

# Corporate social responsibility report 2006

YOUR M&S



## WHAT'S INSIDE...

---

### 01

Introduction from the Chairman

---

### 02

A year in review

---

### 03

About this report

---

### 05

Overview of CSR targets for 2006/07

---

### 06

Our approach to CSR

---

### 08

Products

---

08 Overview

10 Sustainable raw materials

11 Responsible use of technology

12 Animal welfare

12 Ethical trading

14 Healthier food

15 Giving our farmers and growers a fair deal

16 Reducing waste from packaging and products

17 Easy to understand labels and information

---

### 18

People

---

18 Overview

20 Communication and consultation

20 Business ethics

21 Training and career development

21 Reward

22 Diversity and opportunity

23 Health, safety and wellbeing

---

### 24

Places

---

24 Overview

26 Community

26 Raising customer donations

27 Shopping environment

27 Transport

28 Reducing energy, water use and waste

---

29 Assurance Statement

---

# About M&S

We are one of the UK's leading retailers, with over 15 million people visiting our stores each week. We offer our customers a wide range of stylish, high quality, great value clothing and home products and an extensive range of outstanding quality foods. Our products are responsibly sourced from suppliers we trust.

We employ 65,000 people and have over 450 UK stores, including 43 Simply Food franchise stores. We also have a growing international presence with 198 M&S branded franchise stores in 30 territories worldwide, and wholly-owned stores in Hong Kong and the Republic of Ireland. In March 2006, we sold Kings our US supermarket business.

Group sales for 2005/06 were £7.8bn producing profits before tax of £751.4m. Our principal trade bodies are the CBI and the British Retail Consortium. We are also founding members of Business in the Community.

Marks & Spencer is a publicly owned company with around 290,000 shareholders, many of them are customers and present and past employees. Virtually all of our products are own-brand, allowing us to work with 1,900 suppliers around the world to ensure our CSR standards.

For further information about our financial performance and activities please refer to our Annual Report at: [www.marksandspencer.com/annualreport2006](http://www.marksandspencer.com/annualreport2006)



We sell over 1,000 food products that meet our 'Eat Well' criteria assessed by the British Nutrition Foundation.



The Protea flowers used in these sprays come from a project set up with the Shell Foundation to help small-scale producers in Africa.



We helped to re-build 80 houses destroyed by the Asian tsunami in Sri Lanka, re-housing around 350 people.



In our fifth year of supporting Breakthrough Breast Cancer we raised a total of £1.5m.



We became the first major UK retailer to start selling clothing made from Fairtrade certified cotton.



We were rated as the leading UK retailer for responsible fish sourcing by Greenpeace and the Marine Conservation Society.

# Introduction from the Chairman

## Welcome to Marks & Spencer's third Corporate Social Responsibility (CSR) Report.



### Paul Myners

Once again we are publishing a CSR Report alongside our Annual Report so that our stakeholders can get a clear view of all the financial and non-financial issues that affect our business.

CSR is very important to us. It reflects the way we have always conducted business and underpins our core business values – Quality, Value, Service, Innovation and Trust. We believe that being a responsible business is the right thing to do but we also believe that it makes good business sense. Put simply, it 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.

In 2004, when the current management team took over the running of M&S, we made a very clear commitment to turn around the business whilst remaining true to its core values. In the last 12 months, this has been recognised by a number of independent organisations. Greenpeace and the Marine Conservation Society named us as the leading UK retailer for responsible fish sourcing and the RSPCA named us as the leading fashion retailer for our animal welfare policy on clothing. Greenpeace also awarded us Grade A status for our sourcing of tropical hardwood garden furniture and we have been included in the Dow Jones Sustainability and FTSE4Good indexes.

We have also continued to listen to our customers. They have always had high expectations of us on CSR, but this year they asked us to provide more information on our CSR activities. In January 2006, we responded by launching 'Look behind the label', a highly visible marketing and communications campaign designed to tell our customers about the special qualities, many of them CSR based, that make Marks & Spencer products unique. We worked closely with our colleagues in stores to make sure everyone in the Company was aware of the campaign and understood what we were trying to achieve.

This was the first time for many years that we had communicated our social, ethical and environmental values to our customers, and the response from them and our own colleagues has been very positive. But we are far from complacent. We know that CSR issues will continue to evolve and our competitors won't sit still. That's why we continue to work so hard to listen to our stakeholders to anticipate new issues and new expectations. For example, this year our customers asked us to sell more Fairtrade products. We responded by converting all the roast and ground, and instant coffee we sell in our stores to Fairtrade and we became the first major UK high street retailer to launch a range of clothing made from Fairtrade certified cotton.

This year we have responded to feedback to our 2005 CSR Report by including more information on our CSR processes. At the same time we have retained the clear performance-based information across Products, People and Places that so many of you liked. The CSR Committee also reviewed the number of future targets we set in our 2005 CSR Report which totalled over 80 specific commitments. For this Report, we have adopted the approach of using fewer, more strategically important targets for 2006/07. We always welcome your feedback on the Report and our activities.

This is the last M&S CSR Report I will introduce. Lord Burns, who takes over as Chairman in July, will also take on my role as Chairman of the CSR Committee. I wish him and all my colleagues well. In leaving M&S, I am confident that we are well placed to compete for customers who want high quality, competitively priced and responsibly sourced products, bought from a Company which cares about how it does business.

A handwritten signature in black ink that reads "Paul Myners".

**Paul Myners**, Chairman

## A year in review

Communication of our CSR activities internally and externally was one of our priorities for the year. Our 'Look behind the label' campaign launched at the start of 2006 was the start of a more active approach to engaging with our customers on CSR.

# 97%

of customers said that CSR was important in recent research.

# 90%

of our food that contained hydrogenated fats and oils have had them removed.

# 102,000

days training for M&S people.

# 6,000

people have benefited from our 'Marks & Start' work experience programme.



All the tea and coffee drinks served in our Café Revive are Fairtrade.

For the last few years, research has shown that our customers believe that CSR is very important for us. For example, in August 2005, 97% of our customers said that it was important that we operate responsibly in all that we do. In 2004/05, the comparable figure was 75%. This year we also saw a new customer expectation emerging, with 78% of them saying that they'd like to know more about the way our goods are produced, from standards for animal welfare and fish sourcing to the prices paid to producers in the developing world.

In January 2006 we therefore launched 'Look behind the label', a joint marketing and communications campaign to tell customers and employees the stories behind our products, many of them related

to our CSR activities. Press advertisements, in-store messages and a new section of our website let people know how we source and manufacture our clothes and food, what we're doing to protect the environment and animal welfare, and the work we do in the communities where we trade. 'Look behind the label' was important for us in several ways. It was the first time that we had mounted a co-ordinated employee and customer communication exercise on CSR, and the first time we'd devoted all our store windows to a CSR campaign. So far we have run two sets of 'Look behind the label' advertisements. Feedback from our customers and employees has been very encouraging and we see this as an ongoing campaign.



## What we achieved last year

Last year, we set ourselves over 80 individual targets across a wide range of CSR activities and have achieved more than 70 of these. The remainder were not achieved or only partly achieved. During the past 12 months, our CSR achievements have been recognised by a wide range of stakeholders. We were included in the Dow Jones Sustainability and FTSE4Good Indexes and ranked equal 20th with a score of 95% in Business in the Community's Corporate Responsibility Index.

We have highlighted below some of our key achievements this year under the headings Product, People and Places.

## Product

In 2005, millions of people were involved in the Make Poverty History campaign and Live8 concerts. It was, therefore, no surprise to see interest in Fairtrade certified products continue to grow as customers recognised that their everyday shopping habits could help make a difference.

Last year, our Café Revive business became the first major UK chain of coffee shops to sell 100% Fairtrade coffee and tea. From March 2006, the roast and ground, and instant coffee sold in our Food Halls moved over to Fairtrade, with plans for tea to follow by the end of 2006. In March, we also responded to customers' demands for more Fairtrade goods by introducing a small range of men's and women's t-shirts and socks made from Fairtrade certified cotton. We also set up an innovative project with the Shell Foundation to support small suppliers in developing countries. The first product to come out of this initiative – bouquets containing wild cut flowers from South Africa – was launched in June 2005.

Customer interest in conserving fish stocks has been growing for several years. A new Greenpeace campaign in autumn 2005 named us as the leading UK retailer for responsible fish sourcing and generated considerable media interest. Our leading position reflected many years of work to ensure we had traceability on all the fish we sold, including ingredients in prepared meals and sandwiches and ensuring these fisheries are committed to responsible management practices. The Marine

## About this Report

**This is our third Corporate Social Responsibility Report. It is published as part of our suite of Company Reports and is aimed at people who are interested in our social, ethical and environmental performance.**

**The Report has been structured to make it easier to find information about particular subjects. We manage CSR under three headings of Product, People and Places and the section entitled 'A year in review' provides a summary of our major achievements over the past 12 months. More details are then provided in the subsequent sections headed Product, People and Places. The Report covers the year to April 2006 and relates mainly to our UK business, which accounted for more than 90% of our turnover last year.**

**The content for this Report is a result of assessments of CSR risks, benchmarking against CSR reports produced by other retailers and cross-referencing with the United Nations Global Reporting Initiative (GRI) – shown at the foot of relevant pages. The Report includes around 70% of GRI criteria on: vision and strategy, environmental and societal indicators. This Report does not include information on product safety, quality and pricing. We have excluded the issue of 'responsible financial services' as the M&S Money business is now operated by**

**HSBC but we have added new issues under the headings 'Giving our farmers and growers a fair deal' and 'Raising customer donations'.**

**Ernst & Young provides independent assurance on the carrying forward of objectives from our 2005 CSR Report, performance information contained in the Product tabular pages and transference of data shown in tables. Full details are provided on the inside back cover. 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 the calendar year 2005 instead of our 2005/06 financial year, this is shown by a \* symbol.**

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

**We welcome your feedback. Please send us your views either through the website at [www.marksandspencer.com/csr](http://www.marksandspencer.com/csr), or by writing to Marks and Spencer Group plc, CSR Department, Waterside House, 35 North Wharf Road, London W2 1NW.**

UNITED NATIONS GLOBAL REPORTING INITIATIVE REFERENCES  
2.10, 2.11, 2.12, 2.13, 2.20, 2.21, 2.22

1<sup>st</sup>

major UK retailer to start selling Fairtrade cotton clothing.

68%

of M&S managers are women and 14% of all our employees are from ethnic minority backgrounds.

9%

less carbon dioxide emissions compared to 2002/03 from energy used to power M&S stores and offices.

90%

of M&S stores have had HCFC gases replaced in refrigeration systems.

Conservation Society also rated us as the best retailer in sourcing fish responsibly, and we were named as a global Seafood Champion by the Seafood Choices Alliance at the International Boston Seafood Show. This latter award recognises companies or individuals that show outstanding leadership in sourcing seafood responsibly. Marks & Spencer was the only UK retailer to be recognised in this way.

