

# YOUR M&S

## How we do business 2007 report



# About M&S

We are one of the UK's leading retailers, with over 15.8 million people visiting our stores each week. We offer stylish, high quality, great value clothing and home products, as well as outstanding quality food, responsibly sourced from around 2,000 suppliers around the world. We employ over 75,000 people, in the UK and abroad, and have around 520 UK stores, as well as an expanding international business.

In 2006/07, we recorded sales of £8.6bn and profit before tax of £965.2m. We are the UK's largest clothing retailer with a marketshare of 11.1%. We also have a 4.3% share of the UK food market. Almost all the clothing, food and home products we sell are own-brand.

Our international business now accounts for 7.1% of Group turnover and has grown to 219 franchise stores in 34 territories worldwide as well as eight wholly-owned stores in Hong Kong and 13 in the Republic of Ireland.

Marks and Spencer Group plc is a public limited company, listed on the London Stock Exchange, with around 230,000 shareholders. Our principal trade associations are with the Confederation of British Industry and the British Retail Consortium and we were founding members of Business in the Community.

You can find further information about our financial performance in our 2007 Annual Report at [www.marksandspencer.com/annualreport2007](http://www.marksandspencer.com/annualreport2007)



Our 'Loch Muir Salmon' is grown using a unique feed which is rich in Omega-3. This feed uses fish oil sourced from well-managed fisheries in South America.



We launched a trial of organic fruit and vegetable boxes. Available in two sizes and presented in 100% recycled cardboard boxes.



Our 560 newly appointed Plan A Champions. Every M&S store and office in the UK and Republic of Ireland will have someone to co-ordinate our Plan A activities locally.



We extended our ranges of Forest Stewardship Council (FSC) certified garden furniture. We plan to extend our use of FSC materials across a wide range of products and publications.

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# Chief Executive's Message

## Stuart Rose

Welcome to our fourth annual report on the social, environmental and ethical performance of M&S. We've called it our 'How we do business' Report to reflect the fact that these issues are central to the way we run and manage the Company. It covers the year in which we launched Plan A – our £200m 'eco plan' that will impact on every part of M&S over the next five years.



Under Plan A, by 2012, M&S will aim to become carbon neutral, send no waste to landfill, extend sustainable sourcing, set new standards in ethical trading and help customers and employees lead healthier lifestyles. It is an ambitious agenda which will change the way we operate forever, supported by 100 commitments under five headings: Climate change, Waste, Sustainable raw materials, Fair partner and Health.

We are determined to deliver on our promises but we realise that many of our commitments will be extremely challenging, requiring new technology, new collaborations and new ways of working. We've also committed to complete Plan A without passing on any extra costs to our customers.

M&S has always set itself high quality, social, environmental and ethical standards but we have not always communicated these values and achievements effectively. This may have been less important in the past but today we know that our customers want more information about how we do business and increasingly they want us to help them take action themselves. These considerations are now an important part of how customers judge the quality of the goods they buy.

This was why we launched our 'Look behind the label' marketing campaign in January 2006. The campaign talked about the lengths we go to on issues such as sustainable fishing, animal welfare, healthy eating and 'Fairtrade'. The response to the campaign was encouraging, but customers tell us that they wanted to understand our overall approach and for us to take action and lead on the key issues.

It was clear that we needed to move from our traditional approach of addressing responsibility issues steadily, year by year, to a point where we could set out a more ambitious long-term strategy.

We therefore launched Plan A in January 2007. This report is the first time we have laid out in detail the 100 commitments that make up the Plan. We're clear that the changes we are planning will only succeed if Plan A is fully integrated into the way we do business.

It was therefore important to create the right governance structures to implement Plan A. We started by replacing our Corporate Social Responsibility Committee to create a new 'How we do business' Committee, which I now chair. This Committee meets monthly and comprises the senior management responsible for implementing Plan A.

To reflect these changes we have also restructured this Report. As our new 100 commitments build on many of the 22 targets we set in our 2006 Corporate Social Responsibility Report, we have grouped all information under the Plan A headings: Climate change, Waste, Sustainable raw materials, Fair partner and Health. We will use our Plan A 100 commitments to report future progress.

We have tried to make this report useful for a wide range of people outside M&S by including enough technical information for those who will want to analyse data whilst also summarising the key facts for those with a broader interest.

At M&S, we have a phrase that 'doing nothing is not an option'. Plan A is our plan of action to meet the new environmental and ethical challenges we all face, and respond to the changing demands of our customers, employees and shareholders.

We know that we don't have all the answers but we're committed to driving the business forward in a way that benefits everyone, now and in the future.

Stuart Rose, Chief Executive

2006/07 was a good year for M&S with growth in sales following improvements to the products we sell, customer service and the look and feel of our stores. We also made progress in meeting some important social, environmental and ethical challenges. But – both commercially and in terms of our responsibilities – we see no let up in our efforts to improve our performance. There's a lot more to do.

# a year in review

We saw growth in our business last year with sales of clothing, food and home products all increasing in 2006/07. Total turnover increased by 10.1% to £8.6bn (2005/06: £7.8bn), while Group profit before tax rose by 28.5% to £965.2m (2005/06: £751.4m). At a time of fierce competition in all our markets, we increased our share of the UK clothing market to 11.1%, while our marketshare in food was 4.3%.

#### Our achievements and challenges in 2006/07

We made good progress against 21 of the 22 targets laid out in the 2006 CSR Report, whilst one was postponed to take account of changes to UK legislation on the recycling of used electrical goods. Full details are on pages 23-30.

In this review we provide an overview of our achievements and challenges under: Climate change, Waste, Sustainable raw materials, Fair partner and Health – the five themes we are now using for our Plan A 'eco plan' announced in January 2007.

#### Look behind the label

Our 'Look behind the label' marketing campaign ran throughout the year. It was designed to describe our approach on issues such as sustainable fishing, animal welfare, healthy eating and trading fairly. We used full page national newspaper adverts, in-store signs and window displays as well as leaflets in our larger stores. This was supported by a 'Look behind the label'

website providing detailed but easy-to-digest information. We received positive feedback from customers, employees and other stakeholders.

#### Climate change

We have reduced our UK 'carbon footprint' (for our stores, delivery vehicles and offices) by 28% compared with 2005/06, equating to over 100,000 tonnes of CO<sub>2</sub> or the equivalent of taking 25,000 cars off the road. This was achieved through a combination of improved efficiency and using 'green' sources of electricity.

From next year we intend to add our stores in the Republic of Ireland, dedicated warehouses and business travel into our carbon footprint calculation – for 2005/06 this figure is estimated at around 400,000 tonnes of CO<sub>2</sub> and we will be reporting our progress against this figure in future.

When the calculation is extended to include the manufacturing, use and disposal of our products, the total 'footprint' rises to six million tonnes of CO<sub>2</sub>. For this reason, we believe that our future actions have to include helping our suppliers and customers to reduce their emissions too.

We set up an advisory group of environmental experts to help us improve the design of our stores and started to measure the 'carbon footprint' of materials used in the build and fit-out stages.



28%

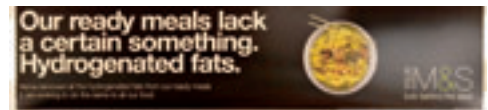
less CO<sub>2</sub> is now produced by M&S UK stores, offices and delivery vehicles than in 2005/06.

Our 'Look behind the label' marketing campaign ran throughout the year. It described our approach to issues including sustainable fishing, animal welfare, healthy eating and trading fairly. It was supported by a 'Look behind the label' website providing detailed but easy-to-digest information. We received positive feedback from customers, employees and other stakeholders.

We sold over 60 lines of 'Fairtrade' certified cotton clothing including outfits for all the family which were available from 100 stores during 'Fairtrade' Fortnight 2007. During the year, our use of 'Fairtrade' cotton had risen to almost 200 tonnes, enough to make approximately 750,000 t-shirts.



2006 Business in the Community Corporate Social Responsibility Company of the Year.



This information has been used to develop ideas for 'green' concept stores, the first of which will open in Bournemouth later in 2007. These stores will include the latest environmental thinking on energy usage, water conservation, temperature management and refrigeration.

We have begun to sell a wider range of electrical goods, including televisions, DVD players and cameras in our larger stores and intend to use new Government-developed software called the 'Red-Green Calculator' to help improve the energy efficiency of the products we sell. We also registered with a scheme set up by the British Retail Consortium (BRC) to fund collection points for used electrical products under new legislation to be introduced later in 2007.

**Waste**

We've been working to reduce packaging for many years. In the 1960s, for example, M&S was the first food retailer to introduce re-usable plastic trays to transport food. Today, around 70% of our food is delivered in these trays saving at least 30,000 tonnes of packaging a year. We use similar systems to transport clothes. Since the mid-1970s we have also re-used or recycled clothing hangers, 50 million in 2006/07.

