

# YOUR M&S



# About Marks & Spencer

Some 15 million people visit our 399 stores each week. We are one of the UK's leading retailers of clothing, food and home products with a turnover of £7.9bn. We employ 65,000 people at our UK stores and in our network of head offices. In addition we have 155 stores managed under franchise in 30 territories mostly in Europe, the Middle East, Asia and the Far East, stores in the Republic of Ireland, nine wholly-owned stores in Hong Kong and we own the US supermarket group, Kings Super Markets.

Corporate Social Responsibility (CSR) is enormously important to us. In 2004/05 we were named as Business in the Community's Company of the Year and for the third consecutive year the leading retailer in the global Dow Jones Sustainability Index. We donated £9.8m to community programmes. In addition, we helped our customers contribute £2m to the tsunami disaster relief effort as well as £1.5m to support Breakthrough Breast Cancer Awareness.

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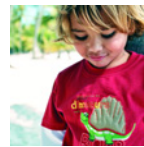
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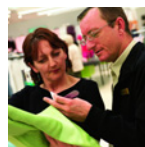
**We launched a 'Naturally Inspired' range of household cleaning products, manufactured using only natural or naturally derived cleaning ingredients and free of all artificial colours. See page 6.**



**We replaced a number of chemicals used to produce childrenswear transfers and motifs that we believe to be a risk to the environment. See page 6.**



**We introduced a new way of buying milk that guarantees farmers a fixed price allowing them to plan and budget for the future. See page 8.**



**We welcomed over 2,635 people into our stores as part of our Marks & Start community programme of work experience for people with disabilities, the homeless, the young unemployed, students, school children and parents returning to work. See page 22.**



**Marks & Spencer Café Revive outlets became the first national chain of coffee shops to sell 100% Fairtrade coffee. See page 8.**



**We supported the Marine Conservation Society's Good Fish Guide and also participated in a project to reduce the amount of cod inadvertently caught by trawlers fishing for Scottish Haddock. See page 4.**

# Introduction

PAUL MYNERS, CHAIRMAN

WELCOME TO MARKS & SPENCER'S SECOND CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT, WHICH WE ARE PUBLISHING ALONGSIDE OUR ANNUAL REVIEW AND ANNUAL REPORT SO THAT OUR STAKEHOLDERS CAN GET A CLEAR VIEW OF ALL THE FINANCIAL AND NON-FINANCIAL ISSUES THAT AFFECT OUR BUSINESS, ITS LONG-TERM STABILITY AND VALUE.



This is a very challenging time for our business and we need to change fast to build foundations for future growth. But we still attach enormous importance to our CSR principles. In May 2004, Stuart Rose joined the business as our new Chief Executive and swiftly re-confirmed that our core brand values are Quality, Value, Service, Innovation and Trust. These are the things we want our customers, employees, suppliers and investors to feel they can rely on us to provide.

But it's no good talking about values unless you can actually show people what they mean in reality, from day-to-day. This report does just that. It gives a comprehensive view of our CSR activities across our operations to build a sense of trust in the people we depend on as a Company.

It demonstrates the degree of care we take in sourcing our products, whether they be clothes, household goods or food, the progress we are making in promoting healthier eating, the work we are doing in the community through the Marks & Start work experience programme, the support we give our employees and what we are doing to reduce our impact on the environment.

This year we have produced the Report in a way that makes it easy to follow our progress over the last two years and sets clear targets for the year ahead. This Report highlights issues our customers have told us they are particularly interested in. We always welcome your feedback on what we are doing and your ideas on what we could do better.

It is this commitment to do the right thing in all we do that has contributed to our progress being recognised across a wide range of awards and indexes. Most notably, we were judged as Business in the Community's Company of the Year 2004.

But promoting our CSR activities is not window-dressing. Nor is it marketing. It is about managing Marks & Spencer to the highest standards and being absolutely clear that there is no bigger risk to us as a Company than losing the trust and confidence people have in us and our products.

**Paul Myners** Chairman

OUR APPROACH TO

# Corporate Social Responsibility

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Our approach to Corporate Social Responsibility (CSR) underpins our commitment to Quality, Value, Service, Innovation and Trust. It allows us to manage our operations responsibly, identify risks and make the most of opportunities to differentiate ourselves from our competitors. This helps us to attract shoppers to our stores, recruit and retain the best people, form better partnerships with our suppliers and create greater value for our shareholders.

As a 100% own-brand retailer, we are in a position to control the quality of products and the way they are produced. More and more, we are talking to our customers about how this benefits them and how our products are sourced to high ethical standards.

All CSR activities within Marks & Spencer, including the preparation of this Report, are overseen by a Board committee, which is led by the Chairman and meets at least three times a year. The CSR Committee, assisted by two CSR forums of employees from across the Company, has set a framework for our activities – divided into Products, People and Places – to respond to the main concerns of our customers and other stakeholders. We also have a small full-time CSR team.

## OUR PERFORMANCE LAST YEAR

Despite a year of substantial change and a tough trading environment we have been absolutely determined to build on our strong foundations and maintain and improve our performance across a wide range of CSR issues.

We were judged as the prestigious Company of the Year by Business in the Community (BitC) in July 2004. We have been ranked in the top 20 companies in the BitC Corporate Responsibility Index in each of the last three years, improving from 18th to 14th in 2004. We were also rated as the leading retailer in the global Dow Jones Sustainability Index in 2003, 2004 and 2005.

We continued to emphasise how we are different from our competitors, drawing attention to the high ethical standards we apply in sourcing our products, our commitment to our people and the work we do in the communities in which we trade.

Across the span of our operations, we recorded some significant CSR achievements last year.

Our Café Revive in-store coffee shops became the first national chain to stock only Fairtrade coffee ensuring that the farmers growing our coffee receive a fair price for their produce. The Fairtrade Foundation has estimated that the commitment we have made here has increased the UK's consumption of Fairtrade coffee by 14%.

We are now looking at how we can increase the number of Fairtrade products we sell while maintaining our commitment to trade fairly with all our suppliers. We are supporting farmers in England, for example, by offering our dairy farmers a guaranteed fixed price which allows them to plan and budget for the future. We intend to extend this approach to Scottish, Welsh and Irish dairy farmers.

We were recognised as best performing retailer in the RSPCA's 2004 Conscientious Consumer Guide. Last year we extended the approach we developed on improved animal feed and welfare for our Oakham chicken range to our fresh pork products resulting in better eating quality.

Our customers value the lead we have taken in reducing the use of chemicals that can be harmful to the environment. We continued to innovate in this area last year. We phased out a number of chemicals used to make motifs on children's clothing and we launched the Naturally Inspired range of household cleaning products. This range uses only natural or naturally derived ingredients which are free from all artificial colours.

Our Food Division, a recognised leader in reducing the use of pesticides and salt, launched the Eat Well label on over 700 products to help customers choose foods that contribute to a balanced and nutritious diet.

Our work to manage our environmental performance was recognised when we were awarded the 2005 Sunday Telegraph/Carbon Trust Innovation Award for Energy Efficiency. This followed our decision to install remote monitoring systems to control the performance of refrigeration, heating and ventilation equipment in our stores.

We have always played an active role in the communities in which we trade. In 2004/05 our flagship community programme, Marks & Start, met its ambitious targets. We offered over 2,635 work placements in our stores for people with disabilities, the homeless, young unemployed, school children, students and parents returning to work. Over 30% of the adults participating in the scheme went on to find employment. The scheme was given five best practice 'Big Tick' awards by BitC.

Marks & Spencer's overall annual contribution to community programmes was £9.8m including £250,000 to the victims of the tsunami disaster in Sri Lanka. We also agreed to send one of our managers to work with Care International (UK) to help affected communities in Galle, Kulatara and Matara. In addition, with the generous support of our customers and staff we helped to raise £2.0m for victims of the tsunami and £1.5m for Breakthrough Breast Cancer Awareness.

We regard CSR as a process of continuous improvement and alongside our successes we made some mistakes which we are addressing.

One major problem we tackled was the way we source wood. In May 2004, Greenpeace challenged us to prove that the wood we use in our garden furniture came from sustainable forests. We were unable to do this but immediately reviewed our Wood Sourcing Policy and took steps to make sure we could in the future. In March this year, Greenpeace confirmed that we were one of the most improved retailers at wood sourcing for garden furniture.

We also received our first environmental prosecution in September 2004 following a milk spillage incident at one of our stores. We have since worked with the Environment Agency to improve the way we handle food waste in our stores.