Our customers and other stakeholders have asked us to reduce the environmental impact of our packaging. After several years' research, we have introduced significant volumes of packaging with a lower environmental impact. For example, we started selling our sandwiches in cardboard packs made from well-managed forests – over 1.5 million packs a week. Additionally, the clear film 'window' on each sandwich pack is now made from biodegradable cornstarch. We used around 1,500 tonnes of recycled plastic in a wide range of drinks and salad packs and tested in-store recycling schemes in four stores in London. This won us the Best Retail Recycling Initiative in the 2005 National Recycling Awards and the 2005 Institute of Grocery Distributors (IGD)/Tetra Pak Environmental Award.

The debate about the impact of food on health has created high levels of customer interest and media attention in the last 12 months. Our customers have asked us to provide them with clear labelling to identify healthier foods. We responded by building on the proven success of our 'Eat Well' sunflower logo which is applied on the front of pack to food that meets requirements assessed by the British Nutrition Foundation. 'Eat Well' goes beyond individual fat, salt and sugar ratings and provides an overall indication of whether a product can be considered as a healthier option. Over 1,000 products, nearly 20% of the food lines we sell are labelled with the 'Eat Well' sunflower. Our customers also asked us to make our food healthier. In October 2005, we launched our additive-free range of Marks & Spencer 'Cook!' meals. We also announced that we had removed potentially harmful hydrogenated fats and oils from our ready meals and intended to extend this to virtually all our foods by the end of 2006. By April 2006, we had completed the removal of potentially harmful hydrogenated fats and oils from

over 90% of affected products. We also continued to reduce the amount of salt in our food. We were the first major retailer to meet the salt reduction targets agreed by the British Retail Consortium and are on track to meet the more demanding targets set by the Food Standards Agency (FSA). In fact, our ready meals, bread and breakfast cereals already meet the FSA's targets for 2010.

## People

Our employees have asked us to provide them with more training opportunities. In the last year we have run a number of training events, including 'Our Service Style' and 'Buying Academy' training programmes, both of which helped our employees develop new skills and maintain our reputation for outstanding products, value and service. Between them, these training programmes have involved over 58,000 of our employees.

We also introduced a new pay and career structure for customer assistants with four levels: Trainee, Qualified, Coach and Section Co-ordinator. We improved benefits that include an unlimited 20% discount in our stores, access to low cost legal advice and an 'M&S Extras' programme, offering special discounts on a range of services. Every employee received a personal reward statement providing information about the range and value of their reward package.

We trialled services providing employees with free, fast referral to physiotherapists, osteopaths and chiropractors, and access to confidential telephone advice and counselling to help them with physical and mental health problems which affect their performance at work. We also banned smoking in all Marks & Spencer workplaces in Scotland, England, Wales and Northern Ireland from 26 March 2006.

Finally, as a business that is conscious of its CSR credentials, we provided our people with guidance and information about our values. To replace a number of separate documents, we developed a new consolidated Marks & Spencer Code of Ethics that sets out our values and the responsibilities we have to our customers, employees, shareholders, suppliers, government, communities and the environment.

## Places

In the second full year of our work experience programme, 'Marks & Start', a further 3,300 people took up work placements with us. Since we launched the programme in 2004, around 6,000 people have benefited, with nearly 40% of the 1,200 participating adults finding work as a result. The programme is in line with Government policy to target groups faced by particular employment challenges, for example, the disabled and homeless. Further afield, we seconded an M&S manager to Sri Lanka to oversee the use of a £250,000 donation from the Company to help re-build 80 homes destroyed by the tsunami.

In our fifth year of supporting Breakthrough Breast Cancer we raised a total of £1.5m through the sale of pins, wristbands, clothing and food products, and fundraising in stores.

Customer interest in climate change also increased significantly. In our research in August 2005, before Hurricane Katrina, 46% of our customers indicated that climate change was an issue they were concerned about. Whilst this is still a lower rate of concern than for many well established CSR issues, it is a notable increase on previous years. Responding to this growing customer interest, we have continued to address our energy usage and over the last three years we have reduced the amount of energy used in our stores and offices by 5%, resulting in 9% less carbon dioxide emissions. We have also just signed a new energy contract to supply all our stores in England and Wales with less polluting forms of electricity from April 2006, which will further reduce our emissions.

We also continued to improve the environmental efficiency of our operations. For example, we measured how much waste our stores create in order to develop a reduction target. Around 89% of our delivery vehicles now have at least Euro III standard engines and we have replaced environmentally harmful HCFC gases in 90% of our store refrigeration systems.

## Overview of CSR targets for 2006/07

**In preparation for setting the 2006/07 targets, the CSR Committee reviewed the targets for the previous year. These numbered over 80 and the Committee took the view that the business should be focusing on fewer, more strategically important targets in the coming year.**

**In addition, where there are ongoing activities resulting from the commitments set in 2005/06, these will continue. The targets are summarised below, grouped by Products, People and Places and are laid out in detail in each of the following sections.**

### Products

**Our aim is for all Marks & Spencer products to conform to set CSR standards. In the next 12 months we will work to further strengthen these standards. We will extend our use of the Supplier Ethical Data Exchange (SEDEX) database that allows retailers and manufacturers to share the results of labour standard audits at suppliers they have in common. We will complete the removal of hydrogenated fats and oils from our food and further reduce the use of salt, added sugar and additives. We will continue to reduce the environmental impact of our packaging. We will also offer our customers specific ranges of products that make a positive contribution towards sustainable development. This year, we will develop further ranges based on Organic, Fairtrade, Marine Stewardship Council or Forest Stewardship Council certification.**

### People

**Over the next 12 months we aim to concentrate on providing our**

**people with the skills they need to source products efficiently and provide great customer service. We will extend our 'Buying Academy' training to the Food Division and introduce the 'Your M&S Career Path' initiative to section and store managers. We will also extend our free, fast referral to physiotherapists, osteopaths and chiropractors, and access to confidential telephone advice and counselling to help employees with physical and mental health problems which affect their performance at work. Finally we will communicate our new consolidated Code of Ethics.**

### Places

**2006/07 will be the third year of our 'Marks & Start' work experience programme which will help a further 2,600 participants. We will also offer help to our suppliers and franchise partners who wish to use the 'Marks & Start' programme in their local communities around the world. Going beyond the basic requirements of legislation on energy efficiency, we also intend to work towards low carbon 'footprint' stores by reducing our store energy carbon emissions by a further 20%. From 2006/07 we will also start to upgrade our delivery fleets to less polluting Euro IV engine standards.**

# Our approach to CSR

**At M&S, we have always taken our responsibilities seriously, be it to our customers, our employees, our partners and suppliers or the communities that we operate in across the world. For us, Corporate Social Responsibility reflects the way we have always conducted business and underpins our values – Quality, Value, Service, Innovation and Trust.**

## OUR VALUES

**QUALITY  
VALUE  
SERVICE  
INNOVATION  
TRUST**

“Our customers are clear. They do not define trust in terms of philanthropy. They define trust in terms of how we make money and they expect us to do business in a responsible way. They want value. They want quality. They want fashion but not at any price. They trust us to do it right.”

Stuart Rose, Chief Executive

### Responsible retailing

We believe that being a responsible business is the right thing to do, but we also believe that it makes good business sense too.

CSR allows us to differentiate our products in a competitive marketplace. For us, this means the way our clothes are sourced and made, what goes into the food we sell, what we do to protect the environment, create good working conditions around the world and ensure high standards of animal welfare. To do this we work closely with our suppliers to address social, environmental and animal welfare issues. And we maintain these standards through rigorous assessments of our suppliers wherever they are.

A strong position on CSR also allows us to position ourselves as an employer of choice in the retail sector to both our current and prospective employees. We want to ensure we can keep on attracting and retaining the best employees and our ethical stance in everything we do continues to be a major attraction in joining M&S.

Finally, by relating our CSR activities to the communities where we do business, we aim to make them better places to live and work in. Our aim is to foster good relationships with those communities and manage responsibly the impact our operations have on the environment.

### Managing CSR

As a retailer selling a wide range of products we are confronted by many potential social and environmental issues. These issues and our responses to them are managed within a framework set by a Board committee, two CSR forums of managers from across the Company, supported by a small CSR team. Led by the Chairman, the CSR Committee meets at least three times a year to oversee all our CSR activities, including the preparation of this Report.

The role of the Committee is to oversee our understanding of and response to stakeholder expectations, ensure the integration of CSR issues into our everyday activities and keep the Board informed of progress.

Every six months the Committee and forums review risks, opportunities and performance. They work with managers to develop targets and regularly report back on progress to the full Board. CSR performance is integrated within existing management systems such as the quality management systems we use for our product sourcing and the legal compliance systems used across our stores. An independent CSR assurance programme developed around the production of this Report is also overseen by the CSR Committee and Audit Committee. Further information on our Governance systems and Board committee membership, is contained in our 2006 Annual Report and Review.



**Listening and taking action**

To inform the development of our CSR policies, we listen to the views of our stakeholders. For customers, shareholders, employees and suppliers we have formal ways of doing this – see Diagram 1. This includes the day-to-day contact we have with our customers, employees and suppliers as well as specific mechanisms we use to encourage open feedback. We have engaged our employees about CSR through our representation committees, known as Business Involvement Groups and carried out an anonymous survey to gauge their views on how the business is treating them. We held meetings with groups of suppliers to discuss CSR issues including pesticides, sustainable food sourcing, ethical trading and packaging. During the last year, we carried out detailed research with our customers on CSR to hear about the issues they are most concerned about and how they believe Marks & Spencer should respond. We also had regular discussions with Government, regulators, community partners, trade associations as well as environmental, human rights and animal welfare groups. This included meetings to discuss our performance on particular issues as well as our views on projects and Government policy.

CSR is constantly evolving as expectations change and new issues emerge. This means that whilst our approach to CSR is underpinned by a core set of values, it also has to be adaptable and flexible. Table 1 shows how some issues have emerged in the last 12 months requiring us to move swiftly to provide additional information or adapt existing commitments.

The content that follows in the rest of this Report provides further examples of where we have listened and responded to our stakeholders. This approach allows us to anticipate what actions we need to take before substantial risks emerge. It also allows us to identify further opportunities to use CSR to grow our business.

Diagram 1 **How we listen**

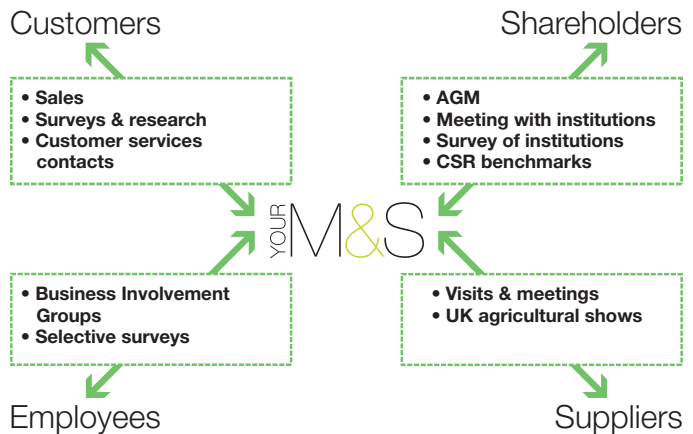


Table 1 **Examples of emerging issues in the last 12 months and how we responded to them**

	Listening	Taking Action
<b>Customers &amp; Employees</b>	In August 2005, customers told us that they wanted to know more about the CSR qualities that support Marks & Spencer products.	In January 2006, we launched our 'Look behind the label' marketing and communications campaign.
<b>Shareholders</b>	Investors who specialise in CSR performance asked us to begin to address the environmental and social issues associated with palm oil sourcing.	We have recently joined the Roundtable on Sustainable Palm Oil to help find solutions.
<b>Social groups</b>	Fairtrade certified cotton only became available in November 2005 when the Fairtrade standard was launched. A number of non-governmental groups discussed the need for a large UK clothing retailer to sell Fairtrade certified cotton clothing.	In March 2006, we were the first major high street retailer to launch a range of clothing made from Fairtrade certified cotton.
<b>Environment groups</b>	In autumn 2005, environmental groups asked us to provide information about our policy and performance on sourcing fish.	Both Greenpeace and the Marine Conservation Society rated us as the best performing retailer on responsible fishing.
<b>Animal welfare groups</b>	The RSPCA asked us to provide information about our policies and performance on animal welfare in food and non-food supply chains.	We were rated as the best UK Fashion retailer and Highly Commended for Food Animal Welfare.