Of the 100,000 tonnes of packaging we use a year, some 79,000 tonnes relates to food packaging. Two years ago we launched our Responsible Food Packaging project. As a result,

our sandwiches are now packed in cardboard which the Forest Stewardship Council (FSC) has certified as coming from well-managed forests. We've also extended our use of biodegradable plastic containers for fresh fruit, salads, vegetables and chilled desserts and recycled plastic in snack salad and snack drink packaging and milk bottles.

In January 2007, we made a commitment to reduce the number of carrier bags we use by 33%. We'll do this by encouraging customers to use fewer new bags and to re-use and recycle old ones. From March 2007, the carrier bags used in many of our clothing and home departments started to move over to 100% recycled polythene and our 'Bag for Life', which is also 100% recycled, was reduced from 15p to 10p. Store staff are now encouraged to ask customers if they need a carrier bag, instead of giving them out automatically.

We have started a closed-loop recycling trial in five London stores, collecting materials from our Café Revive operations and turning them into new M&S food packaging. We also started to trial the recycling of unsold food into biogas and fibre fuels from over 20 of our stores in North West England.

**Sustainable raw materials**

We already have good standards of performance on sustainable raw materials due to our work on animal welfare and the sustainable uses of fish, wood and chemicals.

Greenpeace rated our garden furniture as grade A for sourcing sustainable wood in May 2006 and since then we've extended our use of FSC certified material into food packaging, leaflets, store décor and the summer 2007 edition of the 'Your M&S' customer magazine. During 2007, ranges of our kitchen roll, toilet rolls and tissues will move to either recycled or FSC certified paper.

We worked closely with the Scottish fishing industry to promote sustainability and were rated as the leading retailer for sourcing fish sustainably by Greenpeace and the Marine Conservation Society in 2006/07.

For animal welfare, we were awarded the RSPCA's 'Good Business Award' for food and fashion retailing and were runners-up in the cosmetics category.

We continue to work on improving our standards. Current projects include improving animal welfare in leather production, new standards on avoiding animal tests for the ingredients of beauty products and a web-based system which will allow us to check animal welfare standards throughout our food supply chain.

As well as extending our ranges of organic foods we launched a small range of 'Fairtrade' organic cotton babywear. We also launched a range of '100% Natural' household cleaning products which uses only natural or naturally-derived ingredients and is free of all artificial fragrances.

### Fair partner

In 'Fairtrade Fortnight' in March 2007, we launched 'an outfit for all' – 25 products made with 'Fairtrade' cotton, including jeans, t-shirts and underwear for all the family available from 100 stores. By the end of March, our use of 'Fairtrade' cotton had risen to almost 200 tonnes, enough to make approximately 750,000 t-shirts. We are gradually increasing our use of 'Fairtrade' cotton in key areas, particularly clothes for babies. Coffee in our cafés and food halls is already 'Fairtrade' and we have completed work to convert our tea. We have added new 'Fairtrade' lines including jam, marmalade and bagged sugar.

During the year, we invested a total of £13.9m (2005/06: £9.3m) in the community, equivalent to 1.9% of our pre-tax profits. This figure included £3.9m in cash and £6.6m in gifts in kind with the remainder made up in employee time, particularly support for our 'Marks & Start' work experience programme.

We completed the third year of 'Marks & Start' which helps people including disadvantaged groups like the disabled and homeless back into work. Some 2,600 people took part during the year, 9,000 since its launch in 2004, and we helped some of our suppliers and franchise partners run their own version of the scheme. Over the three years, around 40% of the 1,800 adult participants have found work as a result. Our work on 'Marks & Start' earned us two 'Business in the Community Impact on Society Excellence Big Tick' awards, during the year as well as the 'Prince's Trust Partnership & Innovation Award'.

We are the largest corporate partner to the Breakthrough Breast Cancer Campaign, raising £6.0m in total over the last six years including £1.5m in 2006/07. We also supported the Prostate Cancer Charity in March 2007 to both raise awareness of the disease as well as £90,000 in funding. The homelessness charity Shelter also received £1.8m, made up of money raised by our customers and employees as well as product donations.

Competition in the food retail sector as a whole is being examined. The Office of Fair Trading (OFT) has referred the supply of groceries by retailers in the UK to the Competition Commission for investigation. The ongoing inquiry is trying to establish if the food market is functioning well. It is particularly looking at planning, land ownership, buying practices and prices. Although our share of the quality food market is relatively small at 4.3%, we are one of 24 companies that have provided information on our food business and the location of our larger stores.

### Health

Healthy eating was another area of progress. During the year, we completed work to become the first major UK food retailer to remove hydrogenated fats as an ingredient from its food. We continued to reduce the use of salt in our food and already meet the Food Standards Agency (FSA) 2010 Salt Targets for ready meals, breakfast cereals, sandwiches, bread, sauces, cakes, baked beans and fruit pies. We try to avoid the use of additives wherever possible, we already ban the use of monosodium glutamate (MSG), cyclamates and tartrazine but have recently gone further by banning additional additives – particularly those associated with concerns about food intolerance and children's diets.

In 2007, we began labelling our food with front-of-pack nutrition labels, starting with our 'Eat Well', 'count on us...' and everyday Italian ready meal ranges. We were the first retailer to combine colour coded 'traffic lights' as recommended by the FSA with Guideline Daily Amount percentages to make it easier for customers to make healthy choices.

A total of 1,300 products (as of January 2007) carry our 'Eat Well' sunflower logo, accounting for 30% of our food sales. Our 'Eat Well' sunflower logo is used on foods which do not contain artificial colours, flavourings or sweeteners and are either naturally healthy or nutritionally balanced, based on Government guidelines. We also worked with the British Nutrition Foundation to develop a series of national workshops on nutrition and health for 1,400 store colleagues. These Healthy Eating Advisers help respond to our customers' questions on nutrition and health.

In the National Consumer Council's (NCC) Health Survey we came joint fourth. Although our work on reducing salt and removing hydrogenated fats was recognised, the NCC wanted us to start using traffic light nutrition labels and remove children's sweets from till point displays. We have started to take action on this feedback.

### People

The issue of pensions has become a challenge for all organisations as a result of greater life expectancy and lower than anticipated

returns on investments. In January 2007, the Company agreed to reduce the deficit in our final salary pension scheme by £500m using an M&S property-backed structure. This is on top of the £515m in extra payments we have contributed to the scheme since March 2004. In addition, we needed to make changes to the pension scheme itself to put it on a more secure footing. We consulted with members through our Business Involvement Groups and asked them to consider three options about how their pension builds up. Only one of these options involves employees paying contributions. We modified our proposal during consultation, and reached agreement with employees on the changes, which come into effect in October 2007.

The collapse of the Farepak Christmas savings scheme at the end of 2006 hit many households and affected some 420 of our own employees. We responded by replacing our employees' lost savings in full with M&S gift vouchers. We also made a £250,000 contribution to the Farepak Response Fund set up to provide some compensation for savers.

To help implement Plan A locally, in March 2007, we started to recruit volunteers to act as Plan A Champions in our stores. A Plan A Champions launch event hosted by Chief Executive, Stuart Rose was held in April 2007.

### External recognition

Our progress to date was recognised by several awards during the year. In July 2006, we were named as Business in the Community's 2006 'Corporate Responsibility Company of the Year', the only

company to have won this twice. More recently in May 2007, M&S was confirmed as a 'Platinum' performing company in Business in the Community's annual Corporate Responsibility Index. We were also awarded the 2007 Responsible Retailer World Retail Award.

During the year, M&S was included in the 'Dow Jones Sustainability Index', 'FTSE4Good' and the 'Global 100: Most Sustainable Corporations in the World'.

M&S workplace activities were also recognised as best practice in a number of areas. We were named as one of the top 50 in the UK Best Workplaces for 2006 by the Financial Times and Accountability and received the Best Workplace Corporate Responsibility Award. We also won the Employers Forum Age Award for promoting diversity.

### Looking ahead

Our priority is to continue to work with our customers, employees, suppliers and other stakeholders.

We have listened to all the feedback we received during the past months and used it to create our five-year Plan A.

The next section of the Report gives a summary of Plan A followed by more detailed pages including the first publication of our Plan A 100 commitments. We will report on our progress in next year's How we do business Report.

560

Store and office Plan A Champions have been appointed.



1.9%

of pre-tax profit was invested in community programmes.

9,000

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

5

Café Revive outlets in London are trialling 'closed loop' recycling. Used materials are collected and recycled back into new M&S food packaging.

420

employees were supported with replacement M&S gift vouchers when Farepak collapsed.

Five years. Five commitments.  
100 things to change. Because  
we've only got one world. And  
time is running out.