## ABOUT THIS REPORT

**This is our second CSR report. It is published as part of our suite of Company Reports. The Report covers the period 3 April 2004 to 2 April 2005 and relates mainly to our UK business, which accounted for more than 90% of our turnover last year. This Report shows, how we try to tackle CSR issues in a systematic way, identifying challenges, setting ourselves targets and measuring our performance and progress effectively so that we can go on to establish new goals.**

**Under headings of Product, People and Places, this Report provides a progress update on the targets we set ourselves in our 2004 CSR Report. Each issue is presented in the form of a table showing what we set out to do in 2004/05, how we did against these targets and what we aim to do in 2005/06. Where appropriate we have also included additional actions that we have taken during the year.**

**Ernst & Young has provided independent assurance on our stated performance in the five areas that our customers told us they wanted to know more about in 2003 and 2004 – Sustainable Raw Materials, Responsible Use of Technology, Animal Welfare, Ethical Trading and Community as well as on the collation of selected data. All areas covered by Ernst & Young's independent assurance are indicated on the relevant pages. The full assurance statement can be seen on page 28.**

**Some of the data quoted is presented by calendar year as it is used in this form for other reporting purposes. Where data relates to 2004 instead of 2004/05 this is shown by \*.**

**Further information and an electronic version of this and our previous CSR Report is available from our website at: [www.marksandspencer.com/csr](http://www.marksandspencer.com/csr).**

**We welcome your feedback either through the website, by completing the enclosed questionnaire or by writing to Marks and Spencer Group plc, CSR Department, Waterside House, 35 North Wharf Road, London W2 1NW.**



# Product

## SUSTAINABLE RAW MATERIALS

WE USE A WIDE RANGE OF NATURAL RAW MATERIALS TO PRODUCE OUR GOODS. OUR AIM IS TO BUY THESE RAW MATERIALS FROM SUPPLIERS WHO WORK TO ENSURE THAT THEY WILL CONTINUE TO BE AVAILABLE FOR FUTURE GENERATIONS.

For some key raw materials such as cotton, fish, wood and peat we have programmes in place which involve working in partnership with suppliers, raw material producers and environment groups. For others such as palm oil, we are still working to identify ways we can help to make improvements.

Ernst & Young has provided independent assurance on the statements of progress made on this page. See page 28 for details of the activities undertaken and conclusions made.

## What we set out to do in 2004/05

### Food miles

Complete the second year of our post-graduate research into the environmental impacts of our food sourcing policies and then move on to look at social and economic impacts.

### Field-to-Fork

Work with our direct suppliers to extend our Field-to-Fork standards to the many thousands of farms that supply us indirectly with fruit, salad and vegetables. Field-to-Fork standards cover traceability, minimising pesticide use, ethical trading, use of non-genetically modified ingredients and food safety.

### Organic cotton

Aim for 5% of our cotton (approximately 2,000 tonnes at current usage rates) to be organic by 2010 by developing specific ranges of best quality organic cotton and also by blending it with ordinary cotton.

### Wood

Improve the sourcing of wood furniture from suppliers in the Far East and cardboard packaging for foods.

### Peat

Double the percentage of non-peat growing media (like bark and wood fibre) used in growing plants and flowers from 25% to 50% over the next 18 months.

### Farmed fish

Work towards developing a unique farmed salmon feed formulation in 2004/05.

### Prawns

Discuss how to improve prawn production with our suppliers and groups including the Environmental Justice Foundation.

### Sea fish

Review our fish sourcing against the Marine Conservation Society (MCS) list of threatened fish. Review results of trials to reduce the amount of cod inadvertently caught by trawlers fishing for Scottish Haddock and if successful, introduce to all the boats that supply us.

## How we did in 2004/05

### Food miles

We have completed the second year of post-graduate research with three studies to identify the environmental impacts of the production and transportation of beans, apples and watercress.

### Field-to-Fork

We communicated our farm standards and introduced a system of supplier self-assessments.

### Organic cotton

Approximately 40 tonnes of organic cotton fibre were blended into Marks & Spencer clothing during 2004. We remain active participants in the Global Organic Cotton Exchange supporting the growth of the organic cotton market. No new ranges of 100% organic cotton clothing were introduced.

### Wood

**Furniture:** Following a challenge from Greenpeace about the wood used in our garden furniture we developed a Solid Wood Sourcing Policy for Home products. To help us develop and implement the Policy we joined the Tropical Forestry Trust (TFT) and the WWF backed Forest & Trade Network. We have also developed a specific range of garden furniture certified by the Forest Stewardship Council (FSC), which will be in our stores during 2005.

### Wood

**Cardboard:** We held a meeting with our food and packaging suppliers in February 2005 to discuss how we could improve the sustainability of wood sourcing for the cardboard used for our food packaging.

### Peat

We conducted trials with suppliers to increase the percentage of non-peat growing media used in growing plants and flowers. Currently \*39% is non-peat. Achieving our target of 50% is dependent on finding successful alternatives for use in large pots and flower arrangements.

### Farmed fish

We have identified a much improved unique salmon feed.

### Prawns

We visited the production facilities of our key suppliers of farmed warm water prawns in Honduras and Venezuela to review standards of production, innovation, social and environmental performance. We were satisfied with the performance of our suppliers.

### Sea fish

The MCS published a revised Good Fish Guide detailing species to avoid, using a website jointly funded by Marks & Spencer (<http://www.fishonline.org>). We shared the results of our trials to reduce the amount of cod inadvertently caught by trawlers fishing for Scottish Haddock with the MCS as part of our review of fish sourcing.

## What we aim to do in 2005/06

### Food miles

Identify ways of measuring the social and economic impacts on suppliers, workers and communities of selected types of food as part of the post-graduate research project.

### Field-to-Fork

Have initial 'Field-to-Fork' self-assessments carried out by most of our major suppliers by the end of 2005. Review the results and develop targets for improvement.

### Organic cotton

Continue to work with the Global Organic Cotton Exchange to identify cost-effective ways of developing our usage of organic cotton.

### Wood

**Furniture:** Continue to work with suppliers of solid wood Home products in the Far East to implement the requirements of our Wood Sourcing Policy.

### Wood

**Cardboard:** Evaluate opportunities and costs of moving to certified sustainable cardboard product packaging for food.

### Peat

Maintain progress towards target of 50% non-peat growing media for plants and flowers.

### Farmed fish

Evaluate the practicality and costs of introducing a unique salmon feed formula.

### Sea fish

Implement the findings of our work on sustainable Scottish Haddock fishing. Continue to work with WWF (formerly the World Wide Fund for Nature), the National Federation of Fishermen's Organizations (NFFO) and other stakeholders on the Invest in Fish Project.

# Product

## RESPONSIBLE USE OF TECHNOLOGY

WE HAVE LONG BEEN AT THE FOREFRONT OF INNOVATION IN THE RETAIL SECTOR, INTRODUCING FOR EXAMPLE, THE TECHNOLOGY NEEDED FOR FRESH READY MEALS AND MACHINE WASHABLE SUITS.

We will continue to innovate in the future to benefit our customers but technology can potentially develop faster than society's ability to think through the social and environmental consequences. To maintain the trust of our customers we have to act responsibly in responding to potential concerns about the technology we use. This is true for existing technologies such as clothing dyes and pesticides as well as relatively new sciences such as genetic modification or radio frequency identification devices (RFID). We have included our work on 'Respect of Privacy' in this section due to the overlap of our work on RFID.

**Table I**  
**2004 Marks & Spencer pesticide residues – targets and performance**

	2004 Sample size	*2004 residue-free (at or below 0.04 parts per million)	*2004 % residue-free	*2003 % residue-free	Ongoing targets for % residue-free
Vegetables	95	84	88	90	90%
Potatoes	61	46	75	71	80%
Salads	17	16	94	76	80%
Fruit	79	29	37	39	60%
Organics	35	33	94	96	100%
Other foods	61	47	77	72	
<b>Totals</b>	<b>348</b>	<b>255</b>	<b>73</b>	<b>72</b>	

\*Data based on calendar year

During 2004:

- One sample of Spanish flat beans was found to contain a residue in excess of the Maximum Residue Level (MRL). This was considered by an independent laboratory to have come from contamination rather than a pesticide application.
- One sample of Guatemalan sugar snap peas was found to contain a residue in excess of the MRL.
- One sample of American cherries was found to contain a residue in excess of the MRL.
- One sample of Spanish clementines was found to contain a residue in excess of the MRL.

Ernst & Young has provided independent assurance on the statements of progress made on this page. See page 28 for details of the activities undertaken and conclusions made.