# Products

With more and more people thinking carefully about the contents and origins of the goods they buy, we are committed to selling products of exceptional quality that have been sourced responsibly and that are labelled clearly. In the case of our food we also want to be known for providing our customers with high quality, healthier choices.

## SIMPLIFYING RECIPES

We have taken potentially harmful hydrogenated fats and oils out of our ready meals. We had to go through the ingredients of every product and in some case change the recipes dramatically.



## Overall aim

To provide exceptional quality, competitively priced products for our customers we require a wide variety of raw materials and technologies. We also need to work with large numbers of suppliers, ranging from major multinational companies to individual farmers and fishermen. Without careful management, significant social, environmental and animal welfare issues could arise from producing our products. We aim to work in partnership with our supply chain to manage these issues proactively and responsibly. We do this by supporting best practice, particularly when these are based on independent assurance schemes; banning specific poor practices; and supporting the development of innovative approaches to help suppliers improve their management of these issues.

We also aim to make it easy for our customers to use and dispose of our products responsibly, providing clear labelling about recycling and by using packaging that helps to reduce waste.

We work with Government, recycling groups and other companies to provide packaging recycling facilities across the UK. During 2006/07, this will extend to recycling facilities for old electrical and electronic products as new legislation is introduced.

## Highlights of 2005/06

More details on these and our other Product CSR activities can be seen in the tables over the page.

### Wood/furniture

From March 2006, our 'Mix and Match' tropical hardwood garden furniture was certified as being produced from sustainable timber by the Forest Stewardship Council. This was recognised by Greenpeace, who awarded us Grade A status for our sourcing of tropical hardwood garden furniture.

### Sustainable sea-fish

Our work to promote environmentally responsible fishing was recognised by a wide range of organisations including Greenpeace, who rated us as the best UK food retailer and the Seafood Choices Alliance who named us as a global Seafood Champion.

### Chemicals used in clothing

We further tightened the environmental standards covering the dyes and chemicals used in the manufacture of our clothing.

### Ethical trading

Together with our suppliers we have started to use the Supplier Ethical Data Exchange (SEDEX) data system, which allows suppliers to share assessment information with their customers in a cost-effective way. It also gives us instant access to the compliance status of our supply base, allowing us to target action where it is most needed.

### Fairtrade food

We extended our use of Fairtrade certification beyond the tea and coffee served in our Café Revive outlets to the roast and ground, and instant coffee sold in our Food Halls. We also introduced Fairtrade certified avocados, bananas, mangos, pineapples, honey and chocolate.

### Fairtrade cotton

We launched Fairtrade cotton t-shirts and socks for men and women.

### Milk price pledge

We extended our guaranteed price pledge to all our milk farmers in England, Wales, Scotland and Northern Ireland.

### Animal welfare

We won the RSPCA Alternative Fashion Award for our policies on managing animal welfare issues in clothing sourcing which included our commitment not to sell fur. We were Highly Commended in the RSPCA's Alternative Awards for Food Animal Welfare and Compassion in World Farming gave us their award for Investment and Innovation in Farm Animal Welfare Research 2005/06 for our work on 'Oakham' chicken. We also launched a range of pet accessories developed in collaboration with the RSPCA.

### Healthier food

We have removed harmful hydrogenated fats and oils from over 90% of the foods that previously contained them, including ready meals. We continued to reduce our use of salt and already meet the Food Standards Agency's 2010 targets for ready meals, bread and breakfast cereals. We also launched additive-free Marks & Spencer 'Cook!' meals. Nearly 20% of our food (over 1,000 products) now meets our 'Eat Well' criteria assessed by the British Nutrition Foundation.

### Food packaging

We started using 50% recycled plastic in the packaging for salad snacks and 30% on snack drinks. This was supported by the trial of in-store recycling facilities in four London stores. This work won us the IGD/Tetra Pak Environmental and National Recycling Awards. We also moved our sandwich packs over to cardboard produced from well-managed forests and started using punnets made from biodegradable plastic across a range of fresh produce lines.

## Targets for 2006/07

Ongoing activities resulting from the commitments we set last year will continue and are outlined in the tables on subsequent pages. However, for this Report we have adopted the approach of using fewer, more strategically important targets for 2006/07.

- 1. Wood/furniture:** Launch further ranges of Forest Stewardship Council (FSC) certified wood furniture.
- 2. Food sourcing:** Use the results of our research into the environmental and socio-economic impacts of food sourcing to support our future sourcing decisions.
- 3. Chemicals:** Launch a range of '100% Natural' household cleaning products. As with our current 'Naturally Inspired' range of cleaners these will be manufactured using only natural or naturally derived cleaning ingredients but they will also be free of all artificial fragrances.
- 4. Ethical Trading:** Make greater use of the Supplier Ethical Data Exchange (SEDEX) database and encourage more of our suppliers to adopt it.
- 5. International franchises:** Extend the use of CSR assessments to our franchise operations in new countries where we open stores.
- 6. Fairtrade:** Review our use of Fairtrade cotton and introduce new ranges in men's, women's and children's clothing. Complete the conversion of tea in our Food Halls to Fairtrade. Expand our range of Fairtrade food products.
- 7. Shell Foundation:** Develop and launch more projects with the Shell Foundation to support small suppliers in the developing world.
- 8. Animal Welfare:** Establish an annual programme of non-food animal welfare projects. These will include supporting the improvement of welfare standards in Indian leather production. We will develop revised specifications and welfare indicators for all fresh meat, poultry and dairy livestock.
- 9. Healthier food:** Complete the removal of potentially harmful hydrogenated fats and oils from virtually all our food by the end of 2006. Incorporate key elements of the Food Standard Agency's traffic light labelling scheme alongside our proven 'Eat Well' sunflower logo. We will continue to reduce the use of salt, added sugar and additives in our food.
- 10. Waste:** Implement the Waste Electrical and Electronic Equipment Directive, which covers the recycling of used electrical products, for our UK stores.
- 11. Food packaging:** Expand our 'Responsible Food Packaging' initiative to use more recycled and natural, sustainable materials.

## Product Sustainable Raw materials

We use a wide range of natural raw materials to produce our goods. Without due care and attention, the sourcing of many of these materials could cause significant harm to the environment. 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 run sustainable sourcing programmes in partnership with suppliers, raw material producers and environment groups.

	What we set out to do in 2005/06	How we did in 2005/06
Food miles	Identify ways of measuring the social and economic impacts of how we source our food on suppliers, workers and communities, as part of a post-graduate research project.	Our post-graduate research project on sustainable sourcing developed five case studies looking at the environmental, social and economic impacts of how we source our food. We held a conference in February 2006 with a wide range of stakeholders to discuss how we might prioritise different issues.
Field-to-Fork	Have our 'Field-to-Fork' self-assessments covering our standards on traceability, minimising pesticide use, ethical trading, use of non-GM ingredients and food safety carried out by the majority of major suppliers by the end of 2005. Review results and develop targets for improvement.	We have not yet achieved this target. This year we have worked with a software provider to make our 'Field-to-Fork' assessments easier for suppliers to use. During 2006, we aim to introduce a database making it easier for us to monitor performance.
Organic cotton	Aim for 5% of our cotton (approximately 2,000 tonnes a year) to be organic by 2010. Continue to work with the Organic Exchange to identify cost-effective ways of developing our usage of organic cotton.	We continued to support the market for organic cotton by contributing to the Organic Exchange. We used around 26 tonnes of organic cotton in our products during 2005. We are now including Fairtrade (see page 15) as part of our commitment to use more sustainable cotton.
Wood/furniture	Continue to work with suppliers of solid wood Home products in the Far East to implement the requirements of our Solid Wood Sourcing Policy.	We used our Solid Wood Sourcing Policy to identify supply chains that require particular attention. This year, we identified seven such suppliers in the Far East and these were assessed by the independent Tropical Forest Trust. From March 2006, our 'Mix and Match' tropical hardwood garden furniture range was produced from sustainable timber certified by the Forest Stewardship Council. In 2006 we received the highest grade A rating from Greenpeace for the sourcing of our garden furniture.
Peat	Maintain progress towards 50% non-peat growing media for plants and flowers by the end of 2005 (39% at the end of 2004) and set further targets with our suppliers.	Currently, 37% of our growing media for plants and flowers is made from non-peat materials. We are currently considering how we can improve this level.
Farmed fish	Evaluate the practicality and costs of introducing a unique salmon feed formula.	We are still evaluating the feasibility of developing a new feed.
Sea-fish	Having worked with Scottish fishermen to identify fishing methods that help conserve cod and improve the quality of haddock we aim to implement the findings.  Continue to work with WWF, the National Federation of Fishermen's Organisations and other stakeholders on the Invest in Fish Project.	Boats that catch fish for M&S are encouraged to register with a trial voluntary scheme administered by the UK Sea Fish Industry Authority. Greenpeace rated us the clear leader in all fields of seafood sustainability in the UK retail sector and we were named as a global Seafood Champion at the International Boston Seafood Show by the Seafood Choices Alliance.  We continued to support the Invest in Fish project to tackle over-fishing, whilst protecting the needs of different communities.
Palm Oil		Palm oil is used for preparing some foods or as a minor ingredient within vegetable oils. There is concern that rainforests in some parts of the world are being cleared to make way for palm oil plantations. We label palm oil wherever it is used as a separate ingredient. We have recently joined the Roundtable on Sustainable Palm Oil (RSPO), a group working to set and implement standards for responsible palm oil production.

## Product Responsible use of technology (including respect of privacy)

We are known for being one of the most innovative retailers. It was Marks & Spencer, for instance, who introduced the technology needed for fresh ready meals and machine washable suits. We will continue to break new ground in order to benefit our customers but we recognise that technology can sometimes develop faster than society's ability to think through the social and environmental consequences of its use. To maintain the trust of our customers we have to act responsibly in how we develop and introduce new technologies.