# Plan A



## Climate change

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

- > Reduce our energy use by 25% and power stores with green electricity, only offsetting our remaining CO<sub>2</sub> emissions as a last resort
- > Use 50% bio-diesel in all our lorries
- > Commit to buying as much food from the UK and Ireland as possible
- > Cut air freight of food products and put an aeroplane symbol on food we do fly in
- > Develop low carbon products and services, such as energy-efficient electrical products, to help customers reduce energy in their homes
- > Launch information campaigns for customers and M&S colleagues working with the WWF, the National Federation of Women's Institutes and The Climate Group

[read more on pages 8-9 >>](#)



## Waste

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

We plan to:

- > Reduce non-glass packaging by 25% and use packaging materials that are easy to recycle or compost
- > Cut carrier bag use by 33% and make them from recycled plastic
- > Stop sending food waste to landfill and instead use it to produce green energy via 'anaerobic digestion' or compost
- > Trial 'closed-loop' recycling (making new packaging from old packaging) in our Café Revives
- > Make sure customers can eventually dispose of our clothing without sending it to landfill

[read more on pages 10-11 >>](#)



## Sustainable raw materials

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

- > Only use wood which is recycled or independently certified as coming from a sustainable source
- > Make our fresh turkey, geese and pork free range
- > Sell only fish from independently certified sustainable sources
- > Triple sales of organic food and sell clothing ranges made from organic cotton, linen and wool
- > Use recycled plastic, not oil, to make ranges of polyester clothing and home products
- > Reduce our water use in the UK and Republic of Ireland by 20% and help suppliers reduce theirs

[read more on pages 12-13 >>](#)

Plan A is our five-year, £200m, 100-point 'eco plan'. It will touch every part of M&S, transforming the way we do business. By 2012, we aim to make our UK and Republic of Ireland operations carbon neutral, send no waste to landfill, extend sustainable sourcing, set new standards in ethical trading and help people choose healthier lifestyles – without passing on the extra cost to customers.

We don't have all the answers, and we will need to work with suppliers, the Government and other partners to put Plan A into action.

[www.marksandspencer.com/PlanA](http://www.marksandspencer.com/PlanA)



## Fair partner

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

We want to:

- > Be a leader in managing labour standards in our supply chain
- > Convert key clothing ranges to 100% 'Fairtrade' cotton over the next year (that's 20 million garments)
- > As well as selling only 'Fairtrade' coffee and tea, offering 'Fairtrade' preserves and bagged sugar
- > Extend our Milk Pledge into other farming sectors
- > Support our local communities through 'Marks & Start', our programme to help groups such as the homeless and disabled get into work
- > Launch the M&S Supplier Exchange to share best practice among our suppliers

[read more on pages 14-15 >>](#)



## Health

Helping thousands of customers and employees choose a healthier lifestyle.

We aim to:

- > Put 1,500 Healthy Eating Advisers in stores
- > Increase our 'Eat Well' range from 30% to 50% of food
- > Continue to lead the way in reducing salt and fats
- > Replace artificial colours with natural colours in kids' sweets and cakes in 12 months
- > Introduce Food Standards Agency traffic lights and Guideline Daily Allowance (GDA) product labelling

[read more on pages 16-17 >>](#)

All 100 of our Plan A commitments are detailed on pages 18-22.

In March 2007, we started to include this air freight symbol on food transported by air. We know from our Food Sourcing research that use of air freight is much more damaging to the environment than road or sea but that trade with developing countries can also provide significant social and economic benefits.



# 30°C

Washing at 30°C will save around 40% of the energy used per wash. If we all washed at 30°C we'd save enough electricity to light every street lamp in the UK for 10 months.



## Plan A

# Climate change

Climate change is emerging as one of the biggest challenges for modern society. The basic mechanics of climate change are well understood: the world is warming, mostly due to human-generated emissions of greenhouse gases, and the changes are set to accelerate, bringing many and varied impacts around the world.

In November 2006, The Stern Review was published by the UK Government. This took an economic view of climate change and argued in favour of an 80% reduction in greenhouse gas emissions by 2050.

### How does this affect Marks & Spencer?

Every human activity has a 'carbon footprint'. According to the Carbon Trust, the UK has a footprint of 648 million tonnes of CO<sub>2</sub>. We estimate that our UK and Republic of Ireland stores, offices, warehouses, transport fleets and business travel contributed around 400,000 tonnes of CO<sub>2</sub> in 2005/06.

But we know our impact is wider than that. If you add all the emissions caused by producing and selling, and add to that the impact of customers using and disposing of M&S products, you get a figure of around six million tonnes of CO<sub>2</sub>.

We all need to cut emissions to avoid the worst consequences of climate change. Additionally, there are business considerations, over time our energy costs could increase and we could be required by law to cut emissions. Climate change

### WHAT THE EXPERTS SAY

'Whilst climate change poses a huge threat for Government, business and the public, the move towards a low carbon economy and the development of appropriate solutions will drive innovation in industry and create new markets and commercial opportunities.'

Tom Delay  
The Carbon Trust

### WHAT WE'VE ACHIEVED SO FAR

We have reduced CO<sub>2</sub> emissions from our stores, offices and delivery vehicles by 28% since 2005/06 by a combination of improved efficiency and buying renewable electricity.

### WHAT ARE THE ISSUES?

Climate change is caused by emissions of CO<sub>2</sub> and other greenhouse gases leading to unpredictable extremes of weather. Virtually every human activity has a 'carbon footprint' whenever an oil, coal or gas based fuel is used.

3

'green' M&S concept stores will open in the next 12 months.

6m

six million tonnes of CO<sub>2</sub> results from producing, selling and using M&S products every year.



could also make some raw materials scarce and more expensive. On the positive side, there is a chance to create new markets for low-carbon products and services.

**Who are we working with?**

We've been working with specialist organisations including The Carbon Trust, Energy Savings Trust and Envirowise on developing best practices and with a wide range of environmental groups on projects, most notably, The Climate Group and WWF. We have also worked with the British Retail Consortium and Government to help shape legislation.

**What have we achieved so far?**

We have reduced our UK 'carbon footprint' (for our stores, delivery vehicles and offices) by 28% compared with 2005/06, equating to over 100,000 tonnes of CO<sub>2</sub> or the equivalent of taking 25,000 cars off the road. This was achieved through a combination of improved efficiency and using 'green' sources of electricity.

We set up an advisory group of environmental experts to help us design and build better stores. We also started to measure the 'carbon footprint' of the materials used to build and fit-out our stores. This information has been used to develop ideas for 'green' concept stores, the first of which will open in Bournemouth later in 2007. These concept stores will include the latest environmental thinking on energy usage, water conservation, temperature management and refrigeration.

In July 2006, we introduced carbon-offset furniture deliveries. With these, we offset the emissions caused by delivering furniture to customers' homes by planting some 10,000 trees in Dumfries, at the Queensberry Estate, which absorb 2,600 tonnes of CO<sub>2</sub> over their lifetime. We have made arrangements with the College Valley National Park for similar schemes to cover these emissions over the next two years.

**What are our Plan A commitments?**

By 2012, we aim to make our UK and Irish operations carbon neutral. This will impact every area of our business from our stores and offices through to our warehouses, delivery fleets and all business travel in the region.

We plan to reduce energy consumption and maximise the use of renewable supplies first, only buying carbon offsets as a last resort. Becoming carbon neutral will be the equivalent of taking 100,000 cars off the road.

We'll work to source as much food as possible from the UK and Republic of Ireland, reduce air freight and develop energy-efficient, low-carbon products. We will also aim to help suppliers and customers to reduce their CO<sub>2</sub> emissions by working with the National Federation of Women's Institutes, The Climate Group and WWF.

All 29 of our Plan A commitments on Climate change along with our progress to date are on page 18.

**WHAT WE'RE GOING TO DO ABOUT IT**

We are aiming to have carbon neutral operations in the UK and Republic of Ireland (stores, office, warehouses, business travel and store deliveries) by 2012. We'll also help customers and suppliers to reduce their CO<sub>2</sub> emissions.



**OUR EXTERNAL STAKEHOLDERS**

- > Customers
- > Suppliers
- > Shareholders
- > The Climate Group
- > The Carbon Trust
- > Energy Savings Trust
- > WWF-UK
- > National Federation of Women's Institutes
- > Forum for the Future



Chief Executive's Message

A Year In Review

Plan A - summary

Plan A - detail

Our performance

How we do business

Assurance Statement

27,000

tonnes of cardboard and polythene packaging recycled by our warehouses every year.


 recycle

11

two litre plastic bottles are recycled to make a fleece we're trialling for use as employee uniforms.