# What we set out to do in 2004/05

### Intelligent Labels

Undertake a larger scale trial on radio frequency identification devices (RFID), our Intelligent Label project, on men's suits and shirts in parts of the south-east of England whilst addressing potential consumer concerns about privacy. Continue to review systems.

### Genetically Modified foods

In the future we believe that the availability of non-GM crops will become a challenge for us as countries move over to growing GM varieties. We will review our ability to meet customers' concerns on GM foods.

### Chemicals used in Clothing, Home & Beauty

Update our Clothing Environmental Code of Practice on dyeing, printing and finishing. Replace a number of chemicals that we believe to be a risk to the environment (phthalates and alkyl phenol ethoxylates) in motif transfers and printed panels in childrenswear by Autumn 2004. Review the different systems available to help us monitor our performance. Continue to look for alternatives to PVC in product applications.

### Pesticides

Continue to increase the percentage of pesticide residue-free fruit that we sell. Ban or replace 19 additional pesticides.

### Overall approach to chemicals

Update our strategy on the use of chemicals.



## How we did in 2004/05

### Intelligent Labels

A larger scale trial on men's suits in six stores in the south-east of England started in April 2004, extended to nine stores in July and is still ongoing. This showed that electronically scanning racks of products with Intelligent Labels attached provided more accurate information resulting in improved stock availability. A customer leaflet was available in trial stores addressing many of the concerns raised in our dialogues with civil liberties groups. This included our commitment to:

- Only hold a unique product identification number on the Label;
- Not to scan the Label at our till points;
- Make the Label clearly visible and easy to remove; and
- Not require the Label to be retained if customers require a refund.

### Genetically Modified foods

We maintained our policy of only selling food made with non-GM ingredients.

### Chemicals used in Clothing, Home & Beauty

We published an updated Environmental Code of Practice on dyeing, printing and finishing and communicated it to our suppliers. This included a section on the different types of systems available for monitoring performance. Twenty-five independently reviewed self-audits of dye houses have been carried out to check compliance with our Code of Practice. We have also achieved our target of replacing phthalates and alkyl phenol ethoxylates (APEOs) in childrenswear motif transfers and printed panels.

### Pesticides

In 2004 we recorded an overall score of 73% residue-free foods against 72% in 2003. We have continued to publish our monthly independent pesticide residue testing results every quarter on our website. See Table I. We are still working with our suppliers to replace 19 pesticides in addition to the 60 we have already banned.

### Overall approach to chemicals

Our overall strategy on the use of chemicals, last updated in December 2003, still reflects our current performance. This can be seen at [www.marksandspencer.com/csr](http://www.marksandspencer.com/csr).

### In addition we have...

Launched 'Naturally Inspired', a range of household cleaning products, manufactured using only natural and naturally derived cleaning ingredients and free of all artificial colours.

Developed a Food Packaging Chemicals Policy including safety testing and not using PVC.

## What we aim to do in 2005/06

### Intelligent Labels

Extend trial to include six clothing departments in 42 stores. Develop a publicly available policy on Intelligent Labels reiterating our commitment to using the technology responsibly.

### Genetically Modified foods

Monitor and respond to changing legislation on labelling in order to maintain our policy of only selling food made with non-GM ingredients.

### Chemicals used in Clothing, Home & Beauty

Continue to roll out to dye-houses a system for them to self-assess their performance against our Environmental Code of Practice on dyeing, printing and finishing.

### Pesticides

Work with suppliers to review our use of pesticides and continue to reduce residues on fruit, vegetables and salads. Ban or replace 19 additional pesticides.

### Overall approach to chemicals

Continue to review our strategy on the use of chemicals.

### Household cleaning products

Investigate extending principles behind our 'Naturally Inspired' household cleaning range to other types of products around the home.

### Chemicals used in food packaging

Communicate and implement our new Food Packaging Chemicals Policy.

# Product

## ETHICAL TRADING

WE BUY PRODUCTS FROM AROUND THE WORLD IN ORDER TO PROVIDE OUR CUSTOMERS WITH THE BEST QUALITY AND VALUE.

We are a member of the Ethical Trading Initiative (ETI), a collaborative group of companies, trade unions and human rights groups set up by the UK Government to improve working conditions. All our product suppliers, no matter where they are in the world, are expected to meet our Global Sourcing Principles and work towards the ETI Base Code. We publish self-help guides in 11 languages and detailed briefing notes on employment legislation in 60 countries in order to help our suppliers achieve our requirements.

**Table II**  
**Ethical trading assessments of Clothing, Home and Beauty suppliers**

	*2002 Actual	*2003 Actual	*2004 Actual	<b>*2005 Target</b>
Total assessed	749	1210	958	<b>930</b>
Total independently assessed	271	174	351	<b>250</b>

\*Data based on calendar year

**Table III**  
**Ethical trading assessments of Food suppliers**

	*2002 Actual	*2003 Actual	*2004 Actual	<b>*2005 Target</b>
Total assessed	287	423	458	<b>319</b>
Total independently assessed	36	58	124	<b>86</b>

\*Data based on calendar year

Ernst & Young has provided independent assurance on the statements of progress made on this page. See page 28 for details of the activities undertaken and conclusions made.

## What we set out to do in 2004/05

### Clothing, Home & Beauty

Aim to assess 1,000 suppliers and involve human rights groups in our work in India, Morocco, Sri Lanka and Indonesia. Increase our training programme, with a total of six audit skills courses planned around the world and increase the number of local language workshop training days to 12. Plan to establish supplier best practice benchmarking groups in India and Vietnam.

### Food

Aim to assess all (currently 500) finished food product suppliers by the end of 2004.

### International franchises

In February 2004 we revised the commercial and operating standards for our franchise partners. These revisions incorporated our Global Sourcing Principles into the standards. Following this we asked our franchise partners to undertake self-audits against 10 key social issues by November 2004. We also asked them to undertake social compliance audits on 60 of their key suppliers and service partners by July 2004 and to create jointly agreed action plans addressing any non-compliances.

## How we did in 2004/05

### Clothing, Home & Beauty

Against our target of 1,000 supplier assessments with 130 to be carried out independently we assessed 958, of which 351 were independent. See Table II. Suppliers resolved 998 'priority corrective actions' that were identified by the assessment process. We involved human rights groups in our work in India, Sri Lanka and Vietnam. Our training programme included 11 audit skills courses and seven workshop training days in local languages. We established a second, best practice benchmarking group in India and had initial discussions about setting one up in Vietnam.

### Food

Against our target of 500 supplier assessments with 65 to be carried out independently we assessed 458, of which 124 were independent. See Table III. Suppliers resolved 353 'priority corrective actions' identified by the assessment process.

### International franchises

We distributed compliance manuals to our franchise partners to be used for their self assessments. These have been completed and returned for six out of seven franchise partners in Asia. Social compliance assessments were conducted on a revised total of 52 key suppliers and plans for corrective actions have been agreed.

### In addition we have...

**Global Sourcing Principles:** We reviewed and updated our Global Sourcing Principles to reflect our adoption of the Ethical Trading Initiative Base Code as international best practice.

**Gangmasters:** We worked with government, industry and trade unions to develop the UK Code of Practice for Labour Providers in preparation for the introduction of a licensing system in April 2006.

**SEDEX:** Having helped found the Supplier Ethical Data Exchange (SEDEX), which allows supplier assessments to be collated and shared cost effectively online, we continued to extend its use to 23 food suppliers.

**Farmers:** We pay a good price for our milk to the UK dairy industry (Source: Dairy Industry Newsletter, March 2005) but our farmers told us that they needed consistent payments to allow them to plan and budget for the future. This is because the market price for milk can regularly go up or down. Working with our English dairy farmers and our milk suppliers we developed a 'long-term stable pricing' model. From October 2004, this allowed us to pay an agreed price for a six-month trial period.

**Fairtrade:** Launched 100% Fairtrade coffee in Marks & Spencer Café Revive outlets from September 2004 making us the first national chain of coffee shops to do so. This means that smallholder farmers who grow the coffee receive a fair price for their crops. The Fairtrade Foundation estimated that this move increased the UK's total consumption of Fairtrade coffee by 14%.

## What we aim to do in 2005/06

### Clothing, Home & Beauty

- Assess 930 suppliers including 250 independent assessments.
- Identify and participate in new 'best practice' initiatives.
- Develop ethical trading training for employees involved in the procurement of products as part of our 'Buying Academy' programme.
- Continue the programme of training workshops for our suppliers.

### Food

- Assess 319 suppliers including 86 independent assessments.
- Identify and participate in new 'best practice' initiatives.
- Continue the programme of training workshops for our suppliers.