	What we set out to do in 2005/06	How we did in 2005/06
Intelligent Labels	Extend the trial of our Intelligent Label project, using radio frequency identification device (RFID) technology, to include six clothing departments in 42 stores. Develop a publicly available policy on Intelligent Labels reiterating our commitment to using the technology responsibly.	From 2006 we started to roll-out the trial to six departments in 42 stores. We published our policy on Intelligent Labels on our website, where customers can find out how we plan to use RFID technology in a way that protects their privacy.
Genetically Modified foods	Keep track of changing legislation on GM-foods and labelling to maintain our policy of only selling food made with non-GM ingredients.	Marks & Spencer food continues to be made using non-GM ingredients.
Chemicals used in Clothing, Home and Beauty	Help dye-houses meet our Environmental Code of Practice on dyeing, printing and finishing by continuing to roll-out our self assessment and auditing system.	We updated our Environmental Code of Practice which is now called Environmental, Chemical and Factory Minimum Standards and introduced a new self-assessment guide to help our suppliers check that they're meeting our requirements.
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.	In May 2005, we invited suppliers, regulators and environmental groups to a Marks & Spencer Pesticide Minimisation conference. Suppliers shared their experiences, successes and challenges in reducing pesticide usage. Our work continued to phase out 19 additional pesticides, on top of the 60 we have already banned. Our pesticide residue testing results can be seen in Table II.
Household cleaning products	Investigate the opportunity of applying the principles behind our 'Naturally Inspired' household cleaning range to other types of products around the home.	We extended the principle of 'Naturally Inspired' to other ranges of household cleaning products.
Overall approach to chemicals	Continue to review our strategy on the use of chemicals.	We lobbied Government about the need to make the registration, evaluation and authorisation of chemicals (REACH) regulations effective and efficient. We also co-chaired the Supply Chain Leadership Group, where retailers and chemical companies look at ways to improve the management of chemicals.
Chemicals used in food packaging	Communicate and implement new Food Packaging Chemicals Policy covering areas like safety testing and not using PVC.	Our Food Packaging Chemicals policy is now part of our independently audited Quality Management System.

**Table II**

2005/06 pesticide residues – targets and performance*				
	2005/06 % residue free	2004/05 % residue free	2003/04 % residue free	Ongoing Targets for % residue free
Vegetables	92	88	90	90%
Potatoes	74	75	71	80%
Salads	83	94	76	80%
Fruit	45	37	39	60%
Organics	86**	94	96	100%
Other foods	71	77	72	
Totals	74	73	72	

\* Pesticide data has previously been incorrectly stated as calendar year.

\*\* All residues were of approved organic pesticides.

During 2005/06, a total of 336 samples were tested for pesticide residues. Of these, one sample of nectarines was found to contain a residue in excess of the Maximum Residue Limit (MRL). Further details of how we addressed this MRL are available on our website.

## 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 whilst others argue for the highest standards of welfare possible. Our customers have told us that ensuring good standards of animal welfare is very important to them and this is what we aim to do throughout our supply chains. They are still mainly concerned about the production of food but increasingly attention is also turning to the production of Clothing, Home and Beauty products where they expect us to manage standards carefully.

	What we set out to do in 2005/06	How we did in 2005/06
Food	Refine our 'Green Pastures' project on welfare standards for meat production in consultation with suppliers and farmers. Develop systems to check how suppliers are meeting our new standards. Apply our '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 Indicators (KWI) to track our performance.	We were Highly Commended in the RSPCA's Alternative Award on Food Animal Welfare. In addition, Compassion in World Farming gave us their award for Investment and Innovation in Farm Animal Welfare Research 2005/06 for our work on 'Oakham' chicken. Our 'Green Pastures' project has evolved into the following: We started to apply our 'Oakham' principles of animal welfare more widely. We've started to introduce these to the suppliers of free-range eggs used in our food. For Christmas 2005, our free-range whole turkeys were produced based on our 'Oakham' principles. We are still developing our revised livestock specifications and Key Welfare Indicators.
Pet Accessories		In early 2006, we launched a range of pet accessories developed in collaboration with the RSPCA.
Clothing, Home and Beauty	Implement our new animal welfare policy for Clothing, Home, and Beauty products.	Our animal welfare policy covers animal by-products used to make Clothing, Home and Beauty items and includes our firm commitment not to sell fur. We let suppliers know about the policy on our Quality Standards website, while the public can access our Whole Business Principles on animal welfare from our company website. In 2005, we were the Fashion Retail category winner in the RSPCA's Alternative Awards. We have also encouraged the Australian Wool industry to phase-out veterinary practices that concern some animal welfare groups by 2010. It is our policy that neither we nor our suppliers carry out any animal testing on M&S products. We met stakeholders to discuss how we might additionally be able to help to discourage the testing of ingredients used in our Beauty and Homecare products in the future by adopting a fixed cut-off date system. This would commit us to only using ingredients that are already approved for use at the point we introduce the cut-off date.

## Product Ethical trading

We source our products from around the world from factories and farms employing large numbers of people. How these people are treated is very important to us and our customers. We have been a member of the Ethical Trading Initiative (ETI) since 1999, working with other companies, trade unions and human rights groups to improve conditions for these workers. We expect all our product suppliers, no matter where they are in the world, to meet our Global Sourcing Principles, which outline our expectations on the management of labour standards, and work towards meeting the more demanding ETI standards.

	What we set out to do in 2005/06	How we did in 2005/06
Global Sourcing Principles	Develop and trial a Company-wide system to decide how best and how often to assess how individual suppliers are complying with our Global Sourcing Principles.	During 2005, we introduced a new way of reviewing potential problems at our suppliers so that our assessments can be concentrated where they are most needed.
SEDEX	Develop an implementation plan for extending the use of the Supplier Ethical Data Exchange (SEDEX) database to Clothing, Home and Beauty suppliers and extend its use at Food suppliers.	Around 15% of our Clothing, Home and Beauty and 86% of Food suppliers are now registered users of the SEDEX database. SEDEX allows suppliers to share assessment information with many retailers in a cost-effective way. This is a transitional year of moving from our old databases and consequently not all assessments have been recorded on SEDEX. We have made progress in resolving priority corrective actions but are unable to provide a reliable figure because of the move to SEDEX. We aim to have this information available at the end of 2006.

## Product Ethical trading continued

	What we set out to do in 2005/06	How we did in 2005/06
<p><b>Clothing, Home and Beauty</b></p>	<p>Assess 930 suppliers of Clothing, Home and Beauty products including 250 independent assessments.</p> <p>Identify and participate in new 'best practice' initiatives.</p> <p>Develop an ethical trading module for employees involved in the procurement of Clothing, Home and Beauty products as part of our 'Buying Academy' training programme.</p> <p>Continue programme of training workshops for our suppliers.</p>	<p>We assessed at least 683 locations of which 223 were independently conducted. See Table III. This is the number of assessments we reported to the ETI. We know that this figure is understated as some assessments have yet to be transferred onto the new SEDEX system we are phasing in.</p> <p>Initiatives included taking part in a project in Turkey that looked into developing common standards for the clothing industry. In Bangladesh we took part in a Multi-Fibre Agreement (MFA) Forum project to find ways of making the country's clothing industry more competitive. We also contributed to the ETI's Purchasing Practices Project working with Oxfam to help our buyers understand how their decisions can affect ethical trading requirements.</p> <p>New training materials on ethical trading have been written and were provided to M&amp;S buyers as part of our 'Buying Academy' programme.</p> <p>During the year, we ran practical workshops for suppliers in China, Bangladesh, Thailand and Turkey, to help them comply with our Global Sourcing Principles.</p>
<p><b>Food</b></p>	<p>Assess 319 suppliers of food products including 86 independent assessments.</p> <p>Identify and participate in new 'best practice' initiatives. Encourage everyone who provides labour to our UK finished product suppliers to sign-up to the Code of Practice for Labour Providers.</p> <p>Continue programme of training workshops for our suppliers.</p>	<p>We assessed 575 locations of which 106 were independently conducted. See Table IV. This is the number of assessments we reported to the ETI. We know that this figure is understated as some assessments have yet to be transferred onto the new SEDEX system we are phasing in.</p> <p>We have participated in the UK Temporary Labour Working Group to strengthen the voluntary code and develop the auditing standard which will become the basis of licensing in 2006. Over 100 labour providers who work with our suppliers have been through this process. We lobbied the UK Government to toughen the licensing of temporary labour providers and extend it to cover food producers and the agricultural industry.</p> <p>During the year, we conducted training workshops for our suppliers in Spain. Together with the ETI and our suppliers in Kenya we worked to develop practical guidelines for small farmers on how to implement ethical trading requirements.</p>
<p><b>International franchises</b></p>	<p>Continue to monitor and collate compliance responses from our remaining franchise partners. Ensure corrective actions agreed between franchise partners and their 52 key suppliers and service providers are monitored.</p>	<p>Our franchise business continues to expand, taking us into new countries. To do this we are using the experience and expertise of our existing partners wherever we can. We have collated satisfactory self-assessments conducted over the last two years for 70% of our partners and will continue to monitor the remainder during 2006/07. We also plan to review the implementation of corrective actions at key suppliers and service providers to our franchise partners.</p>

**Table III**

Ethical trading assessments of Clothing, Home and Beauty suppliers			
	2004* Actual	2005* Actual	2006* Actual Target
Total assessed	958	At least 683**	950
Total independently assessed	351	At least 223**	350

\* Data based on calendar year.

\*\* The number of assessments reported to the ETI. We know that this figure is understated as some assessments have yet to be transferred onto the new SEDEX system we are phasing in.

**Table IV**

Ethical trading assessments of Food suppliers			
	2004* Actual	2005* Actual	2006* Actual Target
Total assessed	458	575**	640
Total independently assessed	124	106**	100

\* Data based on calendar year.

\*\* The number of assessments reported to the ETI. We know that this figure is understated as some assessments have yet to be transferred onto the new SEDEX system we are phasing in.

## Product **Healthier food**

The food we eat makes a vital contribution to our health and wellbeing. There is considerable customer and stakeholder interest in issues such as fat, salt, sugar, additives and labelling. To meet this interest, we are continually adding more choices to our healthy food ranges – some of them are recognised as being nutritionally balanced, more and more are free of additives and others are suitable for customers on specific diets. To help our customers make healthier choices, we clearly label our products with information about what goes into the food we sell.