#### WHAT THE EXPERTS SAY

'The EU Landfill Directive requires us to reduce the amount of waste sent to landfill by almost three quarters by 2020. This is a significant challenge reflected in the Government's recent Waste Strategy Review, which places emphasis on the need to work with retailers and their suppliers to help their customers significantly reduce the 29 million tonnes of waste thrown away in UK homes each year.'

Mark Barthel, WRAP

#### WHAT WE'VE ACHIEVED SO FAR

We were the first major UK retailer to introduce re-usable transport packaging in the late 1960s. We also have recycling schemes for materials including cardboard, polythene and clothes hangers. Trials to recycle construction waste and generate energy from unsold food have been launched recently. We've started work to reduce the amount of packaging and carrier bags we use.

#### WHAT ARE THE ISSUES?

A permanent loss of materials and energy along with the need to improve re-use and recycling. Items which are not recyclable end up in an ever diminishing number of available landfill sites.



## Plan A Waste

Some 400 million tonnes of waste is discarded in the UK each year. Of this, around 29 million tonnes comes from households of which six million tonnes is packaging, according to Government figures. Over 60% of all packaging in the UK is currently recycled in some way.

For those items not recycled, the material and energy used to make them is lost forever. Much of the UK's waste still ends up in landfill sites.

#### How does this affect Marks & Spencer?

M&S stores create around 42,000 tonnes of waste a year. The majority is either packaging, such as cardboard and polythene, or unsold food which cannot be donated to charities. Finding a way to recycle or compost unsold food has been a major challenge to date. All this waste has a dual cost, we pay for it when we buy it and we pay again at its disposal.

We also use 100,000 tonnes of packaging on our products every year. Good packaging helps to protect products from damage and in the case of food can keep it fresh. Reducing packaging in some cases may create more damaged and waste products – so our challenge is to find the right environmental balance.

#### Who are we working with?

Our work on waste has involved many specialist organisations including WRAP (Waste & Resources Action Programme), Envirowise, a Government-sponsored best practice programme; London Remade; and Closed Loop London.

175m

sheets of photocopier paper used in our offices and stores are now made from 80% recycled material.

50m

clothing hangers re-used or recycled every year.

20

stores are taking part in a trial to generate biogas and fibre fuel from unsold food.

**WHAT WE'RE GOING TO DO ABOUT IT**

We aim to send no waste to landfill from our stores, offices and construction activities in the UK and Republic of Ireland by 2012. We'll reduce the amount of non-glass packaging we use by 25% and carrier bags by 33%. We want to ensure all our packaging and used products, particularly clothing, can be recycled in most parts of the UK.

**OUR EXTERNAL STAKEHOLDERS**

- > Customers
- > Suppliers
- > Shareholders
- > WRAP (Waste & Resources Action Programme)
- > Closed Loop London
- > London Remade
- > Government



We also work closely with the Government and the British Retail Consortium on initiatives such as the recycling of used electrical products and are also a signatory to two major voluntary agreements. The Carrier Bag Agreement commits us to reducing the environmental impacts of carrier bags by 25% by the end of 2008 and The Courtauld Commitment sets target for cutting packaging and food waste by 2010.

**What have we achieved so far?**

We already recycle over 80% of the waste at our clothing and home warehouses as well as 50 million clothing hangers collected from M&S stores. Around 70% of our food is delivered in re-usable plastic trays which were first introduced in the late 1960s and today save at least 30,000 tonnes of packaging a year.

As a result of our Responsible Food Packaging project, our sandwiches are now packed in cardboard that the Forest Stewardship Council (FSC) has certified as coming from well-managed forestry and we use recycled material in a wide range of plastic packaging including organic milk bottles, snack salads and snack drinks.

From March 2007, the carrier bags used in many of our clothing and home departments started to move over to recycled polythene and our 'Bag-for-Life', which is also 100% recycled, was reduced from 15p to 10p. Store staff are now encouraged to ask customers if they need a carrier bag, instead of giving them out automatically.

We have started a closed-loop recycling trial in five London stores, collecting materials from our Café Revive operations and turning them into new M&S food packaging. We also started a trial to recycle unsold food into biogas and fibre fuels from over 20 of our stores in North West England.

A trial to recycle the waste from our store remodelling and development programme was launched in March 2007.

**What are our Plan A commitments?**

By 2012 we aim to send no waste to landfill from our stores, offices and warehouses in the UK and Republic of Ireland. This includes all the construction waste from our building activities.

We want to reduce our use of packaging and carrier bags, and find new ways to recycle and re-use the materials we have.

We have committed ourselves to working to cut the weight of non-glass packaging by a quarter, carrier bags by a third and to setting up schemes to generate energy from unsold food. We also have a longer-term ambition that all of the packaging and products we sell – particularly used clothing – will be recyclable in most parts of the UK.

All 18 of our Plan A commitments on Waste along with our progress to date are on page 19.

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# Plan A

## Sustainable raw materials

The production and harvest of raw materials can cause significant harm to the environment – particularly on the scale of current use. The WWF’s idea of One Planet Living captures the challenge we face. It calculates that if the rest of the world were to consume raw materials at the same rate as the UK, we would require the equivalent of three planets to sustain us.

Becoming more sustainable means we have to make better use of the materials already available to us. We must also make sure key raw materials are sourced in a way that allows them to be naturally replenished by the environment. Where animals are concerned, we also have to uphold and improve standards of welfare.

### How does this affect Marks & Spencer?

We use a wide range of natural raw materials to produce M&S goods and run our stores and operations. Without proper care, we could cause significant harm to the environment, create shortages and destroy natural habitats. To source sustainable raw materials, no single company can act alone and we will need to collaborate to develop and implement worldwide standards and agreements.

### Who are we working with?

Our main partners on sustainable sourcing include the Marine Stewardship Council (MSC) and Marine Conservation Society (MCS) on fish and the WWF Forest and Trade Network and the Forest Stewardship Council (FSC) on wood. We consult with



100%

Our '100% Natural' homeware is made from natural or naturally derived cleaning ingredients as well as being free of all artificial fragrances.



WHAT THE EXPERTS SAY

'Unless we address mankind's over-consumption of vital natural resources, many industries as well as society as a whole will bear the consequences of a dangerously vulnerable environment. It's very obvious that goods must be supplied and consumed in a way that protects the very natural capital we depend upon.'

Dax Lovegrove  
WWF-UK

WHAT WE'VE ACHIEVED SO FAR

We already have good standards of performance on sustainable raw materials due to our work on animal welfare and the sustainable uses of fish, wood and chemicals.

No single company can solve the challenges of ensuring that sources of raw materials are sustainable and we are already collaborating to develop and implement worldwide standards.

the RSPCA on animal welfare as well as environmental groups including WWF, Greenpeace and Friends of the Earth on a wide range of materials.

### What have we achieved so far?

We already have good standards of performance on sustainable raw materials due to our work on animal welfare and the sustainable uses of fish, wood and chemicals.

Greenpeace rated our garden furniture as grade A for sourcing sustainable wood in May 2006 and since then we've extended our use of FSC certified material into food packaging, leaflets, store décor and the summer 2007 edition of the 'Your M&S' customer magazine. During 2007, ranges of our kitchen roll, toilet rolls and tissues will move to either recycled or FSC certified paper.

We worked closely with the Scottish fishing industry to promote sustainability and were rated as the leading retailer for sourcing fish sustainably by Greenpeace and the Marine Conservation Society in 2006/07.

For animal welfare, we were awarded the RSPCA's 'Good Business Award' for food and fashion retailing and were runners-up in the cosmetics category.

We continue to work on improving our standards. Current projects include improving animal welfare in leather production, new standards on avoiding animal tests for the ingredients of

beauty products and a web-based system which will allow us to check animal welfare standards throughout our food supply chain.

As well as extending our ranges of organic food, we launched small ranges of organic 'Fairtrade' cotton babywear. We also launched a range of '100% Natural' household cleaning products, which use only natural or naturally-derived ingredients and is free of all artificial fragrances.

### What are our Plan A commitments?

We aim to triple our sales of organic food and launch ranges of organic cotton, linen and wool clothing. We will also look to make ranges of polyester clothes from recycled plastic bottles rather than oil.

We want to convert all our fresh turkey, geese, duck and pork to free range and ensure that all our fish meet independent environmental standards.

Similarly, we want to make sure that all the wood we use – in our products and around the business – meets rigorous independent standards. We will help our farmers and livestock producers meet independent environmental standards. We aim to cut water usage by 20% and will help suppliers make cuts too.

All 20 of our Plan A commitments on Sustainable raw materials along with our progress to date are on page 20.

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M&S received the RSPCA's 'Good Business Award' for food and fashion retailing and were runners-up in the cosmetics category. This was in recognition of our on-going work in support of animal welfare. For example, we only sell and use free-range eggs in all our food but have never sold real fur clothing.



Our 'Loch Muir Salmon' is grown using a unique feed which is rich in Omega-3. This feed uses fish oil sourced from what we consider to be well-managed fisheries in South America.