### International franchises

Continue to monitor and collate compliance responses from the remaining franchise partners. Ensure that the corrective actions agreed between franchise partners and their 52 key suppliers are monitored.

### Global Sourcing Principles

Develop and trial a company-wide system for deciding how best and how often to assess individual supplier's compliance with our Global Sourcing Principles.

### Gangmasters

Encourage all labour providers to our UK finished product suppliers to sign-up to and conduct trial audits against the Code of Practice for Labour Providers.

### SEDEX

Develop an implementation plan for the use of the SEDEX database for clothing, home and beauty suppliers and extend its use at food suppliers.

### Farmers

Extend guaranteed milk pricing payment for a further six months from April 2005 and include our Irish, Welsh and Scottish dairy farmers. Assess whether we can use this approach on lamb, chicken, salmon and other foods.

### Fairtrade

Work towards offering a wider range of Fairtrade products.

### Suppliers

Our consultation with customers has revealed that they regard our relationships with suppliers as a different issue to ensuring good working practices in our supply chains. From next year we will address the topic of Suppliers as well as Ethical Trading in our CSR Report.

# Product

## ANIMAL WELFARE

PEOPLE HOLD A WIDE RANGE OF VIEWS ON ANIMAL WELFARE. SOME BELIEVE IT IS NEVER ETHICAL TO USE ANIMALS IN MAKING ANY PRODUCT WHILE OTHERS ARGUE FOR THE HIGHEST STANDARDS OF WELFARE POSSIBLE.

Our customers have told us that ensuring good standards of animal welfare is very important, particularly in the production of food (although there are also issues to be considered with some Clothing, Home and Beauty products). The RSPCA rated us as the best performing food retailer in its 2004 Conscientious Consumer Guide for all parts of its survey.

**Ernst & Young has provided independent assurance on the statements of progress made on Animal Welfare. See page 28 for details of the activities undertaken and conclusions made.**

## What we set out to do in 2004/05

### Food

Invite a team of external specialists on feed, nutrition, health, medicine, animal welfare, transport, slaughter and environment to help us review our standards during 2004/05. Also plan to work closely with a Scottish supplier to move all our fresh pork over to a type of slower-grown pig that has been selected for its improved taste.

### Clothing, Home & Beauty

Plan to formalise and develop our non-food animal welfare policies with the help of animal welfare groups and suppliers.

## RESPONSIBLE FINANCIAL SERVICES

WE LAUNCHED OUR MARKS & SPENCER CHARGE CARD IN 1985 AND OUR &MORE CREDIT AND LOYALTY CARD IN 2003.

In November 2004, we sold our M&S Money business to HSBC and entered into a partnership to develop it together in the future. Our aim is to provide financial services as efficiently, reliably and ethically as possible, whilst at the same time engaging with local communities and society as a whole on the economic, social and environmental impacts of these operations.

### M&S Financial Services

Develop an action plan to improve CSR performance and conduct further consultation and research with customers and government.

## How we did in 2004/05

### Food

We appointed external specialists and developed a first draft of new welfare standards for meat production (our 'Green Pastures' project). Our Oakham fresh chicken was introduced in 2003 with improved standards of welfare, feed and resulting product quality. This year we used a similar approach to move all our fresh pork over to the 'Muir Den' slower-grown pig.

We were rated as the best performing food retailer in the Royal Society for the Prevention of Cruelty to Animal's (RSPCA) 2004 Conscientious Consumer Guide across;

- All categories of egg production;
- Eggs in vegetarian products;
- Chickens bred for meat; and
- Live transport.

See: [www.rspca.org.uk](http://www.rspca.org.uk)

We remain the only major food retailer to sell and use only free-range egg ingredients in our food.

### Clothing, Home & Beauty

We developed a new animal welfare policy detailing our position on the animal by-products commonly used in the production of clothing, footwear, home and beauty products with the help of an external specialist. This addresses worldwide welfare standards, social concerns and endangered species and includes a re-statement of our 'no real fur' policy.

## What we aim to do in 2005/06

### Food

Refine 'Green Pastures' project standards in consultation with suppliers and farmers. Develop systems to assess supplier compliance with our new standards. Apply 'Oakham' approach to our whole fresh turkeys for Christmas 2005 and our fresh free-range eggs. Launch revised livestock specifications including improved animal welfare requirements and the use of Key Welfare Indicator (KWI) monitoring to track our performance.

### Clothing, Home & Beauty

Implement new animal welfare policy for Clothing, Home and Beauty products.

### M&S Financial Services

We set-up a process to review and resolve key challenges relating to the provision of financial services. We completed the sale of M&S Money to HSBC in November 2004.

### M&S Financial Services

Work with HSBC to provide financial services as efficiently, reliably and ethically as possible, whilst at the same time engaging with local communities and society as a whole on the economic, social and environmental impacts of these operations.

# Product

## CHOICE OF NUTRITIOUS AND HEALTHY FOODS

THE FOOD WE CHOOSE TO EAT PLAYS A CRUCIAL ROLE IN CONTRIBUTING TO OUR HEALTH AND WELLBEING.

We sell a wide range of foods and believe our role is to assist our customers by providing them with the information they need to make healthy choices more easily. Within our product ranges we also aim to offer options for customers with specific needs, for example, children and those on a diet. Through the British Retail Consortium, a number of major UK food retailers including Marks & Spencer have committed to meeting industry-wide salt reduction targets by 2009. See Table IV. Marks & Spencer has already achieved these targets.

**Table IV**  
**Reducing salt in Marks & Spencer food**

	Marks & Spencer 2003/04 average actual per serving	Marks & Spencer 2004/05 average actual per serving	British Retail Consortium 2009 Maximum target per serving
Ready meals (chilled & frozen)	2.1g	1.9g	5.0g
Pizza without cured meat (chilled & frozen) <sup>†</sup>	2.3g	2.1g	3.0g
Pizza with cured meat (chilled & frozen) <sup>†</sup>	2.3g	2.2g	3.9g
Quiches without cured meat	0.8g	0.8g	1.0g
Quiches with cured meat	0.9g	0.8g	1.5g
Sandwiches	2.3g	2.0g	4.0g
Loaves of bread (excludes in-store bakeries)	1.0g	0.9g	1.1g
Soup	1.8g	1.6g	2.5g
Cook-in sauces (excludes concentrated types)	1.9g	1.6g	2.7g
Breakfast cereals	0.2g	0.2g	0.9g
Baked beans in tomato sauce	2.3g	1.6g	2.3g

<sup>†</sup>Individual pizzas are presented in industry standard 170g portions but data relates to 100g serving.

## What we set out to do in 2004/05

### Count on Us

Review and develop our Count on Us range to ensure it continues to meet changing customer needs.

### Food for children

Further develop our nutritional guidelines on foods for children.

### 5-a-day labelling

Extend this type of labelling (usually used on fruit and vegetables) to other foods which meet our nutritional criteria.

### Fat and sugar

Investigate different ways of reducing the fat and sugar content of our foods.

### Salt

Continue to reduce salt, especially in the types of food which are known to contribute the most salt to people's diet.

### Monitoring progress

Track progress of our salt reduction programme using our product database.



## How we did in 2004/05

### Count on Us

Our Count on Us products are less than 3% fat and are calorie and salt controlled. Our Count on Us prepared meals and desserts have been redeveloped and relaunched for 2005 with 60 products carrying additional labelling for Glycaemic Index (GI). Low and Medium GI foods release their energy more slowly so you feel fuller for longer; high GI foods give you a quick boost, but can leave you feeling hungry again soon afterwards.

### Food for children

We further developed our internal guidelines on sugar, fat and salt for children's snacks, treats and lunchbox products.

### 5-a-day labelling

The Department of Health's guidance on which products are considered suitable for this type of labelling has been delayed and is now expected in Autumn 2005.

### Fat and sugar

We investigated and developed internal guidance on how to reduce fat and sugar in different types of food for our product developers and technologists.

### Salt

We reduced the average salt content across products such as ready meals, breakfast cereals, bread and sandwiches. This achieved the British Retail Consortium's 2009 targets for maximum amounts of salt per serving four years early. See Table IV. The results of this work and our commitment to continued reductions have been publicly recognised by the Food Standards Agency and the Department of Health.

### Monitoring progress

We introduced a new IT system that allows us to measure and monitor the nutritional qualities of our food.

### In addition we have...

**'Eat Well':** Launched a new customer information campaign – designed to help customers make healthier choices. Over 700 of our products qualify for the Eat Well logo. This is because they are nutritionally balanced (based on Government guidelines) or are foods that we should be eating more of as part of a healthy balanced diet. This approach has been assessed and approved by independent nutritional experts at The British Nutrition Foundation.