	What we set out to do in 2005/06	How we did in 2005/06
'Eat Well'	Extend 'Eat Well' labelling to all products that qualify as nutritionally balanced, when packaging is updated. Provide additional 'on pack' information to explain how food with the 'Eat Well' sunflower logo meets the criteria assessed by the British Nutrition Foundation. Develop ranges of 'Eat Well' meals, sandwiches and desserts.	Over 1,000 food lines, nearly 20% of our food ranges in-store, now carry our 'Eat Well' logo, including some ready meals and sandwiches. As our packaging was updated, we included new information that explains why the product has earned an 'Eat Well' sunflower. In January 2006, we replaced our traditional post-Christmas diet promotion with an 'Eat Well' healthier eating campaign. During the year, the Food Standards Agency (FSA) consulted with the food industry about its proposals for a voluntary approach to nutritional labelling using 'traffic lights'. We support the need for effective labelling and will aim to incorporate key elements of the FSA scheme alongside our proven 'Eat Well' sunflower.
Labelling	Update labelling and improve the use of Guideline Daily Amounts (GDAs) across our range of food.	We label information per 100 grams or 100 millilitres of food as well as per serving in order to give useful comparisons. Where space allows we also show Guideline Daily Amounts (GDAs) for calories, fat, salt and portions of fruit and vegetables. In addition to our 'Eat Well' sunflower logo, this helps customers make choices based on the nutritional content of foods.
Count on Us	Continue to ask customers what they want from our 'Count on Us' range.	Having listened to our customers, we started to reduce the maximum number of calories in main meals from 500 to 400. We also introduced Glycaemic Index (GI) information on 60 'Count on Us' products.
Food for children	Review the amount of salt, fat and sugar contained in our food for children.	We launched a new range of 'Eat Well for Kids' products. These meals and desserts are nutritionally balanced based on government guidelines for energy, fat, sugar and salt. None of these products contain artificial colours, flavours, sweeteners, monosodium glutamate (msg), added preservatives or hydrogenated vegetable oils. Most main meals include a portion of vegetables.
5-a-day labelling	Extend to any relevant 'Eat Well' products once Department of Health guidance is available.	We developed our own policy to use 5-a-day labelling on relevant 'Eat Well' and 'Count on Us' products.
Fat and Sugar	Create a best practice approach to reducing the fat and sugar content in our foods.	Since removing potentially harmful hydrogenated fats and oils from ready meals in November 2005 we've also done the same with 90% of our foods that previously contained them. Virtually all of our food should be free of hydrogenated fats by the end of 2006. We have developed new guidelines on fat and sugar content and are now working to set reduction targets.
Salt	Make further cuts in the salt content of top selling lines including ready meals, sandwiches and bread (in line with the commitments made to the Food Standards Agency).	We were the first UK retailer to meet the salt reduction targets agreed by the British Retail Consortium with the Food Standards Agency (FSA) on behalf of the UK food retail industry. We are now working towards the more demanding targets set by the FSA for 2010. Table V shows that we have already met these targets for ready meals, bread and breakfast cereals. We aim to continue to reduce the amount of salt in our food.
Monitoring progress	Use new IT system to track progress on salt, fat and sugar.	Our new IT system allows us to keep track of the nutritional qualities of our food.
Additives	Further develop our policy on minimising the use of food additives.	In October 2005, we launched a range of additive-free Marks & Spencer 'Cook!' meals as part of our policy to use fewer additives.



## Product **Healthier food** continued

**Table V**

Reducing salt in Marks & Spencer food against a selection of the Food Standards Agency's (FSA) targets for 2010		
Type of food	FSA 2010 salt Targets (per 100g)	M&S Performance against FSA Targets*
Ready meals	average of 0.6g	average of 0.6g
Bread (pre-packed bread and rolls)	average of 1.1g	average of 1.1g
Breakfast Cereals	average of 0.8g	average of 0.6g
Quiches	maximum of 0.8g	78% are below 0.8g maximum
Sausages	maximum of 1.4g	59% are below 1.4g maximum

\* M&S performance as of January 2006.

## Product **Giving our farmers and growers a fair deal**

We have around 600 Food and 1,300 Clothing, Home and Beauty suppliers around the world. In turn, these are supplied with raw materials by a large number of producers, farms, plantations and fishing fleets. We aim to develop long-term, mutually beneficial relationships with our suppliers but it can be particularly challenging to ensure suppliers of raw materials are paid fairly, especially when it comes to small-scale farmers or growers in the developing world. For this reason we strongly support the work of the Fairtrade Foundation.

	What we set out to do in 2005/06	How we did in 2005/06
Fairtrade	Work towards offering a wider range of Fairtrade products.	From June 2005, all the tea and coffee sold in our Café Revive coffee shops moved to 100% Fairtrade. Nine months later the roast and ground, and instant coffee sold in our food halls started to move over to Fairtrade and we have plans for our tea to follow later in 2006. During the year, we also introduced limited ranges of other Fairtrade products including avocados, bananas, mangos, pineapples, honey and chocolate. In March 2006, we started to sell a small range of men's and women's t-shirts and socks made from Fairtrade certified cotton. We have plans to extend this range to include men's formal shirts and some baby clothes in autumn 2006. The cotton used in baby clothing will also be Organic.
Farmers	Extend guaranteed milk prices for a further six months from April 2005 and include our Irish, Welsh and Scottish dairy farmers. Investigate whether it's possible to use this approach on lamb, chicken, salmon and other foods.	We now pay a guaranteed price for milk to farmers in Northern Ireland, Wales and Scotland as well as England. The price guarantee runs for six-month periods to help farmers plan their business more effectively and this initiative is ongoing. Between June and December 2005, we trialled a similar guaranteed price approach with one of our lamb farmers in Northumbria and again between January and March with a farming collective in the Brecon Beacons who supply us with Brecknock Hill Cheviot lambs. We believe that the trials were successful and will look to extend our use of guaranteed pricing to UK lamb farmers.
Shell Foundation Partnership		Marks & Spencer and the Shell Foundation worked together to set up a new type of supply chain in Africa. The Shell Foundation is investing up to \$1m per year to help small-scale producers in developing countries that supply M&S. Aimed at creating job security and alleviating poverty, the first project is providing advice and financial support to small South African flower pickers and packers on the Agulhas Plain.
Supplier terms of business		From April 2006, we revised our terms of business with suppliers to include a marketing allowance of 0.5% of the cost price. We believe that our suppliers will benefit from this investment in the form of increased sales. We have also aligned the discount terms of our direct Clothing and Home suppliers with those who provide a full supply chain management service for us. More information on our Creditor Payment Policy can be found in our Annual Report.

## Product Reducing waste from packaging and products

The products we sell and the packaging used to protect them eventually become waste. We know that packaging and recycling is an important consideration for many of our customers and is also the subject of much legislation. Under European Union legislation, manufacturers of products and retailers are responsible for some of the costs of recycling. This type of legislation has been in force in the UK since 1997, and will soon be extended to cover electrical and electronic equipment. Over and above our legal requirements, we work with suppliers, packaging companies, recyclers and Government-backed schemes to reduce waste and make our products and packaging socially and environmentally responsible.

	What we set out to do in 2005/06	How we did in 2005/06
Legislation	Monitor and comply with the UK implementation of legislation (Waste Electrical and Electronic Equipment Directive) covering the recycling of used electrical products in 2006.	The introduction of legislation on the recycling of used electrical equipment in the UK has been put back until later in 2006. The legislation came into effect in the Republic of Ireland in August 2005.
Food packaging	<p>Continue to implement 'Responsible Food Packaging' initiative including measures to:</p> <ul style="list-style-type: none"> <li>• Introduce biodegradable plastic packaging made from vegetables and salads from April 2005.</li> <li>• Replace plastic sandwich packaging with cardboard alternatives.</li> </ul> <p>Work with the Waste and Resources Action Programme (WRAP) on packaging reduction initiatives.</p> <ul style="list-style-type: none"> <li>• Extend use of lightweight foamed plastic trays to around half of our pre-prepared meals saving about 50 tonnes of packaging a year.</li> <li>• Review and improve environmental labelling of food (e.g. advice on recycling).</li> </ul>	<p>We continued with the implementation of our Responsible Food packaging initiative which includes projects on packaging reduction, using recycled materials, promoting recycling and a move to more natural sustainable materials.</p> <ul style="list-style-type: none"> <li>• We started to introduce punnets made from biodegradable plastic across a range of fresh produce lines.</li> <li>• When we re-launched our sandwiches in 2005 we replaced plastic packaging with packs made from cardboard sourced from well managed forests.</li> <li>• At the same time, we started using 50% recycled plastic in the packaging for salad snacks and 30% on snack drinks. This was supported by the trial of in-store recycling facilities in four London stores. This work won us the Tetra Pak Environmental and National Recycling Awards, respectively.</li> </ul> <p>Since July 2005, we've been working with WRAP to help reduce the amount of packaging and food waste produced in UK households, as part of their Courtauld Commitment. Projects include:</p> <ul style="list-style-type: none"> <li>• We developed a new lightweight foamed plastic tray technology to reduce the amount of packaging we use for our ready meals.</li> <li>• Preventing wastage by improving the way we seal plastic and foil film packaging.</li> <li>• We are considering how we can help to improve the quality and consistency of our environmental labelling but have not yet started this project.</li> </ul>
Wood/cardboard	Evaluate the costs and benefits of using certified sustainable cardboard product packaging for our food.	In March 2006, we started packing our sandwiches in cardboard sourced from well managed forests, certified by the Forest Stewardship Council (FSC).
Clothing packaging	Introduce new streamlined range of coat hangers from September 2005 supported by improved levels of re-use and recycling.	We streamlined our range of coat hangers. With the exception of a few ranges such as childrenswear and lingerie we have replaced sticky paper labels with plastic sizing inserts. This will help us to cut waste and re-use more coat hangers in the future.

## Product Reducing waste from packaging and products continued

Table VI shows how much packaging we used during 2005. Like all large companies who use packaging we are required by law to pay a 'packaging levy' based on these figures which are used by Government-approved schemes to help fund improved recycling across the UK.

**Table VI**

2005 Marks & Spencer UK Packaging Usage		
Material	Usage* (Tonnes)	% to total
Cardboard	15,192	22
Glass	16,446	24
Aluminium	1,288	2
Steel	1,495	2
Plastic	33,754	49
Wood & Others ( such as ceramics)	308	1
Total	68,483	100

\* Data based on calendar year. These figures are significantly less than those published for 2004 which we believe is due to an improved system of collating data.

## Product 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 a number of possible issues such as ingredients, country of origin, usage and best disposal option. Our aim is to provide 'open and honest' labelling.

	What we set out to do in 2005/06	How we did in 2005/06
Food labelling	Monitor implementation of new food labelling policy.	We have a system that uses independent experts to review the labels on new food products against legal requirements and Marks & Spencer 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.	We launched our product safety website and helpline in October 2005. <a href="http://www.marksandspencer.com/productsafetyinfo">www.marksandspencer.com/productsafetyinfo</a>

# People

**With the UK retail employment market becoming ever more competitive, we are committed to offering an attractive mix of rewards, development opportunities and working conditions to attract and retain the right people. M&S employment policies reflect the requirements of the United Nations Universal Declaration of Human rights.**

## OUR SERVICE STYLE

Around 56,000 Marks & Spencer employees attended our key training programme to improve the service we offer our customers.

The 'Our Service Style' training took the form of one day events around the UK and the Republic of Ireland and involved up to 5,000 employees at a time. The events were specifically designed to equip our store colleagues with the skills required to provide great service to our customers.



## Overall aim

We need great people to deliver great service for our customers. To attract and retain the right people we need to be seen as a retail employer of choice.

We offer competitive reward packages but attracting and retaining the most talented people requires more than this. Our employees have told us they're keen to get the right coaching and training to help them enjoy their work and fulfil their potential. They also want more career opportunities. We have important legal and moral responsibilities to ensure the health, safety and wellbeing of our employees as well as creating a fair, equitable and diverse working environment.

Finally, as a business that is conscious of its CSR credentials we have to provide our people with guidance and information about our values. These are all areas we've been working on this year and will continue to work on.

## Highlights of 2005/06

More details on these and our other People CSR activities can be seen in the tables over the page.

### Communication

We launched new ways to improve communication with employees about changes that affect them, including a regular 'Investing in You' newsletter, notice boards and a pension's bulletin. We also set up a company intranet. We improved the effectiveness of our employee Business Involvement Groups and consulted with them on a wide range of issues.