#### WHAT ARE THE ISSUES?

The production and harvest of raw materials can cause significant harm to the environment – particularly on the scale of current use. Becoming more sustainable means we have to make better use of the materials already available to us.



#### WHAT WE'RE GOING TO DO ABOUT IT

We want to triple sales of organic food and launch ranges of organic cotton, linen and wool clothing. Convert all our fresh turkey, geese, duck and pork to free range and ensure that all our fish and wood meets independent environmental standards.



#### OUR EXTERNAL STAKEHOLDERS

- > Customers
- > Suppliers
- > Shareholders
- > Marine Stewardship Council
- > Marine Conservation Society
- > WWF-UK
- > Forest Stewardship Council
- > Forest & Trade Network
- > LEAF (Linking Environment And Farming)
- > RSPCA



Our Milk Price Pledge provides our UK farmers with a guaranteed price so that they can plan ahead. It was introduced in 2005 and our intention is to work with farmers to find other foods where we can use this approach.

40% of adult participants in our 'Marks & Start' work experience programme have found work afterwards.

**WHAT THE EXPERTS SAY**

'Today's global brands and retailers play a vital role in improving conditions for the workers around the world who make the products they sell. We have seen the difference they can make by insisting that their suppliers respect local and international labour laws. But to have real impact they must join forces with others to tackle labour rights at a national level, as well as within individual workplaces.'

Dan Rees  
ETI

**WHAT WE'VE ACHIEVED SO FAR**

We use high ethical standards based on our Global Sourcing Principles and the Ethical Trading Initiative Code.

We are also active members of Business in the Community and the Per Cent Standard – investing at least 1% of pre-tax profits into the community.

**WHAT ARE THE ISSUES?**

We need economically stable and strong relationships with suppliers and communities. Being a fair partner covers the prices we pay to suppliers and producers of raw materials as well as the support we provide to communities where we trade. It also includes our responsibilities to ensure good working conditions throughout our supply chains.

 **Plan A**  
Fair partner

All companies depend on economically strong and stable communities to trade successfully. This is just as true for the communities we buy from as the communities we sell to. Being a fair partner covers the prices we pay to suppliers and producers of raw materials as well as the support we provide to communities where we trade. It also includes our responsibilities to ensure good working conditions throughout our supply chains.

**How does this affect Marks & Spencer?**

Every week some 15.8 million customers visit our stores to buy M&S products and services provided by around 2,000 suppliers around the world. Over half of our food ingredients are produced in the UK and over 80% of our finished food products come from UK companies. Over 90% of our clothing and home products are made overseas.

**Who are we working with?**

For supplier programmes we have worked with the Ethical Trading Initiative, a group who work to promote ethical working practices since 1999. On community programmes we are founding members of Business in the Community and have a wide range of charity partners such as Breakthrough Breast Cancer Awareness, Prostate Cancer Charity, Shelter, Disabled Go, Business Action on Homelessness, The Prince's Trust and One Parent Families.

20m

clothing garments will be converted to 'Fairtrade' certified cotton.



£6m

has been raised with the support of our customers and employees in six years of supporting Breakthrough Breast Cancer.

**WHAT WE'RE GOING TO DO ABOUT IT**

We want to increase sales of 'Fairtrade' products. Extend our Milk Price Pledge to other foods and launch a Supplier Exchange best practice programme. We'll continue with our 'Marks & Start' programme, in the UK and overseas, helping disadvantaged people get into jobs through work placements.

**OUR EXTERNAL STAKEHOLDERS**

- > Customers
- > Suppliers
- > Shareholders
- > Ethical Trading Initiative
- > The Fairtrade Foundation
- > The Shell Foundation
- > Business in the Community
- > Breakthrough Breast Cancer Awareness



**What have we achieved so far?**

We joined the Ethical Trading Initiative (ETI) in 1999. We expect all our suppliers to meet our Global Sourcing Principles on labour standards and to continually work towards the ETI Code. Every year we have a programme to assess the performance of our suppliers – see page 27. In 2005, we started to introduce ranges of 'Fairtrade' products that now include our tea and coffee, a wide range of other foods and cotton clothing outfits for the family. We have also introduced a Milk Pledge which guarantees farmers a set price.

We are long-standing members of what is now called the Per Cent Standard – made up of companies committed to investing at least 1% of pre-tax profits into communities. We have completed the third year of 'Marks & Start', our work experience programme to help people including disadvantaged groups like the disabled and homeless back into work. Over the three years, around 40% of the 1,800 adult participants have found work as a result.

We are the largest corporate partner to the Breakthrough Breast Cancer campaign, raising £6.0m in total over the last six years including £1.5m in 2006/07. We also supported the Prostate Cancer Charity in March 2007 to both raise awareness of the disease as well as £90,000 in funding. The homelessness charity, Shelter, also received £1.8m made up of money raised by our customers and employees as well as product donations.

**What are our Plan A commitments?**

We want to support our suppliers in managing labour standards in our supply chain. A new Supplier Exchange will help to develop and share best practice and our suppliers of clothing and home products will be given a gold, silver or bronze rating. We also aim to increase the number of people we have based in countries of production and introduce unannounced audits.

We plan to expand our range of 'Fairtrade' food and clothing and convert 20 million garments to 'Fairtrade' certified cotton. Our Milk Pledge, offering farmers a guaranteed price will be extended into other types of farming where possible.

Our 'Marks & Start' work experience programme will continue helping disadvantaged people get into jobs through work placement in the UK and overseas. We aim to introduce new initiatives on environmental education and helping international communities. We plan to continue to support Breakthrough Breast Cancer, the Prostate Cancer Charity and Shelter.

All 21 of our Plan A commitments on Fair partner along with our progress to date are on page 21.

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8

product areas which can account for significant consumption of salt already meet the Food Standards Agency 2010 Salt Targets.

1,400

Healthy Eating Advisers in our stores.

# Plan A Health

Our health and wellbeing depend on what we eat and how we live our lives. In the developed world there's a growing imbalance between the amount we eat and how much exercise we take. Overall, we're eating fewer calories and less fat, but we're not feeling the benefits of this because we're taking a lot less exercise than in the past. Obesity is a growing challenge and a recognised contributor to heart disease and Type 2 diabetes, which now affects more than a million people in the UK.

## How does this affect Marks & Spencer?

All the food we sell is own-brand which means we can control the quality of ingredients we use. We have built a 4.3% share of the UK food market by selling both high quality fresh foods as well as indulgent treats. As well as maintaining and improving the quality of all these foods we also have a responsibility to help our customers and employees to make informed choices that support healthier lifestyles.

## Who are we working with?

The Food Standards Agency (FSA) has been developing voluntary standards on ingredients such as salt, sugar and fat as well as traffic light nutrition labelling to guide consumers. As well as contributing to this work, we have also discussed our plans with the British Nutrition Foundation, the Department of Health and campaign groups such as CASH (Consensus Action on Salt and Health), the National Consumers Council, Which? and the National Federation of Women's Institutes.

SERVES 1 - THIS PACK PROVIDES				
CALS	SUGAR	FAT	SAT FAT	SALT
460	3.2g	18.8g	11.6g	2.64g
23%	4%	27%	58%	44%
OF YOUR GUIDELINE DAILY AMOUNT				

## WHAT THE EXPERTS SAY

'It is undeniable that good nutrition is a crucial determinant of good health. We are reliant on retailers for supplying much of the food we eat and so it is equally crucial that companies play their part by providing healthy choices that are readily available and clearly signposted, and by ensuring that their staff are trained to support customers in making healthy choices.'

Prof. Judy Buttriss  
British Nutrition Foundation

## WHAT WE'VE ACHIEVED SO FAR

Over 30% of our food meets our 'Eat Well' criteria developed with the British Nutrition Foundation. We've eliminated hydrogenated fats and already meet the FSA's 2010 Salt Targets for ready meals, breakfast cereals, sandwiches, bread, sauces, cakes, baked beans and fruit pies. We have also started to introduce front-of-pack traffic light and Guideline Daily Amount labels.

30%

of our food now meets our 'Eat Well' nutritional standards.



50%

is the amount of our food we are aiming to meet 'Eat Well' nutritional standards by 2012.

### What have we achieved so far?

We have published a Food Health & Nutrition Charter covering our policies on a wide range of issues including nutrition, additives, salt, fat, sugar, labelling and non-GM ingredients. In 2006, we completed work to become the first major UK food retailer to have removed all hydrogenated fats as ingredients from our food and we already meet the FSA's 2010 Salt Targets for ready meals, breakfast cereals, sandwiches, bread, sauces, cakes, baked beans and fruit pies.

In 2007, we began labelling our food with front-of-pack nutrition labelling, starting with our 'Eat Well', 'count on us...' and everyday Italian ready meal ranges.