## What we aim to do in 2005/06

### Count on Us

Continue to monitor customer expectations of our Count on Us range.

### Food for children

Review and update our approach on the salt, fat and sugar content of foods for children.

### 5-a-day labelling

Extend to any relevant 'Eat Well' products once Department of Health guidance is available.

### Fat and sugar

Develop and start to implement internal best practice approaches on fat and sugar.

### Salt

Implement further salt reductions in top selling lines, including ready meals, sandwiches and bread.

### Monitoring progress

Use new IT system to track progress on salt, fat and sugar.

### Eat Well

Extend 'Eat Well' labelling to all qualifying products as packaging is updated. Implement a second phase of 'on pack' information explaining why each product has qualified for the Eat Well logo. Develop ranges of Eat Well meals, sandwiches and desserts.

### Additives

Further develop our policy on minimising the use of food additives.

### Labelling

Update labelling and improve the use of Guideline Daily Amounts (GDAs) across our range of food.

# Product

## REDUCING WASTE FROM PACKAGING AND PRODUCTS

SINCE 1997, LEGISLATION HAS MADE RETAILERS AND OTHER BUSINESSES RESPONSIBLE FOR THE COSTS OF RECYCLING PACKAGING.

We pay a levy (worked out on the basis of how much packaging we use), to help fund efforts to meet a UK recovery target which includes both recycling and other ways of reusing waste. For 2005, this target has increased from 63% to 65%. Over the next few years, this type of legislation will be extended to other products, starting with electrical goods in 2006.

**Table V**  
**2004 Marks & Spencer UK Packaging Usage**

Material	*Usage (Tonnes)	% to total
Paper	28026	23
Glass	30176	25
Aluminium	4999	4
Steel	3617	3
Plastic	52459	44
Wood & Others ( such as ceramics)	1127	1
<b>Total</b>	<b>120,404</b>	<b>100</b>

\*Data based on calendar year

## EASY TO UNDERSTAND LABELS AND INFORMATION

THE LABELS ON OUR PRODUCTS NEED TO BE CLEAR AND RELEVANT SO THAT PEOPLE CAN MAKE INFORMED DECISIONS ABOUT WHAT THEY BUY AND HOW THEY USE IT.

We sell a wide range of products and our customers may want to know about the ingredients they contain, their country of origin or how to use them properly. Our aim is to provide 'open and honest' labelling on all our products.

## What we set out to do in 2004/05

### Legislation

Monitor the planned implementation of European Union 'take-back'/recycling legislation on batteries and electrical equipment.

### Food packaging

Develop an action plan to improve the environmental performance of food packaging.

### Carrier bags

Work with potential suppliers of sustainable plastic carrier bags to improve the version trialled.

### Food labelling

Phase-in new labelling policies on food products supported by training for suppliers and independent checking. Monitor customer feedback and changes to legislation.

## How we did in 2004/05

### Legislation

We monitored the development of the British Retail Consortium's proposals for funding the collection and recycling of used electrical equipment for introduction in 2006. We appointed external specialists to manage our UK and Republic of Ireland packaging waste compliance.

### Food packaging

We developed a 'Responsible Food Packaging' initiative which includes requirements to: reduce packaging; move towards more natural materials; use more recycled materials; and promote easy to open designs and tamper proofing. As a direct result of this we conducted trials on repackaging sandwiches in cardboard instead of plastic and using light-weight foamed plastic trays for pre-prepared meals. We developed an easy-to-open salad bowl in consultation with 'Help the Aged'. We also extended the use of tamper-evident packaging wherever practical. In January 2005 we launched a six-month trial to use recycled plastic in the manufacture of a range of bottles and trays in partnership with the following organisations: Waste Resources Action Programme (WRAP), Closed Loop London and London Remade. In March 2005 we held a packaging workshop with our largest food supplier sponsored by WRAP which resulted in several possible projects to reduce packaging being identified. See Table V.

### Carrier bags

We did not progress with the sustainable plastic carrier bag due to difficulties in making the naturally based polythene strong enough.

### In addition we have...

We continued to operate a programme that reuses or recycles around 50 million clothing hangers a year. We started a project to reduce the number of clothing hanger designs we use to reduce the costs of the hangers and improve recycling rates.

### Food labelling

We introduced a new Food Labelling Policy along with training for suppliers and a programme of independent checking. This included a more consistent approach to label design. We also monitored customer feedback.

### Clothing, Home & Beauty labelling

Continued to label all products with the country in which they were produced.

### In addition we have...

**Household cleaning products:** Monitored new legislation (Detergents Regulations) on the labelling of household cleaning products.

## What we aim to do in 2005/06

### Legislation

Monitor and ensure compliance with the UK implementation of legislation (Waste Electrical and Electronic Equipment Directive) covering the recycling of used electrical products in 2006.

### Food packaging

Continue to implement 'Responsible Food Packaging' initiative including measures to:

- Introduce biodegradable plastic packaging made from starch for fruit, vegetables and salads from April 2005.
- Replace plastic sandwich packaging with cardboard alternatives.
- Extend the use of light-weight foamed plastic trays to half of our pre-prepared meals saving about 50 tonnes of packaging a year.
- Review and improve environmental labelling of food packaging (e.g. advice on recycling).
- Work with Waste Resources Action Programme (WRAP) on packaging reduction initiatives.

### Clothing packaging

Introduce a new streamlined range of clothing hangers from September 2005, supported by improved levels of reuse and recycling.

### Food labelling

Monitor implementation of Food Labelling Policy.

### Household cleaning products

Amend labels on cleaning products to comply with new Detergents Regulations by including a website address and 24 hour helpline to provide customers with information on ingredients, safety and environmental care.

# People

## DIVERSITY & OPPORTUNITY

ATTRACTING AND RETAINING A CULTURALLY AND SOCIALLY DIVERSE WORKFORCE ENABLES US TO RECRUIT THE BEST PEOPLE AND MEET THE NEEDS OF THE COMMUNITIES IN WHICH WE TRADE.

We have written commitments on equal opportunities covering age, disability, race, marital status, political opinions, colour, gender, sexual orientation, hours of work, national origin and religious beliefs. Total employment at Marks & Spencer is shown in Table VI and the diversity of our employees is shown in Table VII.

**Table VI**  
**Employment 2004/05**

Average number of people employed in UK stores and offices	% of employees in at least one share scheme	Annual Resignation rate
64,637	34%	14%

## What we set out to do in 2004/05

### Policy

Agree and implement a Diversity Action Plan.

### Information

Complete and distribute a new diversity and lifestyle options booklet to all colleagues and monitor feedback.

## TRAINING

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 to pursue a long-term career. The training we offer is designed to develop individual talent and capability and to help colleagues fulfil their career ambitions.

### Priorities

Continue to align all training activity to business priorities.

### Measurement

Communicate internally how much we invest in training by including figures for training spend and the average number of training days per employee in overall company performance data provided to senior managers.

## How we did in 2004/05

### Policy

Our Diversity Action Plan was agreed and implemented. This included the launch of disability awareness training which will be completed mid-2005.

### Information

Our diversity and lifestyle options booklet has been revised and is being incorporated into our updated Employee Handbook.

## What we aim to do in 2005/06

### Policy

Review how we can make improvements in the way we measure and manage diversity.

### Information

Provide training which covers age, gender, race, ethnicity, sexual orientation and disability issues.

**Table VII**  
DIVERSITY

	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	Over 10 years' service
Marks & Spencer UK employees (as of March 2005)	78%	68%	13%	7%	24%	28%
UK averages (2001 Census)	50%	—	8%	—	—	—

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

### Priorities

During the year, we had two training priorities – improving customer service, and supporting our Business Change Programmes. Our customer service training programme in stores included the launch of 'chip-n-pin' credit and debit card systems in all stores and disability awareness.

Our priority for head office has been to promote consistent and efficient buying practices for Clothing, Beauty and Home products. The first phase of the supporting training programme known as the 'Buying Academy' started in March 2005 and provides between two and five days' training on the new buying process for over 800 colleagues.

### Measurement

We reviewed different ways of measuring the impact of training. This has not yet resulted in a suitable measurement.

### Priorities

**Buying:** Complete first phase of the 'Buying Academy' for head office-based Clothing, Beauty and Home teams by the end of July 2005 and develop the second phase of training covering technical, systems and general management skills to form the basis of a continuous development programme.