### Reward

We introduced a new pay system for customer assistants in our stores, replacing 429 different pay rates with four. We also improved the benefits we offer to include unlimited 20% discount in our stores and an access to low cost legal advice. We launched an 'M&S Extras' programme, offering special discounts and offers on days out and services, and an employee Christmas saving scheme with a preferential rate of interest. Every employee received a personal reward statement providing information about the range and value of their reward package.

### Sharesave

More than 11,500 employees who participated in our Save As You Earn share option schemes which matured in January 2005 received shares worth over £40m. As a result of the M&S share price reaching over £5 in January 2005 this represented a return of up to 260% on original investments.

### Training

We provided more than 102,000 days of training including 'Our Service Style' for store colleagues and 'Buying Academy' for those based in head office.

### Career development

We introduced new training and promotion opportunities for customer assistants with a new pay and career structure covering UK stores called 'Your M&S Career Path'. This has four levels: Trainee, Qualified, Coach and Section Co-ordinator and offers clear career progression.

### Occupational health

We trialled services providing employees with free, fast referral to physiotherapists, osteopaths and chiropractors and access to confidential telephone advice and counselling to help them with physical and mental health problems which affect their performance at work.

In 14 trial stores, absence fell by 8%.

### Smoking

We banned smoking in all Marks & Spencer workplaces in Scotland, England, Wales and Northern Ireland from 26 March 2006. This was in line with new legal requirements in Scotland and ahead of those in the rest of the UK.

This was introduced in consultation with employees.

### Code of Ethics

To replace a number of separate documents we developed a new consolidated Marks & Spencer Code of Ethics that sets out our values and the responsibilities we have to our customers, employees, shareholders, suppliers, government, communities and the environment.

## Targets for 2006/07

Ongoing activities resulting from the commitments we set last year will continue and are outlined in the tables on subsequent pages. However, for this Report we have adopted the approach of using fewer, more strategically important targets for 2006/07.

- 1. Training:** Extend our 'Buying Academy' training to our head office employees in the Food Division.
- 2. Career development:** Launch a 'Your M&S Career Path' programme for section and store managers. This will provide a step-by-step career plan linked to skills and performance.
- 3. Diversity:** Comply with new legislation on Age Discrimination in October 2006 and complete discrimination training for human resource managers.
- 4. Occupational health:** Extend our trials to provide employees with free, fast referral to physiotherapists, osteopaths and chiropractors, and access to confidential telephone advice and counselling to help them with physical and mental health problems which affect their performance at work.
- 5. Fire, Health and Safety:** Reduce accidents and absence related to any work-related injury.
- 6. Code of Ethics:** Communicate our new consolidated Marks & Spencer Code of Ethics across the Company.



### BEST WORKPLACES 2006

Marks & Spencer was ranked as one of the top 50 UK Best Workplaces in the 2006 FT/Accountability survey. We were also presented with the Corporate Responsibility Award for our 'Marks & Start' work experience and 'Look behind the label' communication programmes.

## People **Communication and consultation**

Communication and consultation with employees is an important way of sharing ideas and improving the business. This is important at all times, but particularly when the Company is going through a period of significant change. Marks & Spencer is committed to a direct relationship with its employees. We involve our employees in work and employment matters that affect them via a democratically elected network of Business Involvement Groups (BIGs) and a European Works Council.

	What we set out to do in 2005/06	How we did in 2005/06
Communicating with employees	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 returning the business to strong growth.	We launched new ways to improve communication with employees about changes that affect them, including a regular 'Investing in You' newsletter, notice boards and a pension's bulletin. We also set up a company intranet. We've made significant changes to the employee magazine to make it more accessible with more features and bolder use of graphics and photographs.
Business Involvement Groups (BIGs)	Involve employee representatives early in key business change programmes so they can feed back employees' views and ideas.  Provide further training for employee representatives, managers and human resources teams to help them consult with colleagues more effectively.	We regularly consulted our Business Involvement Group (BIG) representatives about a wide range of issues including the sale of our print unit at Burnley, redundancies, store closures and the introduction of a new pay and training framework for customer assistants. We also consulted on a review of long service arrangements, consolidation of Christmas bonus, the introduction of an unlimited staff discount and new employment policies on smoking and managing poor performance. BIG representatives, human resource managers and line managers who regularly deal with BIGs, all received additional training on issues such as the right to be accompanied at disciplinary interviews and the principles of involvement and consultation. A tool-kit was launched to support local and divisional BIG work. In October, we identified further training that would help employee representatives, such as IT skills and managing difficult conversations.
Motivation and Morale	Continue to seek feedback from our colleagues.	We receive continuous feedback from colleagues through the BIGs. At the start of 2006, we launched a shorter, easier to complete employee opinion survey called 'Your M&S, your say'. The results, which for the first time are compared with other leading UK companies, were shared with all employees in spring 2006.

## People **Business Ethics**

The behaviour of Marks & Spencer employees affects the way people view the Company. All employees are expected to behave ethically when working on behalf of Marks & Spencer. This includes complying with legislation, meeting Company policies and acting with integrity. Our aim is to ensure that our employees feel confident about the Company's expectations on business ethics.

	What we set out to do in 2005/06	How we did in 2005/06
Overall approach	Continue our commitment to our five core business values (Quality, Value, Service, Innovation and Trust) and review whether we need further guidance on our business principles.	We continued to emphasise our commitment to our five core business values in our internal communications. These values were also underlined in our 'Look behind the label' marketing and communications campaign in 2006 on qualities that make Marks & Spencer special.
Responsible lobbying		We contributed to reports on responsible political lobbying which were written by the Institute of Business Ethics and SustainAbility/WWF. Marks & Spencer featured in both as case studies on 'best practice'.
Code of Ethics		To replace a number of separate documents we developed a new consolidated Marks & Spencer Code of Ethics that sets out our values and the responsibilities we have to our customers, employees, shareholders, suppliers, government, communities and the environment. The Code was launched in May 2006 and senior management are required to confirm their acceptance annually. The Corporate Governance team will monitor how we implement and comply with the Code.

## People Training and career development

The retail industry changes fast and making sure each of our employees has a flexible and diverse range of skills is as important to the future of our business as it is to the people who work for us. That's true whether an employee joins us for a short period of time or to pursue a long-term career. The training we offer is designed to help individuals develop their talents and capabilities, expand their experience and fulfil their career ambitions. Our aim is to ensure that our employees have the skills they need to deliver the kind of service our customers expect from us.

	What we set out to do in 2005/06	How we did in 2005/06
Buying	Complete first phase of the 'Buying Academy' training programme for head office based Clothing, Home and Beauty teams by the end of July. Develop the second phase of training covering technical, systems and general management skills. In the longer term, to establish an ongoing development programme that supports a consistent and efficient approach to buying, and provides new skills and career opportunities for employees involved in buying.	During the year, over 700 people took part in a variety of sessions, ranging from two hour seminars to five day courses, aimed at establishing a standard, market-leading approach to buying. We also ran familiarisation sessions for heads of departments, directors and suppliers. From August 2005, we ran a series of short seminars to reinforce the new techniques. We continued to support the 'Buying Academy' by holding seminars on specific aspects of buying and subjects like Ethical Trading.
Service	Develop and implement a programme that will establish the kind of service we want our customers to expect and develop the skills of the people working in our stores. Find new and better ways of recognising employees who deliver great service to customers and colleagues.	Around 56,000 employees took part in the 'Our Service Style' programme of one day events, learning how to provide great service to our customers. To back up the events we are producing coaching cards and performance management tools for line managers. We increased the number of winners at our annual dinner to reward employees for exceptional service and invested more in our regular 'Great Service Awards'.
Career Paths	Invest more time and money in structured training programmes and accreditation so our store employees continue to acquire new skills and knowledge while working for us.	We introduced new training and promotion opportunities for customer assistants with a new pay and career structure covering UK stores called 'Your M&S Career Path'. This has four levels: Trainee, Qualified, Coach and Section Co-ordinator and offers clear career progression. We plan to launch career paths for section and store managers later in 2006.
Measurements	Look for new ways of measuring how effectively our training improves the performance of employees in the workplace.	We continue to work on ways to measure how effective our training is, for instance, by monitoring customer feedback. Since we launched structured training and accreditation for all store employees in June 2005, more than 102,000 days of training have been provided. The programme is planned to continue throughout 2006/07.

## People Reward

Our pay and other benefits have to be competitive with other retailers with whom we compete for the best retail professionals. Our reward packages include combinations of fixed pay, performance payments and a wide range of other benefits. Our aim is to offer employees highly competitive reward packages which will help us attract and retain the best people.

	What we set out to do in 2005/06	How we did in 2005/06
Reward packages	Create rates of pay which are competitive, affordable and reward individual performance in helping to create a high performance culture within Marks & Spencer.	Our customer assistants received pay rises above the retail industry norm, with the minimum award being 5%. Head office and store management pay reviews for 2005/06 were based on individual performance and averaged above inflation. We introduced a new pay system for customer assistants replacing 429 different pay rates with four and eliminating separate rates for employees under 18 years of age. We improved the benefits we offer to include unlimited 20% discount in our stores and access to low cost legal advice. We also launched an 'M&S Extras' programme offering special discounts and offers on days out and services, and an employee Christmas saving scheme with a preferential rate of interest. Every employee received a personal reward statement providing information about the range and value of their reward package. We also announced improved discounts for Marks & Spencer pensioners.

## People Reward continued

What we set out to do in 2005/06	How we did in 2005/06
<p>Reward packages continued</p> <p>Introduce an easy-to-understand bonus scheme for head office staff and store managers which motivates them to play their part in increasing sales, improving customer service and boosting profitability.</p>	<p>More than 11,500 employees who participated in the Save As You Earn share option schemes which matured in January 2005 received shares worth over £40m. As a result of the M&amp;S share price reaching over £5 in January 2005 this represented a return of up to 260% on original investments.</p> <p>We launched a bonus scheme for around 8,000 head office staff and store management teams linked to targets on sales, cost control and profits. The bonus for senior management is paid in the form of deferred shares to align managers and shareholders' interests and to encourage retention of talent.</p>

## People Diversity and opportunity

Attracting and retaining a culturally and socially diverse workforce enables us to recruit the best people from a wide pool of talent, and meet the needs of the communities in which we trade. We value diversity and through our equal opportunities policy we are committed to creating an environment that offers everyone the chance to use their talents and abilities. That means a workplace that is free from discrimination, harassment or victimisation, where everyone will be treated equally regardless of age, colour, disability, gender, race, sexual orientation, hours of work, marital status, national origin, political opinions or religious belief.