Our labels are the only ones to use both the traffic lights system recommended by the FSA and Guideline Daily Amount percentages to make it easier for customers to make healthy choices.

A total of 1,300 products (as of January 2007) now carry our 'Eat Well' sunflower logo, accounting for 30% of our food sales. Our 'Eat Well' logo is used on foods which do not contain artificial colours, flavourings or sweeteners and are either naturally healthy or nutritionally balanced, based on Government guidelines. We also worked with the British Nutrition Foundation to develop a series of national workshops on nutrition and health for 1,400 store colleagues. These Healthy Eating Advisers help respond to customers' questions on nutrition and health.

We've also launched foods which have been naturally enriched with Omega-3, such as our fresh 'Loch Muir Salmon' introduced last year. As with free range eggs, we will use this salmon across our ranges including in sandwiches and prepared meals.

### What are our Plan A commitments?

We aim to increase our 'Eat Well' ranges to represent half of our food ranges, up from the current 30%. We'll continue to work to cut salt ahead of FSA targets and use only naturally-occurring colours and flavourings in kids' sweets and cakes. We want to replace displays of children's confectionery at food tills with other products.

We aim to build on the training given to our 1,400 Healthy Eating Advisers so that everyone who works in our food halls has a good level of knowledge to guide customers. We will look to extend traffic light nutritional labels to all relevant food.

We aim to launch an M&S Health and Lifestyle Information programme, offering employees advice and guidance on how to live healthier lives. We will also maintain free breast screening for female employees over 40.

All 12 of our Plan A commitments on Health along with our progress to date are on page 22.

#### WHAT ARE THE ISSUES?

Our health and wellbeing depend on what we eat and how we live our lives. Obesity is a growing challenge and a recognised contributor to heart disease and Type 2 diabetes, which now affects more than a million people in the UK.

#### WHAT WE'RE GOING TO DO ABOUT IT

We plan to increase the number of 'Eat Well' healthy choice products to 50% of our food and extend front-of-pack nutritional labelling using the FSA's traffic light system. We aim to build on the training given to our 1,400 Healthy Eating Advisers so that everyone who works in our food halls has a good level of knowledge to guide customers.

#### OUR EXTERNAL STAKEHOLDERS

- > Customers
- > Suppliers
- > Shareholders
- > Food Standards Agency

# Plan A – 100 commitments

This section details, for the first time, the full list of our five-year 100 commitments which make up Plan A. We aim to achieve some of these before 2012 – and these dates are shown against the relevant commitment.

Whilst Plan A is new, we've been making progress on many of the issues for several years. To see how we've performed to date, the section of this Report called 'Our performance' provides an update on the 22 targets we set last year, 16 of which are shown under Plan A headings of Climate change, Waste, Sustainable raw materials, Fair partner and Health, and have been built on in our 100 commitments.



## Climate change

Five-year Plan A commitments

### MAKING OUR OPERATIONS MORE EFFICIENT

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1. **Carbon neutral** –  
Aiming to make all our UK and Republic of Ireland operations (stores, offices, warehouses, business travel and logistics) carbon neutral.
2. **Energy efficiency (stores)** –  
Reducing the amount of energy we use in our stores by 25% per square foot of floor space.
3. **Energy efficiency (warehouses and offices)** –  
Achieving a 20% improvement in fuel efficiency and energy use in our warehouses and offices.
4. **Business travel** –  
Introducing a new 'green' business travel policy to reduce CO<sub>2</sub> emissions caused by our travel.
5. **Company cars** –  
Introducing a 'green' company car policy to reduce average CO<sub>2</sub> emissions.
6. **BRE-EAM** –  
Targeting all new stores to achieve Building Research Establishments Environmental Assessment Methodology (BRE-EAM) 'excellent' rating and all other stores to be assessed against BRE-EAM rating system.
7. **Green electricity** –  
Sourcing or generating 100% 'green' (renewable) electricity for M&S stores, offices and distribution centres in the UK and Republic of Ireland.
8. **Anaerobic digestion** –  
Working in partnership to build and operate anaerobic digestion facilities to generate renewable electricity.
9. **Green stores** –  
Opening 'green' concept stores in Pollok, Galashiels and Bournemouth in 2007.

10. **On-site renewables** –  
Having 20% on-site energy generation from renewables in all new builds where practicable.
11. **Bio-diesel** –  
Conducting trials and move towards the use of 50% bio-diesel in our lorries as sustainable sources become available.
12. **Green transport** –  
Introducing innovative new transport technologies and set further targets as these become proven.
13. **EURO engines** –  
Progressively converting delivery fleets to cleaner EURO IV and V standard engines.
14. **Carbon offsetting** –  
Working with the Government and environmental groups to develop an acceptable approach to using carbon offsets where no other method of reducing CO<sub>2</sub> emissions is available.
15. **Refrigerants** –  
Continuing to replace HCFC gases and help to develop better alternatives than HFCs for use in our refrigeration and air-conditioning systems.

### HELPING REDUCE EMISSIONS IN OUR SUPPLY CHAIN

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16. **UK and Republic of Ireland** –  
Sourcing as much food as possible from the UK and Republic of Ireland.
17. **Seasonal food** –  
Launching five Research and Development projects to extend UK growing seasons and develop new varieties that reduce the need for imports.
18. **Supplier logistics** –  
Working with our suppliers to understand how we can improve the efficiency of their deliveries to our distribution centres, including increasing the use of rail transport.

**19. Food 'carbon footprint' –**

Working with the Carbon Trust we will identify carbon 'hot spots' in our food supply chain in 2007 and set targets to reduce CO<sub>2</sub> emissions.

**20. Reducing air freight –**

Investigating and minimising our use of air freight whilst balancing the need to trade with developing countries and provide nutritional choice.

**21. Supplier Exchange (climate) –**

Mobilising our key suppliers via our Supplier Exchange to significantly reduce their CO<sub>2</sub> emissions.

**22. Green factories –**

Supporting the development of 'green' factories with our suppliers.

**23. Agricultural carbon balance –**

Undertaking research to understand the carbon balance associated with the production of agricultural raw materials.

## HELPING OUR CUSTOMERS TO ADDRESS CLIMATE CHANGE

**24. Labelling air freighted food –**

Labelling all air freighted food products within 12 months.

**25. Carbon labelling –**

Supporting the work of the Carbon Trust to develop a carbon labelling scheme for consumer products and services.

**26. Low carbon products –**

Developing and selling products with a lower carbon impact.

**27. Footprint Campaign –**

Launching campaigns with the WWF and National Federation of Women's Institutes – to help our customers and employees understand their 'carbon footprint' and how to reduce it.

**28. The Climate Group Campaign –**

Working with the Climate Group on a major educational campaign in 2007 encouraging people to wash clothes at 30 degrees to cut energy use and CO<sub>2</sub> emissions.

**29. Public transport and cycling –**

Progressively introducing facilities to encourage the use of public transport and cycling for both customers and employees where appropriate.



Five-year Plan A commitments

## REDUCING WASTE FROM OUR STORES, OFFICES AND DISTRIBUTION CENTRES

**30. No operational waste to landfill –**

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

**31. Food waste (reduction) –**

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

**32. Food waste (alternative disposal) –**

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

**33. Construction waste –**

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

**34. Construction and fit-out materials –**

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

**35. Café Closed-Loop –**

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

**36. Consumables –**

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

## REDUCING PACKAGING AND ENSURING THAT IT'S EASY TO RECYCLE

**37. Packaging (reduction) –**

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

**38. Packaging (sustainable raw materials) –**

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

**39. Packaging (recycling and composting) –**

Ensuring that all packaging can be easily recycled or composted, accepting that in some cases this may require the use of heavier materials.

**40. Packaging (WRAP logos) –**

Labelling all our packaging with the WRAP and Recycle Now symbols.

**41. Packaging (Courtauld Commitment) –**

Continuing to work with WRAP in order to achieve the targets to reduce packaging and food waste contained in the Courtauld Commitment between 2008-2010.

## REDUCING WASTE FROM OUR PRODUCTS AND MAKING THEM EASY TO RECYCLE

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- 42. Bin bags –**  
Launching a range of bin bags made from recycled polythene collected from M&S distribution centres.
- 43. Clothing hangers –**  
Extending hanger recycling with a customer awareness campaign to build on the 50 million we currently recycle and re-use each year.
- 44. Customer recycling services –**  
Introducing a range of recycling services for our customers including a project for used clothing.

## REDUCING OUR USE OF CARRIER BAGS

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- 45. Carrier bags (reduction) –**  
Reducing carrier bag use by 33% by 2010 including launching a 'No to Bags' campaign.
- 46. Carrier bags (recycled plastic) –**  
Making our remaining carrier bags out of recycled polythene by 2008/09.
- 47. Carrier bag agreement –**  
Working with Department for the Environment, Food and Rural Affairs (DEFRA), the British Retail Consortium and Waste & Resources Action Programme to reduce the overall environmental impact of carrier bags by (at least) 25% by the end of 2008.