**Service:** Develop and implement a programme to improve the skills of our store colleagues. Improve ways of recognising employees who demonstrate great service to customers and colleagues. Invest more time and money in structured training programmes and accreditation so our store employees have the skills and knowledge they need.

### Measurement

Further investigate effective measurements of training performance.

# People

## COMMUNICATION AND CONSULTATION

MARKS & SPENCER WORKS HARD TO MAINTAIN A GOOD RELATIONSHIP WITH ITS EMPLOYEES.

The cornerstone of this is direct communication between Marks & Spencer people and the Company. This is particularly important when the Company is undergoing significant change. We have an active employee involvement network called Business Involvement Groups (BIGs) and our aim is to involve them as early as possible in any initiatives which may result in changes to the way we operate. This will allow us to make full use of the skills and ideas of our people. We have a European Works Council which is a forum for information and consultation on issues that effect our employees across the UK and the Republic of Ireland. Employee representatives are democratically elected and serve a three-year term. The Council meets annually.

## What we set out to do in 2004/05

### Business Involvement Groups (BIGs)

Develop and implement a three-year plan to establish and improve the operation of BIGs. Consult with BIGs about reward policy.

### Business Change Programmes

Consult with colleagues on the implementation of Business Change Programmes.

### Motivation and morale

Conduct one full 'How Are We Doing?' survey and one smaller follow-up exercise concentrating on areas that enable better participation on important issues.

## REWARD

OUR AIM IS TO OFFER HIGHLY-COMPETITIVE REWARD PACKAGES WHICH ATTRACT AND RETAIN THE BEST TALENT.

All employees have reward packages which include elements of fixed and variable pay dependent on performance. Marks & Spencer employees also enjoy a wide range of other benefits.

### Reward packages

Review the progress of a new three-year strategy to enhance individual, team and corporate performance. Monitor feedback from colleagues about their pay and benefits.

## BUSINESS ETHICS

ALL EMPLOYEES ARE EXPECTED TO BEHAVE ETHICALLY WHEN WORKING ON BEHALF OF MARKS & SPENCER.

Business ethics help shape our policies and provide guidance when a colleague is confronted with a new issue on which we have yet to develop a policy.

### Principles

Develop a set of 'Marks & Spencer Principles' for communication across the Company by March 2005.



## How we did in 2004/05

### Business Involvement Groups

Two National BIG meetings were chaired by the Chief Executive and we held four European Works Council meetings. The role of employee representatives has been strengthened through a revised constitution which details the support provided by the Company to ensure effective communication and consultation. Improved training has also been developed to help representatives and managers carry out their roles. We consulted with our BIGs on our new reward policy.

### Business Change Programmes

We implemented Business Change Programmes in our stores and our head office locations to improve efficiency and customer service. The programmes used 10 'people principles' to ensure fairness, consultation and effective solutions. In stores, we developed and explored new working hours which more closely reflect the needs of our customers. Our BIGs played a key part in shaping the proposed changes and were actively consulted before and during implementation. In our head office locations we reduced employee numbers by 20% after consulting extensively with employee representatives about restructuring.

### Motivation and morale

We continued to seek feedback on employee motivation and morale from our BIGs. Following management changes we decided not to conduct any further 'How Are We Doing?' surveys during the year because we believe that this was an inefficient way of communicating with our people.

### Reward packages

We published over 50,000 personalised Reward Statements for the first time showing employees the total value of their individual reward package.

We launched a new reward policy including a bonus scheme to reward achievement of Company, team and individual objectives. Colleagues considered this to be overly complicated.

### Principles

We conducted a series of workshops to listen to the views of our colleagues. They concluded that we needed a set of business principles that reflected the Company's traditional values in a comprehensive but modern manner. Following management change in June 2004 we have placed greater emphasis on our core brand values of Quality, Value, Service, Innovation and Trust.

## What we aim to do in 2005/06

### Business Involvement Groups

Strengthen communications with all employees so they have a good understanding of the challenges facing the Company and how they can play their part in the full recovery of the business.

Provide further training for employee representatives, managers and human resources teams to help them consult with colleagues more effectively.

Involve employee representatives early in key Business Change Programmes so they can feed back employees' views and ideas.

### Motivation and morale

Continue to seek feedback from our colleagues.

### Reward packages

Continue to evolve reward packages which reflect the market rate for the role, affordability for the Company, and individual contribution. Introduce a motivating and easy-to-understand bonus scheme for head office staff and store managers to drive improved sales, customer service and profitability.

### Principles

Continue to confirm our commitment to our five core brand values and review whether further guidance on our business principles is required.

# People

HEALTH, SAFETY  
AND WELLBEING  
COMPANIES HAVE A LEGAL AND  
MORAL RESPONSIBILITY TO  
PROTECT THE HEALTH AND SAFETY  
OF THEIR EMPLOYEES AND THE  
PEOPLE WHO ENTER THEIR  
PREMISES.

We operate a system to ensure workplace health and safety is maintained. We also provide a range of occupational health services to our colleagues.

## What we set out to do in 2004/05

### Occupational Health

Continue 'Workwell' stress management training for line managers. Introduce programmes to reduce work-related ill health absences including rotation of sales advisors roles and rehabilitation programmes to bring colleagues recovering from physical or mental health illnesses back to work gradually.

### Fire, Health and Safety

Introduce Fire, Health and Safety performance objectives for store managers. Ensure all Fire, Health and Safety Officers complete Chartered Institute of Environmental Health (CIEH) Level 2 course, with all regular deputies to attend during 2005/06. Revise policies on Fire Safety in readiness for new legislation.

### Reporting

Launch accident reporting systems and asbestos and control of hazardous substances databases on our intranet.

### Relationships

Further develop our relationship with the Health & Safety Executive and Lead Authority partners.

## How we did in 2004/05

### Occupational Health

'Workwell' stress management training for line managers continued as planned. We participated in the Corporate Health and Performance (CHAP) industry research programme and tested the Health & Safety Executive's (HSE) draft stress standards. We set up a 'stress forum' with Occupational Health, Human Resources and Health and Safety representatives to plan the implementation of these standards.

### Fire, Health and Safety

We introduced measurements for Fire, Health and Safety performance alongside other aspects of 'Due Diligence' for our store managers. These are based on a combination of self-assessments and specialist inspections and are carried out every three months. Approximately 90% of Fire, Health and Safety Officers have completed the CIEH Level 2 course. We produced a new fire safety and emergency team training film with our Lead Authority partner (West Midlands) covering the importance of assessing fire risk in the home, as well as the safe operation and evacuation of our stores and offices. We developed and started to implement an improved asbestos management plan that includes the development of an IT-based database to control any work where asbestos is present.

### Reporting

Our Occupational Health Reporting Administration (OHTRA) system recorded 352 work-related ill health events during 2004/05. During the same period we submitted 576 RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) incidents to the HSE for employees, customers and contractors. There were no major injuries or fatalities in our business. We started to test an intranet-based Accident Database in March 2005. However, Control of Substances Hazardous to Health (COSHH) data is still collected using a paper based system.

### Relationships

We worked closely with Edinburgh District Council (Health & Safety) and West Midlands Fire Service (Fire) through the Lead Authority Partnership Schemes as recognised by the HSE and the Chief Fire Officers Association. We submitted proposals to the HSE on possible criteria for 'Earned Autonomy Status' which will reduce the number of inspections required as follow-up to RIDDOR incidents. We sponsored a number of training initiatives including the West Midlands Fire Service Young Firefighters Association and its Search & Rescue Investigation Unit Hydrocarbon Detector Dog team.

## What we aim to do in 2005/06

### Occupational Health

- Work towards the implementation of new legislation banning smoking in all enclosed work places in Scotland from May 2006 and England, Wales and Northern Ireland by 2007. Provide support and assistance to affected employees.
- Develop Occupational Health data collection to improve information on ill health absence.

### Fire, Health and Safety

- Review Health and Safety Committee's Terms of Reference to ensure appropriate representation and regular feedback to the Board.
- Concentrate on priorities of slips, trips and falls, workplace transport, musculoskeletal disorders, working at height and work-related stress.
- Continue both CIEH and fire risk assessment training with Fire, Health and Safety Officers.
- Review legislation awareness training for store managers.
- Review effectiveness of accident reporting.

# Places

## COMMUNITY

ALL COMPANIES AFFECT THE COMMUNITIES IN WHICH THEY OPERATE. RESPONSIBLE COMPANIES HAVE, FOR MANY YEARS, INVESTED IN SOCIETY BY CONTRIBUTING MONEY, GOODS OR THE TIME AND EXPERTISE OF THEIR EMPLOYEES.