	What we set out to do in 2005/06	How we did in 2005/06
Policy	<p>Review how we can make improvements in the way we measure and manage diversity.</p> <p>Provide training which covers age, gender, race, ethnicity, sexual orientation and disability issues.</p>	<p>Our workforce diversity is shown in Table VII.</p> <p>When we launched our new confidential staff opinion survey, 'Your M&amp;S, your say', in January, we monitored diversity for the first time, gathering information on age, gender and ethnicity. This will help us to understand and respond to issues relating to diversity.</p> <p>We improved training: all our new managers now receive diversity training, and new recruits learn about our approach to diversity during induction training. We also updated our employee diversity booklet, 'Equal Opportunities and You'.</p> <p>We began preparing for the introduction of new Age Discrimination legislation in October 2006 to make sure none of our employees faces discrimination, whatever their age.</p> <p>In spring 2006, we launched special training for over 200 human resource managers on discrimination to strengthen our approach to diversity and equal opportunities.</p>

Table VII

2005/06 Workforce 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 employees (as of March 2005)	77%	68%	14%	8%	24%	24%
UK averages (2001 Census)	50%	–	8%			

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



## People Health, safety and wellbeing

The health and safety of our employees and the people who enter our premises is protected by well managed systems in all our places of work. We also look after the health and wellbeing of the people who work for us by providing a range of occupational health services to employees throughout the Company.

	What we set out to do in 2005/06	How we did in 2005/06
Occupational health	<p>Work towards the implementation of new legislation banning smoking in all enclosed workplaces in Scotland from May 2006 and England, Wales and Northern Ireland by 2007. Provide support and assistance to affected employees.</p> <p>Develop occupational health data collection software to improve information on ill health absence.</p>	<p>We banned smoking in all Marks &amp; Spencer workplaces in Scotland, England, Wales and Northern Ireland from 26 March 2006. This is in line with new legal requirements in Scotland and ahead of those in the rest of the UK. Employees could access support and advice on how to give up smoking on our company intranet.</p> <p>We've introduced a new system that allows our Occupational Health team to provide better information about the health of people throughout the Company. We can now produce reports that show reasons for absence and indicate whether certain types of ill health are more likely in specific locations. This is improving the way we target specific health issues.</p> <p>We launched a pilot scheme offering support to employees suffering from any type of musculoskeletal or mental health conditions. The scheme provides fast track referrals to physiotherapists, chiropractors and osteopaths, and a confidential telephone helpline with counselling for people with mental health problems. The physiotherapy trial was launched in 14 stores in Scotland and Northern Ireland in September and reduced sick absence in these stores by 8%.</p>
Flu pandemic planning		<p>We met with Government agencies to discuss the best ways of looking after our employees and we held a crisis management team exercise on how we would continue to run our business in the event of a flu pandemic.</p>
Fire, Health and Safety	<p>Review the Health and Safety Committee's Terms of Reference to ensure appropriate representation and regular feedback to the Board.</p> <p>Continue to train our Fire, Health and Safety officers to identify health and fire risks with the Chartered Institute of Environmental Health (CIEH) and the West Midlands Fire Brigade, our Fire Lead Authority. Review legislation awareness for store managers.</p> <p>Review effectiveness of accident reporting. Concentrate on priorities of slips, trips and falls, workplace transport, musculoskeletal disorders, working at height and work-related stress.</p>	<p>The terms of reference of the Fire, Health and Safety Committee were revised in July 2005. The Committee, which meets quarterly, has 13 members drawn from every area of our business. It is responsible for making sure we manage our policies effectively and keeping us up to speed with legal actions and changes in legislation. The Committee Chairman updates the Board at least annually. The Committee also consults with all store and head office Business Involvement Groups. Each BIG has a Fire, Health and Safety Officer attend to update them on company performance and initiatives.</p> <p>Each of our stores has a Fire, Health and Safety Officer. They take part in accredited training via the Chartered Institute of Environmental Health's Supervising Health and Safety Course. In addition, working with our fire Lead Authority, the West Midlands Fire Brigade, they complete Fire Risk Assessment Training. We also worked with West Midlands to re-write our fire risk assessment process in line with the forthcoming Fire Regulatory Reform Order which will become law in October 2006.</p> <p>In August 2005, we launched an online accident reporting system in all our stores. This has improved our ability to gather information on any incidents and accidents and in turn has led to better reporting to the Health and Safety Executive. We saw reportable incidents rise to 1,191, which we believe was due to improved reporting awareness. The improved reporting will leave us better placed to identify the cause of accidents and take further steps to prevent them.</p>
Major incidents		<p>There were no major injuries or fatalities in our business.</p>

# Places

**A successful retail business relies upon healthy, vibrant communities. We aim to act as good neighbours and contribute to the improvement of communities and protection of the environment wherever we trade.**

## MARKS & START

The winner of our 2005 'Marks & Start' Buddy of the Year award was Larry Birchall from M&S Brighton store. What made Larry's application to our annual Employee Volunteer Awards stand out was that as a former homeless person in 2003, he'd been one of the first people to benefit from the 'Marks & Start' work experience programme.



## Overall aim

By relating our CSR activities to the communities where we do business, we aim to make them better places to live and work in. Our aim is to foster good relationships with those communities and manage responsibly the impact our operations have on the environment.

We invest at least 1% of pre-tax profits in local communities as part of our commitment to the Per Cent Standard. We use the London Benchmarking Group (LBG) reporting model to calculate our contributions to the community. The LBG model provides a standardised way of managing and measuring a company's investment in the community. We run annual Employee Volunteer Awards and matching fund schemes to support the active involvement of our employees in community initiatives. We also work with charity partners to make it easier for our customers to donate to causes they feel strongly about. To operate our stores as responsibly as possible, we set out to minimise our use of energy and water and take the opportunity to buy less polluting electricity where we can.

## Highlights of 2005/06

More details on these and other related CSR activities can be seen in the tables over the page.

### Per Cent Standard

We invested a total of £9.3m in the community, equivalent to 1.5% of our pre-tax profits – £3.4m in cash and £4.2m in gifts-in-kind. The remainder was made up in employee time from our UK, Republic of Ireland and Hong Kong operations.

### Marks & Start

In the second full year of our employment programme, a further 3,300 people took up work experience placements with us. Nearly 40% of adult participants have found work as a result and 1,000 of our employees have also had the opportunity to improve their skills acting as 'buddies' to the participants. We also provided help to some of our international suppliers who wished to use the 'Marks & Start' programme to help their local communities. By the end of March 2006, projects to help disabled women at five suppliers in Turkey and Sri Lanka had been launched.

### Breast Cancer Awareness

In our fifth year of supporting Breakthrough Breast Cancer we raised a total of £1.5m through the sale of pins, wristbands, clothing and food products and fundraising in stores.

### Tsunami disaster

We seconded an M&S manager to oversee the use of a £250,000 donation from the Company to help re-build homes and lives in tsunami-affected Sri Lanka. The donation has been used to re-build 80 homes in the villages of Millenyia, Kahawa and Akurala. We also supported a programme to help affected people re-build their livelihoods by providing training and construction equipment.

### Accessibility

During the year, accessibility to our corporate website has been improved to follow UK Government website guidelines. All pages meet the requirements of at least level A of the Web Content Accessibility Guidelines and the majority are at AA or AAA levels. A full Accessibility Statement is included on our website.

### Store equipment

New store carpeting for our Lingerie and changing room areas was provided as 100% carbon neutral. This means that actions have been taken by the supplier to cancel-out the carbon emissions that would contribute towards global warming. These carpets are also re-usable and recyclable when they are eventually removed from our stores.

We have now replaced HCFC gases, in refrigeration equipment in 90% of our stores.

### Energy

As well as installing energy efficient equipment, from April 2006 all our stores in England and Wales were powered by less polluting electricity. This energy comes from good quality Combined Heat and Power (CHP) generators and will reduce the resultant carbon dioxide emissions by over 40%.

### Waste

We carried out our first detailed reviews of how much waste our stores produce – 40,000 tonnes a year. This information will allow us to set targets to reduce this figure over the next three years.

### Transport

We increased the percentage of our UK delivery fleets using less polluting Euro III engines from 79% last year to 89% in 2006.

## Targets for 2006/07

Ongoing activities resulting from the commitments we set last year will continue and are outlined in the tables on subsequent pages. However, for this Report we have adopted the approach of using fewer, more strategically important targets for 2006/07.

**1. 'Marks & Start':** Run the third year of our 'Marks & Start' work experience programme and offer support to suppliers and franchise partners around the world who wish to use it in their local communities.

**2. Breast Cancer Awareness:** Extend our Breakthrough Breast Cancer support to include the Fashion Targets Breast Cancer campaign in May 2006.

**3. Energy:** Reduce our store energy carbon emissions by a further 20%. Use compliance with new legislation on energy efficiency to work towards 'low carbon footprint' energy efficient stores.

**4. Waste:** Reduce the amount of waste sent for disposal from our stores per £1m sales by 10% by 2010.

**5. Transport:** Start to upgrade our delivery fleets to Euro IV standard engines.



Despite transporting much greater volumes of merchandise, we managed to use no more fuel and cover slightly less distance than in 2004/05. Our non-food fleets used 9% less fuel due to the introduction of 47 triple-deck trailers which can carry up to three times more products than standard trailers. However, this was balanced by our food delivery fleets using 4% more fuel in order to service the increased number of Simply Food stores.

## Places Community

All companies need stable and prosperous communities if they are to trade successfully. 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 we also support their Per Cent Standard, which commits companies to investing at least 1% of pre-tax profits in community projects. We also offer support for our employees who wish to help their local communities.

	What we set out to do in 2005/06	How we did in 2005/06
Per Cent Standard	Maintain the Per Cent Standard by investing at least 1% of pre-tax profits in the community.	We invested a total of £9.3m, equivalent to 1.5% of our pre-tax profits – £3.4m in cash and £4.2m in gifts-in-kind. The remainder was made up in employee time from our UK, Republic of Ireland and Hong Kong operations.
'Marks & Start'	Run second full year of our programme offering a further 2,635 work placements.	In the second full year of our work experience programme, we exceeded our target as a further 3,300 people took up placements with us. This means that since the launch in 2004, around 6,000 people have now benefited from the programme with nearly 40% of 1,200 participating adults finding work as a result. Around 1,000 of our employees have also had the opportunity to improve their skills acting as 'buddies' to the participants.
'Marks & Start' International		We also provided help to some of our international suppliers who wished to use the 'Marks & Start' programme to help their local communities. By the end of March 2006, projects to help disabled women at five suppliers in Turkey and Sri Lanka had been launched.
Employee Volunteer Awards	Participate in the 'National Year of the Volunteer'. Support stores in their local communities with local donations and matched giving.	We were a corporate partner in the Government's 'National Year of the Volunteer' initiative in 2005. More people than ever entered our sixth annual Employee Volunteer Awards. The awards recognise employees who make a difference in their local communities and those who act as buddies to 'Marks & Start' work experience participants. We continued to provide local donations from stores and matched funds to support teams of employees raising money for good causes.
Tsunami Disaster	Second a member of management to Care International UK based in Sri Lanka to help identify re-development projects and ensure the Company donation is put to best use.	We seconded an M&S manager to oversee the use of a £250,000 donation from the Company to help re-build homes and lives in tsunami-affected Sri Lanka. The donation has been used to re-build 80 homes in the villages of Millenya, Kahawa and Akurala re-housing around 350 people. We also supported a programme to help affected people re-build their livelihoods by providing training and construction equipment.
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 (BID).	We have supported the Pride of Place programme and Occupier Forum. We also worked in partnership with other local employers to launch a careers fair at North Westminster Community School. M&S has participated on the Board of the Paddington BID.