## Sustainable raw materials

Five year Plan A commitments

### FARMING

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- 48. Sustainable farming –**  
Producing our fruit, vegetables, salads and meat to independent environmental standards and developing a set of sustainable farming measurements to demonstrate the environmental benefits of these standards.
- 49. Organic food –**  
Tripling our sales of organic food in the UK and Republic of Ireland.
- 50. Pesticides (phase out) –**  
Phasing out a further 19 pesticides used in fruit, vegetable and salad production by the start of 2010 in addition to the 60 we have already banned.
- 51. Pesticides (post-harvest) –**  
Eliminating the post-harvest usage of pesticides on our fruit, vegetables and salads.
- 52. Pesticides (Network) –**  
Launching a Pesticide Residue Reduction Network with our suppliers.
- 53. Non-GM –**  
Maintaining our non-GM food policy.
- 54. Sustainable textiles –**  
Reducing the environmental impact of the textiles we sell by trialling new fibres such as bamboo, renewable plastics and new ways of producing fibres such as organic cotton, linen and wool.
- 55. Cotton –**  
Launching a sustainability strategy covering all our cotton including approaches such as 'Fairtrade', organic and the international cotton industry 'Better Cotton Initiative' by 2008.
- 56. Food commodities –**  
Working with key stakeholder groups, including the 'Roundtable for Sustainable Palm Oil' and the 'Roundtable for Sustainable Soy' to set acceptable standards. Set targets for our usage once these standards become available.

### HARVESTING NATURAL MATERIALS

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- 57. Wood –**  
Making sure all the wood we use is FSC certified (or where FSC is not available, an equivalent independent standard) or is recycled.

**58. Fish –**

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

**MAN-MADE MATERIALS****59. Dye-houses –**

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

**60. Polyester –**

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

**ANIMAL WELFARE****61. Clothing standards –**

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

**62. Fixed cut off date for animal testing –**

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

**63. Free range –**

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

**64. 'Oakham chicken' –**

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

**WATER USE****65. Water efficiency (stores and offices) –**

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

**66. Water efficiency (suppliers) –**

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

**STORE CONSTRUCTION AND EQUIPMENT****67. Stores (raw materials) –**

Setting sustainable raw material standards for store construction and equipment.

**SUPPLY CHAIN STANDARDS****68. Unannounced assessments –**

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

**69. In-country resources –**

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

**70. Ethical Trading Initiative standards –**

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

**71. Ethical trading assessments –**

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

**72. Confidential complaints –**

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

**73. Product information –**

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

**RESPONSIBLE BUYING****74. Supplier ranking –**

Introducing a benchmarking system for clothing and home suppliers (e.g. gold, silver, bronze) covering ethical trading and participation in our Supplier Exchange initiatives by the start of 2008.

**75. Buying guidelines –**

Further developing our responsible buying guidelines and integrating them into our buying processes.

**76. Small suppliers –**

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

**SUPPORT FOR UK FARMERS****77. Buying Pledges –**

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

**78. Linking customers and producers –**

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

79. **Regional food sourcing –**  
Doubling the amount of food we source regionally and improve the information we provide to customers.

### 'FAIRTRADE'

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80. **'Fairtrade' food –**  
Continuing to expand our ranges of 'Fairtrade' food including converting all our jams, preserves, and bagged sugar to 'Fairtrade' and offering more 'Fairtrade' fruit, wine and other products.
81. **'Fairtrade' clothing –**  
Converting 20 million clothing garments including £5 plain t-shirts, women's strappy vests and oxford shirts to 'Fairtrade' cotton – equal to 10% of all M&S cotton use.

### SUPPORT FOR SUPPLIERS

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82. **Supplier Exchange –**  
Launching a Supplier Exchange to drive best practices, stimulate innovation and help suppliers secure funds to develop more sustainable production techniques and invest in their workforces and local communities.
83. **Supplier Community Investment –**  
Working with our suppliers via our Supplier Exchange to help them invest to improve livelihoods in vulnerable communities.

### EMPLOYEE INVOLVEMENT

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84. **'Marks & Start' –**  
Continuing to help disadvantaged groups like the disabled and homeless get into jobs via work placements in our stores, offices and suppliers factories.
85. **Plan A Champions –**  
Appointing and training Plan A Champions in all our stores and offices.

### ENGAGING CUSTOMERS

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86. **Customer campaigns –**  
Developing and launching initiatives on environmental and international community issues.
87. **Breakthrough Breast Cancer –**  
Maintaining our campaigns with Breakthrough Breast Cancer.

### ENGAGING FRANCHISE PARTNERS

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



### PROVIDING HEALTHIER FOODS

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89. **'Eat Well' –**  
Increasing the amount of 'Eat Well' nutritionally-balanced food we sell from 30% of our food to 50%.
90. **Labelling –**  
Introducing the use of nutritional traffic lights to relevant food products.
91. **Children's sweets –**  
Removing children's sweets from till points.
92. **Natural colours –**  
Using only natural colours in our children's sweets and cakes by the start of 2008.
93. **Salt –**  
Making further reductions to the amount of salt in our foods by working to M&S targets, many of which go beyond those set by the FSA.
94. **Omega 3 (salmon) –**  
Ensuring all our fresh salmon meets our new 'Loch Muir' standards (enriched with Omega-3) during 2007/08.
95. **Natural enrichment –**  
Developing agricultural projects to provide naturally-enriched foods.
96. **Nutritional enrichment –**  
Developing nutritionally-enriched product choices within selected ranges.

### ENCOURAGING HEALTHIER LIFESTYLES

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97. **Healthy Eating Advisers –**  
Introducing 1,500 Healthy Eating Advisers in our stores and extend this training to our food section employees by the start of 2010.
98. **Health campaigns –**  
Launching at least two major health initiatives for our employees and customers.
99. **Diet and Health information –**  
Evaluating the most effective means of providing expert Diet and Health information to customers including: trialling in-store Nutritionists and the provision of a Nutrition customer care line.
100. **Lifestyle information –**  
Providing improved health and lifestyle information to our employees and customers.

# Our performance

This section of the Report provides an update on progress against the 22 targets featured in our 2006 Corporate Social Responsibility Report.

In previous years we have reported our progress under the three major headings of Product, People and Places. To bring these in line with our new Plan A 'eco plan' we have structured our 2006/07 targets under new headings of: Climate change, Waste, Sustainable raw materials, Fair partner and Health. Where we have made significant improvements on issues that were not included in our 2006/07 targets, these have been added. We have also included our targets on People.

While Plan A contains 100 new ambitious longer-term commitments, in many cases it builds on our achievements over the last few years. As such, all 2006/07 targets featured over the next few pages also provide progress updates on Plan A 100 commitments. We will update progress against our Plan A 100 commitments in future reporting.

\*\*Assurance on statements and claims provided by Ernst & Young (see page 35 for full details).

## Climate change

Targets in this section were detailed under the headings of Products and Places in our 2006 CSR Report but now provide updates against some of our Plan A Climate change commitments.

2006/07 target	How we did																				
<p><b>**Food sourcing:</b> Use the results of our research into the environmental and socio-economic impacts of food sourcing to support our future sourcing decisions.</p>	<p>Our food miles research demonstrated that the use of air freight is much more damaging to the environment than road or sea but that trade with developing countries can also provide significant social and economic benefits.</p> <p>We started to introduce aeroplane labels on products in March 2007 so that our customers can distinguish between air freighted and sea freighted food.</p>																				
<p><b>Transport</b> Start to upgrade our delivery fleets to Euro IV standard engines.</p>	<p>Twenty-one percent of our core food and, clothing and home delivery fleets now use less polluting Euro IV or V engines. We believe that we are one of the first major UK retailers to introduce Euro V specification vehicles, two years ahead of legislation.</p> <p>We have also conducted successful trials using mixes of 50% bio-diesel in delivery fleets based at our warehouses in Crewe and Hemel Hempstead. In January 2007, we were one of the first to purchase a new type of electric 7.5 tonne delivery vehicle which we will test on runs to our store in Covent Garden, London. In April, we took delivery of a new trial 'teardrop' shaped trailer for use on clothing and home deliveries – this revolutionary shape is designed to improve fuel efficiency by up to 15% and loading space by 10%.</p> <p>The table below shows our performance reflecting increased sales and some clothing and home supplier collections which could not be separated out from our data.</p> <p><b>Food, clothing and home UK and Republic of Ireland store delivery fleets</b></p> <table border="1"> <thead> <tr> <th></th> <th>2005/06</th> <th>2006/07</th> <th>% change</th> </tr> </thead> <tbody> <tr> <td>% Euro IV/V</td> <td>0</td> <td>21%</td> <td>+21</td> </tr> <tr> <td>Distance</td> <td>72m km</td> <td>81m km</td> <td>+13</td> </tr> <tr> <td>Fuel</td> <td>22m litres</td> <td>25m litres</td> <td>+14</td> </tr> <tr> <td>CO<sub>2</sub></td> <td>59,000 t</td> <td>67,000 t</td> <td>+14</td> </tr> </tbody> </table>		2005/06	2006/07	% change	% Euro IV/V	0	21%	+21	Distance	72m km	81m km	+13	Fuel	22m litres	25m litres	+14	CO <sub>2</sub>	59,000 t	67,000 t	+14
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Chief Executive's Message