We were founding members of Business in the Community and our involvement is as strong as ever. We are also supporters of their Per Cent Standard – which commits companies to investing at least 1% of pre-tax profits in community projects. Marks & Start is our flagship community programme providing work experience to people of different ages and walks of life. We also offer support for our employees who wish to help their local communities.

Ernst & Young has provided independent assurance on the statements of progress made on this page. See page 28 for details of the activities undertaken and conclusions made.

## What we set out to do in 2004/05

### Per Cent Standard

Plan to improve the way we record employee time and the value of products we contribute to community projects.

### Marks & Start

Aim to provide 2,635 work placement opportunities. Monitor and review performance with partner organisations.

### Employee Volunteer Awards

Aim to raise greater internal awareness of our Employee Volunteer Awards. Make them easier to enter and introduce Marks & Start buddy awards.

### Breast Cancer Awareness

Aim to do more next year for Breast Cancer Awareness including selling 'Fashion Targets Breast Cancer' goods, for which we have commissioned a special range of womenswear and lingerie. Aim to sell 450,000 Fashion Target pins.

## How we did in 2004/05

### Per Cent Standard

We continued to commit at least 1% of pre-tax profits to support community programmes. We donated a total of £9.8m last year (1.6% of pre-tax profits), £3.0m in cash, £4.3m in gifts in kind and the remainder in employee time from our UK, Republic of Ireland and Hong Kong operations. We rationalised activities by focussing on Marks & Start, 'matching funds' for employee fundraising, Employee Volunteer Awards and charitable donations to groups that support our overall theme of employability. We have also improved the recording of employee time and gifts in kind, which are now collated every six months.

### Marks & Start

We met our target by providing over 2,635 work placements and received five best practice 'Big Tick' awards from Business in the Community. We were runner-up in the 2004 Charities Aid Foundation Award for Innovations in Corporate Community Partnerships. Over 30% of adult participants found permanent employment after completing a Marks & Start placement. In September 2004, 87% of employees who acted as 'buddies' for Marks & Start participants said they considered the experience a positive one. Some of our suppliers in Turkey and Sri Lanka have implemented 'Marks & Start' programmes. One supplier in Sri Lanka provided seven placements for disabled women to learn sewing skills in partnership with Motivation/Rehab Lanka. Six out of the seven candidates passed the residential training and were accepted into jobs with the supplier.

### Employee Volunteer Awards

We staged our 5th annual Employee Volunteer Awards in October 2004 and included recognition of regional and national 'best buddies' for mentoring participants of the Marks & Start programme. We redesigned applications for the awards to make them easier to enter.

### Breast Cancer Awareness

We raised a total of £1,473,500 by selling a range of lingerie and other products in support of Breakthrough Breast Cancer Awareness. This included selling over 800,000 pins, nearly double our target.

### In addition we have...

We responded to the devastation in countries bordering the Indian Ocean following a series of earthquakes on Boxing Day 2004. Marks & Spencer set up its own Asian Earthquake Appeal raising over £2m from employees and customers to support the UK's Disasters Emergency Committee, an umbrella organisation of 13 aid agencies. In addition, Marks & Spencer committed to providing £250,000 as well significant personal donations from our Board during 2005 to support actions 'on the ground' in Sri Lanka with the help of Care International UK.

## What we aim to do in 2005/06

### Per Cent Standard

Maintain standard by investing 1% of pre-tax profits in the community.

### Marks & Start

Run second full year of programme offering a further 2,635 work placements.

### Employee Volunteer Awards

Participate in the National Year of the Volunteer (once launched). Support stores in their local communities with local donations and matched giving.

### Breast Cancer Awareness

Continue to support Breakthrough Breast Cancer Awareness by selling an extended range of lingerie and other products including tie-in foods from our 'Eat Well' range. Investigate ways of involving our customers in Breakthrough Breast Cancer activities.

### Paddington Head Office

Maintain links with the community through participating in the Pride of Place Programme – creating opportunities for Paddington-based companies to support the local community. Participate on the Board of the Paddington Business Improvement District.

### Asian Earthquake Disaster

Second a member of management to Care International UK based in Sri Lanka to help identify redevelopment projects and ensure the Company donation is put to best use.

# Places

## SHOPPING ENVIRONMENT

WE WANT ALL OUR CUSTOMERS TO BE ABLE TO SHOP WITH US IN A WELCOMING, SAFE AND ATTRACTIVE ENVIRONMENT.

This includes making our products and services easily accessible to people with disabilities as well as participating in schemes to improve town and city centre facilities.

## What we set out to do in 2004/05

### Access for people with disabilities

Work with DisabledGo to identify ways of improving access to our stores for people with disabilities.

### Local food stores

Increase the number of smaller local food stores.

## TRANSPORT

THE EMISSIONS AND CONGESTION CAUSED BY THE TRANSPORTATION OF PEOPLE AND GOODS TO OUR STORES CAN HAVE A SIGNIFICANT EFFECT ON THE ENVIRONMENT.

We consider transport facilities for our customers and employees when building our stores and designing delivery schedules that are as sympathetic to the local neighbourhood as possible. We aim to operate our delivery fleets in an efficient and environmentally responsible manner. For example, if we have spare capacity, we look to make use of this space by using it for other types of work such as moving loads on behalf of our suppliers.

### Emissions

Complete fourth year of programme to increase the percentage of our delivery fleets that use cleaner and more efficient Euro III standard engines. In March 2004, this figure stood at 63%.

### Aerodynamics

Assess the performance of new aerodynamic delivery vehicles.

### Rail

Investigate opportunities to use rail freight for Clothing, Home and Beauty products.

**Table VIII**  
**UK and Republic of Ireland store delivery fleets**

	2003/04	2004/05	% change
Vehicles with Euro III or better engines	63%	79%	+16 of total
Distance covered in million kms	78	73	-6
Fuel use in million litres	24	22	-8
Resulting CO <sub>2</sub> emission in 000's tonnes based on DEFRA guidelines	64	59	-8



## How we did in 2004/05

### Access for people with disabilities

In line with the requirements of Section III of the Disability Discrimination Act, we revised our Store Design Policy. This now includes improved use of visible markings on windows and glass doors and contrasting colours around stair wells, escalators and lifts. Store signage has also been redesigned using non-gloss finishes, larger lettering and clear colour contrasts. Voice announced lifts are now installed as the norm. We commissioned DisabledGo to conduct accessibility audits of our stores in co-operation with groups representing the needs of people with disabilities. We also invited 'user groups' representing customers with specific types of disabilities to review a selection of our new stores. We worked closely with the Royal National Institute for the Blind (RNIB) to develop store equipment for the introduction of 'chip-n-pin' credit and debit cards.

### Local food stores

We continued to add to our Simply Food chain over 2004/05. We now have 129 stand-alone food stores. 31 of these opened during the year, including 13 in partnership with Compass in stations and on motorway service areas.

### Emissions

We completed the fourth year of a programme to upgrade delivery vehicles so that 79% now use less polluting Euro III engines. See Table VIII. We operated over 700 delivery vehicles. Increased efficiency meant we reduced the distances covered by the fleet by 6% and cut fuel usage by 8%.

### Aerodynamics

In September 2004 we started to introduce the use of Fuel Saving Aerodynamic kits on 20 clothing delivery trucks and 80 trailers. This can reduce fuel usage and emissions by 6%.

### Rail

We continued to investigate rail freight but were unable to identify any additional opportunities.

## What we aim to do in 2005/06

### Access for people with disabilities

Adopt best practices where it is reasonable to do so as stores are built or refurbished.

Continue to use customer feedback to prioritise improvement to store facilities.

Conduct ongoing user group reviews of new stores.

### Business Improvement Districts

Support a new approach called Business Improvement Districts (BIDs) in the West End of London, Kingston, Paddington, Liverpool and Rugby which lets companies invest collectively in local improvements by paying a levy of around 1% on top of business rates. This allows businesses to fund additional services that are not normally provided by local authorities, such as improved security and specific cleaning services. These schemes allow our store managers to become actively involved in improving their local shopping environment.

### Emissions

Continue with programme of upgrading the efficiency of logistics fleets.

# Places

## REDUCING ENERGY, WATER USE AND WASTE THE USE OF ENERGY AND ITS CONTRIBUTION TO CLIMATE CHANGE IS ARGUABLY THE WORLD'S BIGGEST ENVIRONMENTAL CHALLENGE.

