doing?' surveys conducted with results communicated to all employees. • Improved range of internal communications including an employee magazine, daily store team briefings, roadshows, videos and team events. 	<ul style="list-style-type: none"> • Launch national Business Involvement Group forum chaired by Chief Executive. • Continue to monitor and improve internal communications. • Continue to develop action plans in response to 'How are We Doing?' survey results.
Rewarded for superior results	<ul style="list-style-type: none"> • Reward and recognition systems redesigned to support business goals. • Benchmarking of reward packages against comparable jobs in other companies. • Reward packages comprise of fixed pay, variable performance related pay and benefits. • Revised contributory pension scheme launched for new employees in 2002. 	<ul style="list-style-type: none"> • Continue to improve policies that provide more opportunity to reward superior individual as well as team performance. • Continue to consult with employees on reward policies and systems.
Build on strengths and develop skills	<ul style="list-style-type: none"> • New approach to training and development launched. • Integration of new system to train and develop employees across the Company. 	<ul style="list-style-type: none"> • Launch Retail Academy to improve key selling skills. • Develop partnerships with external organisations to ensure high quality, consistent training programmes.
Diversity and opportunity	<ul style="list-style-type: none"> • Developed clear policies covering all aspects of equality. • System for ensuring diversity and opportunity reviewed by independent specialists. • Active membership of Opportunity Now, The Employers Forum on Age and Disability. 	<ul style="list-style-type: none"> • Continue to review policies and processes.

Issue	Progress	Priorities for next year
<p>Respecting the balance between life and work</p>	<ul style="list-style-type: none"> • Introduced flexible approach to retirement, allowing employees, if they wish, to work past 65. • Founding members of the Employers for Work Life Balance Alliance. • Provision of a wide range of work life balance options offered including: child breaks, enhanced maternity/paternity, adoption, fostering, IVF treatment and dependency leave benefits. • Basic diversity information available on our website. 	<ul style="list-style-type: none"> • Continue to ensure that policies meet the needs of individuals and the Company.
<p>Health, safety and wellbeing</p>	<ul style="list-style-type: none"> • Provide a wide range of employee occupational health support including access to Occupational Health Adviser and physician, breast screening, private medical and dental insurance and cash back health plan. • Independently audited Health & Safety system. • Participate in Local Authority Partnerships Programme – working with five different authorities to develop best practice systems and nationally recognised standards. • During 2002 all employees received a personal security alarm key ring, and a booklet advising on personal safety. • Founding members of Mindout for Mental Health, a charity aiming to help those with mental health problems in the workplace and Tommy’s Pregnancy risk assessment accreditation service. • Health & Safety performance information available on our website. 	<ul style="list-style-type: none"> • Develop ‘WorkWell’, a targeted stress management intervention programme. • Continue to improve Health & Safety performance linked to annual audits.
<p>Ethical trading</p>	<ul style="list-style-type: none"> • Active membership of Ethical Trading Initiative (ETI) including annual submission of performance report. • System for ensuring ethical trading reviewed by independent specialists. • Participation in nine ETI pilot programmes including projects focusing on China, Sri Lanka and banana plantations in Costa Rica. • Use of non-Marks & Spencer specialists to advise on improvements. • Comprehensive training provided for suppliers. 	<ul style="list-style-type: none"> • Continue to gather proof of compliance with our Global Sourcing Principles by all suppliers. • Continue to improve performance within the Ethical Trading Initiative. • Provide further assistance for suppliers working towards the Ethical Trading Initiative code. • Participate in SEDEX project to reduce food suppliers’ workload and costs in providing ethical trading information to retailers.

Issue	Progress	Priorities for next year
Ethical trading <i>continued</i>	<ul style="list-style-type: none"> • Self Help Guides produced in nine languages for suppliers. • Detailed briefing notes developed for 60 countries. • Suppliers helped to set up local best practice programmes. • Supporting adult literacy classes in Morocco, family open days in Sri Lanka and health care training in Indonesia in partnership with suppliers. • Audit programme covering franchise operations. 	<ul style="list-style-type: none"> • Develop franchisee audits in line with approach to Ethical Trading Initiative. • Improve quality of information available on our website.
Business ethics	<ul style="list-style-type: none"> • Introduced policy of not making financial political donations in 1997, however, we will continue to support our employees who wish to play an active role in democratic political life. • Long-standing Government Affairs programme. • Operation of business ethics policy on gifts and insider trading. 	<ul style="list-style-type: none"> • Review Business Ethics policy.