## Places Raising customer donations

Charitable organisations make a huge contribution to improving the lives of many people by working in partnership with companies and government. As well as the donations we make ourselves, we know that many of our customers appreciate the opportunity to support particular charities. Our aim is to form strategic partnerships with a small number of charities that make it easy for our customers to donate money to them.

	What we set out to do in 2005/06	How we did in 2005/06
Breast Cancer Awareness	Continue to support Breakthrough Breast Cancer Awareness by selling an extended range of lingerie and other products including tie-in foods carrying our 'Eat Well' sunflower. Look into ways of involving our customers in Breakthrough Breast Cancer activities.	In our fifth year of supporting Breakthrough Breast Cancer we raised a total of £1.5m through the sale of pins, wristbands, clothing and food products and fundraising in stores. We also reached our target of becoming the retailer most associated with Breast Cancer Awareness Month by M&S customers.
Shelter		10p from the sale of M&S Christmas Sandwiches and other specially labelled snack lines were donated to Shelter during the month of December 2005. This raised over £120,000 for the homelessness charity.

## Places Shopping environment

Retail customers have many options in purchasing goods from high streets, to shopping centres, and railway and airport locations through to the internet. To be attractive to customers, our stores and their surroundings have to be welcoming, safe and easily accessible. We have developed policies to make our products and services accessible to everyone.

	What we set out to do in 2005/06	How we did in 2005/06
Access for people with disabilities	<p>Adopt disability access best practices where it is reasonable to do so as stores are built or refurbished.</p> <p>Continue to use customer feedback to decide which store facilities we need to improve and when.</p> <p>Conduct ongoing user group reviews of new stores with disabled customers.</p>	<p>Our programme to renew existing stores and open in new locations has allowed us to adopt disability access best practices wherever these are reasonable. For example, increasing the size of fitting rooms and improving the use of colour contrasted surfaces.</p> <p>We have used customer feedback collected through stores and our central customer services team to re-prioritise our programme of improvements to existing stores.</p> <p>We have not conducted user group reviews with disabled customers as we had planned. We are looking at ways of how we can address this in 2006/07.</p> <p>During the year, we ran two training sessions covering visual impairment and wheelchair use for our store design consultants. Accessibility to our corporate website has been improved to follow UK Government website guidelines. All pages meet the requirements of at least level A of the Web Content Accessibility Guidelines and the majority are at AA or AAA levels. A full Accessibility Statement is included on our website.</p>
Store equipment		<p>During the year, new store carpeting for our lingerie and changing room areas was provided as 100% carbon neutral. This means that actions have been taken by the supplier to cancel-out the carbon emissions that would otherwise contribute towards climate change. These carpets are also re-usable and recyclable when they are eventually removed from our stores. We also plan to trial natural and biodegradable rubber flooring to eventually replace the existing plastic material.</p>
Business Improvement Districts	<p>Support a new approach called Business Improvement Districts (BIDs) in the West End of London, Kingston-upon-Thames, Paddington, Liverpool and Rugby where companies invest collectively in local improvements by paying a levy of around 1% on top of business rates. This allows businesses to fund services not provided by local authorities, such as improved security and specific cleaning services. Through these schemes our store managers can take an active part in improving their local shopping environment.</p>	<p>All the BIDs proposed in 2005/06 are now in place, along with similar schemes in Blackpool, Lincoln, Bedford, Coventry, Bristol, Plymouth and part of the City of London. We also supported the BID in Southport and a proposed scheme in Maidstone, which failed to go through because it lacked local support. We continue to work with the British Retail Consortium to ensure BID funds are used in the best ways possible to improve the local shopping environment.</p>

## Places Transport

The emissions and congestion caused by transporting people and goods to our stores can have a significant effect on the environment. When we build stores and design delivery schedules we take into account transport facilities for customers and employees as well as our impact on the local neighbourhood. We work to make the vehicles that deliver our products as environmentally efficient as possible.

	What we set out to do in 2005/06	How we did in 2005/06
Emissions	<p>Continue with programme of upgrading the efficiency of logistics fleets.</p>	<p>89% of our UK delivery fleets are now using less polluting Euro III engines up from 79% last year. In total, our delivery fleets used the same amount of fuel producing similar CO<sub>2</sub> emissions as the previous year. See Table VIII.</p>

Table VIII

Food and non-food UK and Republic of Ireland store delivery fleets			
	2004/05	2005/06	% change
Vehicles with Euro III or better engines	79%	89%	+10% of total
Distance covered in million kms	73	72	-1%
Fuel use in million litres	22	22	Level
Resulting CO <sub>2</sub> emission in 000 tonnes based on DEFRA guidelines	59	59	Level

## 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. Recent increases in wholesale electricity and gas prices also mean that energy is now an important operating cost for retailers. Other resources such as water and waste are subject to legislation designed to make their costs reflect the impact they have on the environment. We run several schemes to help our stores and other buildings become more environmentally efficient, such as monitoring our use of electricity every half hour. We use re-usable packaging systems that reduce waste when transporting our fresh foods and some types of clothing. We cut food waste by selling unsold items to employees at a reduced price or donating them to charities.

	What we set out to do in 2005/06	How we did in 2005/06
Energy	Continue to upgrade equipment as part of store refurbishment programme. Work towards meeting new legislation on energy efficiency in buildings (UK Building Regulations part L and EU Energy Efficiency in Building Directives) which comes into force in 2006. Participate for the fourth year in the UK Emissions Trading Scheme for head office locations.	As well as complying with the new legislation on energy efficiency, we have gone further by ordering energy audits on all new and refurbished stores. This supports our aim to develop a low carbon 'footprint' design for our stores. Since 2002/03, we have reduced the amount of energy we use in our stores and offices by 5% (from 953 to 910GWhs). Together with buying less polluting electricity, this has reduced our carbon dioxide emissions by 9% (from 360,000 to 327,000 t p.a.) over this same period. Since April 2006, we have been using less polluting electricity in our stores in England and Wales, further reducing carbon dioxide emissions from these stores by around 40%. We also took part in the UK Emissions Trading Scheme for the fourth year. Our energy usage is shown in Table IX. To help us become more energy efficient, we have worked closely with the Carbon Trust, Birmingham City Council Building Consultancy and our development consultants and contractors.
Waste	Re-tender store waste collections. Plan increases in separate collections of unsold food to meet the second phase of Animal By-Products Regulations coming into force in early 2006.	We appointed a national waste contractor in early 2006 and estimate that our stores generate around 40,000 tonnes of waste a year. We want to find out how we can reduce this by auditing the types of waste we produce during the next 12 months. We updated our approach to reflect amendments to the Animal By-Products Regulations.
Water	Identify stores and equipment where we can improve usage cost effectively.	No significant progress has been made this year. Our annual water usage was 1,021,000 m <sup>3</sup> which was an increase of 13% on the previous year. However, we are planning to investigate how we can make better use of recycled water in our stores.
Refrigeration	Continue to replace HCFC refrigeration (last year 80%) and air-conditioning systems (last year 60%) in line with our store refurbishment programme.	90% of our stores now have non-HCFC refrigeration (up from 80% last year). Our work on non-HCFC air-conditioning systems also continued. The replacements we are currently using are based on HFCs, powerful greenhouse gases. For this reason we have joined forces with the British Refrigeration Association and the Carbon Trust to develop alternatives to HFCs.
Environmental legal compliance		We had no environmental prosecutions in 2005/06.

Table IX

Electricity and gas consumption in UK stores and offices (excluding outlet and UK franchise stores)			
	2004/05	2005/06	% change
<b>Electricity</b>			
Brown grid electricity usage in Gigawatt-hours (GWhs)	630	630	Level
Greener less polluting electricity usage in GWhs	68*	67	Level
Total electricity usage in GWhs	698	697	Level
Resulting CO <sub>2</sub> emissions in 000 tonnes based on DEFRA guidelines	287	287	Level
<b>Gas</b>			
Gas usage in GWhs	216	213	-1%
Resulting CO <sub>2</sub> emissions in 000 tonnes based on DEFRA guidelines	41	40	-2%
<b>Electricity and Gas</b>			
Total energy usage in GWhs	914	910	Level
Total CO <sub>2</sub> emissions in 000 tonnes based on DEFRA guidelines	328	327	Level

\* In our 2005 CSR Report this figure was incorrectly described as green renewable energy with zero carbon emissions. More accurately it is greener energy which produces 44% less carbon emissions.

# Independent Assurance Statement

## To the management of Marks and Spencer Group plc

We have been asked to review Marks & Spencer's '2006 Corporate Social Responsibility (CSR) Report' (the Report) in accordance with the scope of work described below. Marks & Spencer management has prepared the Report and are responsible for the collection and presentation of information within it. Our responsibility in performing our work is to Marks & Spencer management only in accordance with the scope of work agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organisation.

### What did we do to form our conclusions?

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

- whether the Report covers the key CSR issues raised in the media and the Marks & Spencer annual customer survey.
- whether targets relating to 2005/06 have been transferred from the CSR Report 2005 into this Report.
- whether CSR performance claims made in the Products section of the Report on pages 10-17 are consistent with the explanation and evidence provided by relevant managers at company level.
- whether the data presented in tables within the Report have been correctly transferred from the relevant company-level data records.

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

1. Interviewed a selection of Marks & Spencer managers responsible for aspects covered in the products

section of the report to understand the current status of progress against CSR objectives and the mechanisms for measuring progress.

2. Reviewed relevant documentation, such as, guidance documents, status reports, meeting minutes (eg, CSR Forum), internal spreadsheets and assurance reports to review consistency with CSR progress claims made and data presented.
3. Tested the scope and balance of the information contained in the Report against:
  - > Internal documents such as the CSR Forum and CSR Committee briefing papers and minutes.
  - > A selection of external media sources relating to Marks & Spencer's management of CSR issues.
  - > The key CSR goals published in last year's CSR Report.
  - > The main findings from the annual Marks & Spencer customer survey.

### 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 completeness of data presented in tables 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 below.

- we are not aware of any key CSR issues raised in our review of the media and the Marks & Spencer customer survey 2005 which have been excluded from the Report.
- with the exception of targets relating to the financial services business which was sold in 2005, we are not aware

of any 2005/06 targets presented in the CSR Report 2005 which are not included in the Report.

- we are not aware of any misstatements in the claims made by management within the Products section of the Report on pages 10-17.
- we are not aware of any errors in the transfer of relevant data from company-level data records into the tables presented in the Report.

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

With respect to the data presented in the Report, the quality of supporting documentation and internal assurance remains an area for improvement. This observation does not affect our conclusions presented above.

### Our independence

This is the third year Ernst & Young LLP has provided independent assurance services in relation to Marks & Spencer's CSR reporting. With the exception of this work we have provided no other services relating to Marks & Spencer's approach to CSR or any of the 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  
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# MARKS & SPENCER

**It's not just  
our green dyes  
that won't  
harm the  
environment.**

YOUR M&S  
look behind the label



**There's nothing  
woolly about  
our commitment  
to animal  
welfare.**

YOUR M&S  
look behind the label



**Our ready  
meals lack  
a certain  
something.  
Hydrogenated  
fats.**

YOUR M&S  
look behind the label



**We're reducing  
salt in our food  
faster than  
you can say  
'sodium chloride'.**

YOUR M&S  
look behind the label