Water consumption and the creation of waste also have a significant impact on the environment. Our aim is to ensure that we use these natural resources efficiently. We operate a wide range of programmes to improve the environmental efficiency of our stores and other buildings including the half-hourly monitoring of electricity usage in most of our locations. We use reusable packaging systems that reduce waste for transporting our fresh foods and some types of clothing. We reduce food waste by selling unsold items to employees at a reduced price or donating them to charities including FareShare.

**Table IX**  
**Electricity & gas consumption in UK stores and offices**  
**(excluding outlet & UK franchise stores)**

	2003/04	2004/05	% change
<b>Electricity</b>			
Brown grid electricity usage in Gigawatt-hours (GWhs)	720	630	-12
Green renewable electricity usage in GWhs	-	68	-
Total electricity usage in GWhs	720	698	-3
Resulting CO <sub>2</sub> emissions in 000's tonnes based on DEFRA guidelines	310	271	-13
<b>Gas</b>			
Gas usage in GWhs	231	216	-6
Resulting CO <sub>2</sub> emissions in 000's tonnes based on DEFRA guidelines	44	41	-7

## What we set out to do in 2004/05

### Energy

Use Carbon Trust project findings to make further improvements in managing energy usage. Include best practice specifications as stores are built or refurbished. Revise and relaunch energy-saving incentive scheme for stores.

### Water

Work with suppliers and estate managers to improve the accuracy of our data on water usage.

### Refrigeration and air conditioning

Complete the fourth year of store refrigeration renewal programme resulting in the replacement of hydrochloro-fluorocarbons (HCFC) gases from a further 10% of stores. Further extend remote management of heating, ventilation and air conditioning systems currently operating in 147 stores.

### Waste

Use centralised management of waste collection to develop improved levels of information and efficiency. Introduce separate collections of unsold uncooked meat, poultry and fish products to meet new legislation.

## How we did in 2004/05

### Energy

- We updated our Energy Management Policy and worked with the Carbon Trust to improve energy monitoring and procurement.
- Best practice specifications, including equipment approved by the UK Government for Enhanced Capital Allowances (ECAs), have been included as stores are built or refurbished.
- We ran an energy efficiency training programme and awareness campaign featuring posters, 'switch it off' stickers and an employee awareness competition.
- We revised our energy saving incentive scheme and relaunched it to all stores contributing to a 3% reduction in electricity usage. See Table IX.
- We completed the third year of participation in the UK Emission Trading Scheme for head office locations. We have already exceeded our five year target of reducing carbon dioxide emissions by 2,060 tonnes.
- In April 2005 we won the Energy Efficiency category of the 2005 Sunday Telegraph/Carbon Trust Innovation Awards for our system for remotely monitoring equipment in stores.

### Water

With additional stores we used 939,000m<sup>3</sup> of water in our UK stores and offices up from 903,000m<sup>3</sup> last year. We monitored water readings and investigated stores with high usage leading to a number of leaks being detected and repaired.

### Refrigeration and air conditioning

Legislation restricting the continued use of HCFCs will come into force from the end of 2009. We completed the fourth year of our renewal programme and converted 10% of existing stores which together with new stores, resulted in 80% operating with non-HCFC refrigeration and 60% with non-HCFC air conditioning systems. Refrigeration in all stores is managed remotely to ensure food safety, energy efficiency and good maintenance. Heating, ventilation and air conditioning are managed the same way in 147 stores. We sponsored the 'Environmental Pioneer' category of the 2004 Cooling Industry Awards to encourage manufacturers of store refrigeration systems to continue to develop more environmentally efficient equipment.

### Waste

We centralised our management of waste collections. We also introduced separate collections of unsold uncooked meat, poultry and fish to meet the requirements of new legislation (Animal By-products Regulations). Following an accidental milk spillage at one of our stores which resulted in a prosecution by the Environment Agency in September 2004, we improved our arrangements for disposing of food wastes.

## What we aim to do in 2005/06

### Energy

Continue to upgrade equipment as part of our store refurbishment programme. Lay foundations for compliance with new legislation on energy efficiency in buildings (UK Building Regulations part L and EU Energy Efficiency in Building Directives). Participate for the fourth year in UK Emissions Trading Scheme for head office locations.

### Water

Identify stores and equipment where we can improve water usage cost effectively.

### Refrigeration and air conditioning

Continue to replace HCFC refrigeration and air conditioning systems in line with our store refurbishment programme.

### Waste

Re-tender store waste collections. Plan increases in separate collections of unsold food in line with second phase of Animal By-products Regulations coming into force in early 2006.

# Assurance Statement

TO THE MANAGEMENT OF MARKS & SPENCER

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## INTRODUCTION

The Corporate Social Responsibility Report 2005 (the Report) has been prepared by the management of Marks & Spencer, who are responsible for the collection and presentation of information within it. In accordance with Marks & Spencer management's instructions we have reviewed the Report, as outlined below, in order to provide assurance on the accuracy of claims made regarding certain aspects of Marks & Spencer's Corporate Social Responsibility (CSR) performance.

Our responsibility in performing this work is to the management of Marks & Spencer only and in accordance with the terms of reference agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on the Report is entirely at its own risk.

## WHAT DID WE DO TO FORM OUR CONCLUSIONS?

Our review consisted of the activities outlined below.

- **Tested whether targets relating to 2004/05 have been transferred from the CSR Report 2004 into this Report.**
- **Tested CSR performance claims made in five sections of the Report (Sustainable Raw Materials, Responsible use of Technology, Ethical trading, Animal Welfare and Community).** We interviewed relevant managers at company-level and reviewed relevant evidence provided by Marks & Spencer.
- **Tested that data had been correctly transferred from the relevant company-level spreadsheets into the Report.** Our review included 2004/05 data sets in tables I to IX and the RIDDOR data on page 21.

## WHAT ARE THE LIMITATIONS OF OUR WORK?

We did not interview Marks & Spencer employees at stores to assess CSR performance. We did not test the accuracy and completeness of data sets (which are outlined above) by walking through the data from the point of origin to the company-level. Therefore we have not made conclusions on the data accuracy and completeness.

## WHAT ARE OUR CONCLUSIONS?

Based on our review (described above) our conclusions on the Report are outlined opposite.

## HAVE ALL THE 2004/05 TARGETS FROM LAST YEAR'S REPORT BEEN INCLUDED WITHIN THIS REPORT?

The Report covers all of the targets outlined in the CSR Report 2004 relating to planned activities in the period 2004/05.

## IS THERE EVIDENCE TO SUPPORT THE PERFORMANCE CLAIMS MADE IN THE FIVE SECTIONS OF THE REPORT RELATING TO SUSTAINABLE RAW MATERIALS, RESPONSIBLE USE OF TECHNOLOGY, ETHICAL TRADING, ANIMAL WELFARE AND COMMUNITY?

Evidence and information obtained through our work supports the CSR performance claims made in the five sections of the Report listed above. Where evidence could not be provided or where the statements made were inconsistent with the evidence available, the text was amended by Marks & Spencer.

## HAS THE SELECTED DATA BEEN CORRECTLY TRANSFERRED FROM THE COMPANY-LEVEL SPREADSHEETS TO THE REPORT?

The data within the report presented in tables I to IX and the RIDDOR data on page 21 has been correctly transferred from company-level spreadsheets into the Report. The quality of supporting documentation and internal assurance remains an area for improvement.

## OUR INDEPENDENCE AND COMPETENCE

Ernst & Young currently provides some internal audit and tax services to Marks & Spencer. This has not affected our impartiality with respect to this work. Ernst & Young has not previously advised Marks & Spencer on any aspects relating to the organisation's approach to CSR or any business processes relating to the management of the issues discussed in the Report.

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  
30 May 2005



At least 30% of the fibre used in making Revive Special Silk comes from well-managed forests independently certified according to the rules of the Forest Stewardship Council, and 30% is from post-consumer recycled waste paper.

FSC Trademark © 1996 Forest Stewardship Council A.C. SGS-COC-1722

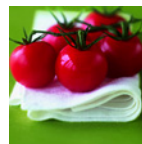
**Design:** Corporate Edge [www.corporateedge.com](http://www.corporateedge.com)

**Print:** Butler & Tanner, an ISO 14001 registered company.

Produced under FSC chain of custody.



**We launched Muir Den pork using our standards of improved animal welfare, feed and product quality. We were recognised as the best performing retailer in the RSPCA's 2004 Conscientious Consumer Guide. See page 10.**



**Our new 'Eat Well' campaign is designed to help customers make healthier choices. The 'Eat Well' logo appears on foods that we should be eating more of or are nutritionally balanced. See page 12.**

# MARKS & SPENCER