Ethical trading

Providing the best quality and value products to our customers involves working with nearly 1,500 suppliers in 70 countries around the world. We believe that global trading can benefit everyone when conducted within a set of principles to ensure ethical trading.

In the late 1990s the competitive clothing market required us to work with our suppliers to establish overseas manufacturing facilities. Today, over 80% of our clothing is manufactured overseas but the importance of supplier relationships remains. Our top 15 clothing suppliers account for over 80% of our clothing business, and many of these are UK companies sourcing from overseas.

For our foods we search for the best quality available in the world, but always choose UK produce first if the quality is right – we get around

70% from the UK and Ireland, with 20 suppliers accounting for 70% of all the foods we sell.

For many years Marks & Spencer has sought to ensure that our goods are produced in good working conditions. This supports our core principles of providing our own workforce with meaningful jobs and providing customers with high quality products. We and our suppliers have found from experience that when people are treated with respect, in decent working conditions and with fair rates of pay, then both they and their companies benefit from increased commitment and productivity. Customers benefit too from goods offering better quality and value. We aim to achieve this objective through the use of agreed standards developed between ourselves and suppliers, a regular pattern of visits and a policy of continual improvement – backed up

by strict sanctions when standards are not met. Most of our suppliers have suppliers of their own, who in turn may themselves be supplied by others. Ensuring the working conditions of the vast number of people who contribute in some way to what eventually becomes a Marks & Spencer product is very challenging. In 1999, we therefore published our company-wide Global Sourcing Principles. These principles require all our direct suppliers i.e. those whom we directly contract for both goods and services to ensure they meet with what we believe to be acceptable standards, and to be continually improving. We enforce these principles firmly using a combination of independent and Marks & Spencer audits, and supplier self-audits. We also encourage our suppliers to adopt this approach with their own suppliers.

ethical

Ensuring good working conditions for all the people involved in producing Marks & Spencer products is an important challenge for us. In 1999 we published our company-wide Global Sourcing Principles as a way of communicating the minimum standards we require. We use a combination of independent, Marks & Spencer and supplier self-audits to ensure that our Global Sourcing Principles are complied with and that progress is being made towards the international standards promoted by the UK Government's Ethical Trading Initiative.



sharing

We believe that listening, learning and working as a team are the bedrock of Marks & Spencer. In stores, we hold daily briefings and weekly updates, whilst e-mail updates and our staff magazine *On Your Marks* keep all staff in the picture. In addition, we run regular 'How are We Doing?' surveys to gauge morale and pinpoint areas for improvement.



We take great care in choosing the companies who supply us directly with goods and services and with whom we aim to build long term partnerships. From the start we require each supplier to implement our Global Sourcing Principles, requiring compliance with all relevant local and national laws, particularly with regard to: working hours, health & safety, conditions, rates of pay, terms of employment and minimum age of employment. But as our business relationship develops, we expect the supplier steadily to raise standards and improve working conditions, taking account of the internationally recognised standards promoted by the Ethical Trading Initiative (ETI), a group set up by the UK Government, of which we are a member.

To help suppliers achieve this, we fund training programmes alongside Self Help Guides in nine languages. By the end of 2002 we had assessed over 70% of our finished product suppliers worldwide against both our Global Sourcing Principles and the ETI's standards.

We encourage the open sharing of best practices amongst suppliers in countries as diverse as Morocco, Indonesia, Sri Lanka, India, Turkey, Egypt and Vietnam. In Morocco, where only 45% of women over the age of 25 are literate, all factories producing our goods now work with the Government to provide literacy training for both men and women. So far 300 workers have completed the literacy course and gained a diploma. In Sri Lanka, where families are often concerned about the safety of sons and daughters who leave home to find work, we've encouraged our suppliers to hold open days. Whilst in Indonesia, one supplier works alongside local health groups to offer a health education programme, which benefits not only their employees and their families, but also the business.

Communication and consulting

Over the last two years we've developed a set of 'ways of working' to define and promote practices such as teamwork, listening and learning. We believe these form the bedrock of all the relationships that make Marks & Spencer work – between the Company and employees, among employees working together, and between employees, customers and suppliers.

We have taken steps, as far as possible, to make sure our colleagues hear important business information direct from their employer. As most of our employees are also shareholders and customers we also take care to keep them up to date on business performance. In stores, we hold daily briefings and provide weekly updates on operational news. We use printed and electronic updates, including *On Your Marks* – a regular magazine for and about employees, as well as offering team events, telephone conferences, roadshows and videos.

We regularly ask employees what they think about different types of communication to make sure we meet their needs.

Our regular 'How are We Doing?' surveys gauge Company morale and pinpoint areas for improvement. These surveys have very high response rates, and we share results with employees and action plans for improvements developed. The Company also communicates directly with employees through Business Involvement Groups, which grew out of existing employee consultation forums in 2001/02. Employees developed these groups themselves, building on a recognised need for stronger consultation. Representatives, elected by their peers, have two hours a week allowance for this activity, and attend a training programme created with the Institute of Management. We have Business Involvement Groups in every store and office area, with head office and regional forums, to review shared issues. After running these for over a year we're also launching a national forum, which our Chief Executive will chair. These forums aim to encourage employees to share knowledge and promote debate about the business.

Rewarded for superior results

The success of our business depends on the contributions of talented and capable people. In 2001, in consultation with employees, we designed a three-part reward structure to offer greater incentives for personally achieving superior results. It includes:

Fixed Pay A basic salary plus an extra amount for personal

performance which may increase on an annual basis.

Benefits A comprehensive range of benefits including a 20% Marks & Spencer discount, interest-free loans for public transport season tickets, preferential loan rates from Marks & Spencer Financial Services, save-as-you-earn share options, access to preferential car leasing, profit sharing and generous pension scheme.

Variable Pay A sliding scale of pay based entirely on business and personal performance.

Marks & Spencer reward packages are designed to provide remuneration which compares to that of similar companies, but allows employees to aim for earnings in the top 25% of comparable jobs.

The challenge for us is to get the balance right between promoting teamwork and rewarding individual achievement.

Build on strengths and develop skills

In today's marketplace everyone needs a flexible and diverse range of skills. This is true whether someone joins us for a short period of time or as a long term career.

To help people fulfil their career ambitions, we have a comprehensive system to train and develop employees – what we call 'performance management'. Specialists across the Company help team leaders develop career plans for all employees. Every year our employees can review progress with their line manager, using agreed objectives as a basis for performance pay awards.

Health, safety and wellbeing

We aim to actively protect the health and safety of our employees, with safety officers in each store and annual audits by an independent specialist. Over the last year we have focused training on managers and store safety officers. We've also used our programme of store renewal to look at ways of making our sale floors safer.

Our major causes of workplace accidents are slips, trips, falls and being struck by moving objects on sales floors and we have concentrated this year on reducing these sorts of injuries.

We also provide a full range of occupational health services including access to occupational health advisers, breast screening, private medical insurance and a cash back health plan. Over recent years we've changed our approach from supporting primary health initiatives to occupational support. Last year we started to record and collect information about employees who became unwell at work. We discovered that 60% of workplace illness relates to muscular stresses and strains, emphasising a need to improve the way we train people to handle goods and equipment. The second highest cause was anxiety and depression. During 2002/03 we've provided extra training to our occupational health advisers on this issue, supported by a stress awareness programme.

During 2002, we gave all our employees a booklet advising them on personal safety together with a personal security alarm.

Principle three – Help make our communities good places in which to live and work

What we mean by this

- Being at the centre of all the communities in which we trade and making a positive contribution
- Supporting the involvement of our employees in their communities
- Acting as good neighbours

As a major retailing presence in the UK and Ireland, Marks & Spencer stores provide employment, a wide range of products and services and often act as an important part of the fabric of many high streets. Retailing depends on economically healthy and sustainable communities.

Helping others to helps themselves is an expression of enlightened self-interest, providing assistance to those who need it, and who in turn will pass on the benefits to society as a whole.

Over the years we've participated in projects up and down the country designed to help improve the quality of town and city centres, addressing issues as diverse as public transport access, parking, traffic management, lighting, security, disability access, provision of recycling facilities and assisting sections of the community who feel excluded.

We've always been committed to meeting the needs of our customers by providing a balanced approach to high street, suburban or edge-of-town shopping. Over 80% of our stores are in traditional town and city centres, which we're adding to in our growing chain of Simply Food stores. These locations are convenient for people living and working in town and city centres and offer customers and employees ready access via public transport. Operating in these partly residential locations inspired many of our innovations, developed in partnership with suppliers, like 'quiet' nitrogen chilled food delivery trailers and gas-powered tractors.

Following the Brixton, Moss Side, St Pauls' and Toxteth riots of the early 1980s, Marks & Spencer, together with a number of other businesses, took responsibility for finding ways to contribute towards a better society. This led to us becoming a founding member of Business in the Community and later helped to set up the PerCent Club – a group of companies committed to putting at least 1% of pre-tax profits back into the community. Since then our approach to community investment has continued to evolve, matching projects with business needs to deliver more widespread benefits.

Our Children's Promise millennium campaign was highly commended by Business in the Community's 2000 Awards for Excellence.

In 2000, the introduction of car sharing as part of a Green Transport Plan reduced the number of cars commuting to Marks & Spencer Financial Services, on the outskirts of Chester, by 30%. Special software helped match potential partners, and participants received incentives such as car tax vouchers.

In 2002 we received Motor Transport Magazine's Urban Delivery vehicle of the year award for our development of delivery vehicles that halve fuel use and emissions.

In 2002 we received the Deafblind High Street award for accessibility.

Principle three – Review of progress and priorities for next year

Issue	Progress	Priorities for next year
<p>Community involvement</p>	<ul style="list-style-type: none"> • Founding and continuing members of Business in the Community's PerCent Club – companies committed to investing at least 1% of pre-tax profits in community projects. • Annual participation in London Benchmarking Group to measure community benefits of initiatives. • Operation of a wide range of community involvement activities designed to 'Help others to help themselves' focused around health, community safety, education and employability. • Annual sponsorship of Sieff Award to recognise the achievements of individuals or organisations in the community. • Provision of support for employee volunteering in the form of awards, matching funds, part-time secondments, payroll giving and 'Cares' one-day team building challenges. • Provision of 'Seeing is Believing' tours for senior management to visit key community initiatives. • Policies and examples of initiatives available on our website. 	<ul style="list-style-type: none"> • Launch of major 'flagship' initiative to raise stakeholder awareness and engagement in our community activities. • Increase scale of priority community projects. • Develop improved ways of measuring benefits to the community. • Implement a community involvement programme around the relocation of our head office. • Improve quality of information available from our website.
<p>Acting as a good neighbour</p>	<ul style="list-style-type: none"> • Introduced a wide range of distribution transport initiatives including use of gas-powered food delivery vehicles, ultra-low sulphur diesel, continuous recycling traps and rail freight. • Collection and transporting of recyclable materials back to Distribution Centres. • Provision of interest free loans to employees for public transport season tickets. • Participation in local authority Freight Quality Partnerships. • Contributing to a wide range of town centre management and improvement initiatives. • Performance information available on our website. 	<ul style="list-style-type: none"> • Continue with second of five year programme to upgrade distribution fleets to Euro III emission standards. • Develop further distribution transport innovations. • Continue to participate in local authority best practice initiatives. • Extend use of rail freight.
<p>Accessibility</p>	<ul style="list-style-type: none"> • Supported Disabled Go partnership to promote high standards of accessibility in public buildings. • Operation of programme to ensure that stores are accessible to disabled people. • Development of programme to open local Simply Food stores. 	<ul style="list-style-type: none"> • Continue to support the development of Disabled Go internet guides. • Increase the number of smaller local food stores.

Community involvement

Over the last few years our community involvement activities have moved away from providing many small scale, philanthropic donations. Today, we prefer to work in partnerships providing larger scale support for fewer projects. Our community involvement programme has two main thrusts – working at Company level on key initiatives, and supporting employees in individual local activities.

1. Company initiatives

We aim to create community benefits on key social issues that relate directly to our business by helping others to help themselves. We've concentrated these activities on three main areas: Health, Community Safety, Education and Employability:

Breakthrough Breast Cancer Challenge – Raising awareness and funds for breast cancer by selling special ribbons and providing information in our lingerie departments during October 2002.

Marks & Spencer British Community Safety Awards 2002 – In partnership with Crime Concern, we ran a national awards scheme to recognise the best crime prevention and community safety projects.

Are You What You Eat? – A free resource pack for secondary school teachers called 'Are You What You Eat?' to promote better child nutrition across the UK, voluntarily taken up by 38% of schools.

A fresh look at foods and packaging – A free resource to support the teaching of science, design, technology and health education for children aged 5-11 years.

Rainbow of Hope – Our charity for the Queen's Golden Jubilee was I-CAN, the national charity for children with speech and language difficulties. From 8 May to 8 June 2002 all Marks & Spencer stores featured a striking Rainbow of Hope display inviting children to pin up their hopes for the next 50 years.

Ready for Work – Following a successful pilot scheme, a two-year project in partnership with Business in the Community to provide two-week work placements with Marks & Spencer for 600 homeless people across the UK and Ireland.

Disabled Go – A partnership to develop internet guides to venues and services which are accessible to people with disabilities aiming to cover 75 UK towns and cities by the end of 2005 (www.disabledgo.info).

Charity Christmas Cards – Half of our Christmas card sales help support charities including Mencap,

community

Following a successful pilot scheme, Marks & Spencer has now launched Ready for Work – a two-year project in partnership with Business in the Community to provide two-week work placements in our stores and head office for homeless people across the UK and Ireland.



National Autistic Society, Rethink Severe Mental Illness, Samaritans and Shelter.

Share restructuring – In 2002, we also gave our shareholders the chance to take part in our community activities during the Company's financial restructuring which returned approximately £2 billion to shareholders. We replaced existing shares with new ordinary shares and fixed value B shares. Under our specially arranged share dealing facility, shareholders could choose for the proceeds of their sale of B shares to go to charity.

In 2002 we received a 20th anniversary award from the Terence Higgins Trust, an HIV/AIDS charity, for our continued support.

2. Employees

Many of our employees willingly give up their spare time to raise money and volunteer for a wide range of charities and local organisations. We are keen to help employees who wish to become

actively involved in their communities in this way. We promote this in our employee magazine and at national events. Here's what we do to support those who want to get involved:

Matching Funds – We match any funds our employees raise, pound for pound, up to a maximum of £10,000 each financial year per store.

Helping Hands and Individual Fundraising Awards – We provide our fundraising or volunteering employees with £250 each financial year, to help the charities they support.

Part-time Secondments – We encourage our employees to develop skills such as team building and communication through valuable community work. It's something that benefits them, as well as our community partners.

Marks & Spencer 'Cares' – The 'Cares' programme arranged by Business in the Community gives teams of employees an

opportunity to take part in one-off volunteer action days. As well as involving employees in the community, it develops skills such as teamwork and communication, and boosts motivation and morale.

Payroll Giving – We enable employees to donate to their favourite charities through their salary, the most effective method for the charities.

Employee Volunteer Awards – We held our third awards ceremony in September 2002, recognising and celebrating the achievements of our employees who volunteer in their community.

Summary

Leadership

A Board level Corporate Social Responsibility Committee led by the Chairman provides leadership supported by a Forum of key managers from across the Company.

Listening to Stakeholders

We have carried out stakeholder 'mapping' to identify all stakeholders and how we listen to their expectations. Listening and learning will continue to be our highest Corporate Social Responsibility priority, now and in the future.

Important Issues

We have used our understanding of stakeholder expectations to identify the most important issues, known as 'materiality'. We have identified a full range of CSR issues with reference to the United Nations Global Reporting Initiative, and grouped them under 20 headings.

Integration

Every area of the Company is currently developing its own Corporate Social Responsibility action plan to meet our overall responsibilities. Existing management systems include requirements for Corporate Social Responsibility action.

Indicators

Our aim is to provide comprehensive and useful measurements of our progress on Corporate Social Responsibility, and we already use a wide range of indicators for this.

Assurance

Information relating to our Corporate Social Responsibility performance is currently collated by Marks & Spencer personnel with the assistance of external specialists where required. In 2002, an external assurance provider conducted a review of key systems and performance. We are currently developing plans to provide suitable levels of assurance in the future.

Reporting

Marks & Spencer already reports progress on a wide range of Corporate Social Responsibility issues through Business in the Community's Impact on Society website, the Ethical Trading Initiative, London Benchmarking Group and our own website. In June 2004 we plan to produce our first CSR Report.

Feedback

We welcome your views on this publication, its content and our plans for the future, and have attached a feedback form over the page.

Additional copies & audio tape

Additional copies, or an audio tape giving highlights, can be obtained by calling freephone 0800 591 697.

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Feedback

(Please tick all boxes that apply)

I am a:

- Marks & Spencer shareholder
- Marks & Spencer employee
- Marks & Spencer customer
- Marks & Spencer supplier
- NGO staff member
- CSR/environmental consultant
- Financial analyst
- Investor
- Journalist
- Student or schoolchild
- Other (please specify):

Your information needs

I am interested in:

- General background information on Marks & Spencer and CSR
- Information on particular topics (please specify):

Did you find the information you were looking for?

- Yes
- No

Overall impression

I think the CSR Review is:

- Excellent
- Good
- Average
- Poor

Internet version

Do you have internet access at home or work?

- Yes
- No

Would you be happy, in principle, to access an internet version of our forthcoming CSR Report instead of a printed copy?

- Yes
- No

Any comments?

We welcome your thoughts about the CSR Review.

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Corporate Social Responsibility Department
Room D147
Marks and Spencer Group p.l.c.
Michael House
47 Baker Street
LONDON
W1E 1BR



[find out more
www.marksandspencer.com](http://www.marksandspencer.com)