A Year In Review

Plan A - summary

Plan A - detail

Our performance

How we do business

Assurance Statement

2006/07 target		How we did																																																
<p><b>Energy:</b></p>	<p>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.</p>	<p>We successfully renewed our Energy Efficiency Accreditation and re-tendered the supply of 'green' electricity to our stores in Scotland and extended this to include M&amp;S-operated Simply Food stores and head offices in England and Wales as well. We also ran a major cross-company energy and climate awareness campaign called 'Save Our Energy' which offered prizes of low-energy light bulbs, wind-up radios and bicycles for the best ideas.</p> <p>M&amp;S made a submission to the Government, supporting the introduction of a carbon emissions trading scheme suitable for retailers called the Energy Performance Commitment.</p> <p>Our store and office energy CO<sub>2</sub> emissions reduced by 35% in the last 12 months. A warm 2006/07 resulted in a greater need for air-conditioning set against lower demand for heating.</p> <p><b>Electricity and gas consumption in UK stores and offices (excluding Outlet and UK franchise stores)</b></p> <table border="1"> <thead> <tr> <th>Electricity</th> <th>2005/06</th> <th>2006/07</th> <th>% change</th> </tr> </thead> <tbody> <tr> <td>Brown</td> <td>630 GWhs</td> <td>55 GWhs</td> <td>-91</td> </tr> <tr> <td>Greener<sup>†</sup></td> <td>67 GWhs</td> <td>656 GWhs</td> <td>+900</td> </tr> <tr> <td>Green</td> <td></td> <td>18 GWhs</td> <td></td> </tr> <tr> <td>Total</td> <td>697 GWhs</td> <td>729 GWhs</td> <td>+5</td> </tr> <tr> <td>CO<sub>2</sub></td> <td>287,000 t</td> <td>177,000 t</td> <td>-38</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Gas</th> <th>2005/06</th> <th>2006/07</th> <th>% change</th> </tr> </thead> <tbody> <tr> <td>Usage</td> <td>213 GWhs</td> <td>184 GWhs</td> <td>-14</td> </tr> <tr> <td>CO<sub>2</sub></td> <td>40,000 t</td> <td>35,000 t</td> <td>-13</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Total energy</th> <th>2005/06</th> <th>2006/07</th> <th>% change</th> </tr> </thead> <tbody> <tr> <td>Usage</td> <td>910 GWhs</td> <td>913 GWhs</td> <td>Level</td> </tr> <tr> <td>CO<sub>2</sub></td> <td>327,000 t</td> <td>212,000 t</td> <td>-35</td> </tr> </tbody> </table> <p><sup>†</sup>Greener electricity is sourced from high quality, climate change levy exempt Combined Heat and Power producing 44% less CO<sub>2</sub> emissions.</p>	Electricity	2005/06	2006/07	% change	Brown	630 GWhs	55 GWhs	-91	Greener <sup>†</sup>	67 GWhs	656 GWhs	+900	Green		18 GWhs		Total	697 GWhs	729 GWhs	+5	CO <sub>2</sub>	287,000 t	177,000 t	-38	Gas	2005/06	2006/07	% change	Usage	213 GWhs	184 GWhs	-14	CO <sub>2</sub>	40,000 t	35,000 t	-13	Total energy	2005/06	2006/07	% change	Usage	910 GWhs	913 GWhs	Level	CO <sub>2</sub>	327,000 t	212,000 t	-35
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<p><b>**Carbon offset deliveries</b></p>	<p>New</p>	<p>In July 2006, we introduced a scheme to offset the carbon emissions from our home deliveries of furniture by funding the planting of new forestry in the UK. Over the scheme's lifetime, 12 months of home deliveries, producing an estimated 2,600 tonnes of CO<sub>2</sub> will be offset by planting roughly 10,000 trees in Dumfries, at the Queensberry Estate.</p>																																																

**Key**

- m km:** millions of kilometres
- m litres:** millions of litres
- GWh:** Gigawatt hour
- t:** tonnes
- m<sup>3</sup>:** cubic metres
- CO<sub>2</sub>:** carbon dioxide

## Waste

Targets in this section were detailed under the headings of Products and Places in our 2006 CSR Report but now provide updates against some of our Plan A Waste commitments.

2006/07 target		How we did																								
<p><b>**Food packaging</b></p>	<p>Expand our 'Responsible Food Packaging' initiative to use more recycled and natural sustainable materials.</p>	<p>We continued to extend the use of biodegradable plastic containers for fresh fruit, salads, vegetables and chilled desserts. Our sandwiches are now packed in Forest Stewardship Council (FSC) accredited cardboard to demonstrate that it is sourced from well-managed forests.</p> <p>In our 2006 CSR Report, we covered our use of a proportion of recycled plastic in packaging for salad snacks and snack drinks. We have recently built on this by starting to include a 10% recycled plastic content in our bottles for organic milk, an approach we aim to extend to all our bottles of milk. We have also moved our packaging for bulbs over to recycled cardboard.</p> <p>To make recycling easier for our customers we also moved to recyclable board trays for our four pack apples.</p> <p><b>Total packaging usage in tonnes (food, clothing and home) in 2006</b></p> <table border="1" data-bbox="901 907 1453 1153"> <thead> <tr> <th></th> <th>Usage*</th> <th>% to total</th> </tr> </thead> <tbody> <tr> <td>Cardboard</td> <td>22,312</td> <td>22</td> </tr> <tr> <td>Glass</td> <td>24,845</td> <td>25</td> </tr> <tr> <td>Aluminium</td> <td>1,956</td> <td>2</td> </tr> <tr> <td>Steel</td> <td>3,302</td> <td>3</td> </tr> <tr> <td>Plastic</td> <td>47,182</td> <td>47</td> </tr> <tr> <td>Wood and others</td> <td>518</td> <td>1</td> </tr> <tr> <td><b>Total</b></td> <td><b>100,115</b></td> <td><b>100</b></td> </tr> </tbody> </table> <p><small>*Data based on calendar year. These figures are significantly increased on those published in 2006 due to improved sales and more accurate data.</small></p>		Usage*	% to total	Cardboard	22,312	22	Glass	24,845	25	Aluminium	1,956	2	Steel	3,302	3	Plastic	47,182	47	Wood and others	518	1	<b>Total</b>	<b>100,115</b>	<b>100</b>
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<p><b>Carrier bags</b></p>	<p>New</p>	<p>Along with other major retailers we adopted a Joint Agreement on Carrier Bag Usage with the Government. This commits us to working with WRAP (Waste &amp; Resources Action Programme) to reduce the overall environmental impacts of carrier bags by 25% by the end of 2008. This will be achieved by a combination of using fewer bags, improving re-use and specifying recycled materials.</p> <p>We have introduced usage targets in our stores and changed our till procedures to encourage customers to re-use bags. Our 'Bag-for-Life' has been reduced in price from 15p to 10p and most of our clothing and home carrier bags are now starting to be made from recycled polythene.</p> <p><b>*2006 baseline carrier bag usage</b></p> <table border="1" data-bbox="901 1579 1453 1668"> <tbody> <tr> <td>Number of bags (all types)</td> <td>935 million</td> </tr> <tr> <td>Weight of polythene</td> <td>6,500 tonnes</td> </tr> <tr> <td>% of recycled material used</td> <td>0</td> </tr> </tbody> </table> <p><small>*Data based on calendar year.</small></p>	Number of bags (all types)	935 million	Weight of polythene	6,500 tonnes	% of recycled material used	0																		
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<p><b>Waste: Stores</b></p>	<p>Reduce the amount of waste sent for disposal per £1m of sales by 10% by 2010.</p>	<p>We took part in a retail waste review programme with the Envirowise best practice programme. We started a closed-loop recycling scheme in five London stores to use collected materials from our Café Revive operations in new M&amp;S food packaging. We also started to implement a trial to recycle unsold food into biogas and fibre fuels from over 20 of our stores in North West England.</p> <p>Our measured annual waste collected from stores increased from 40,000 tonnes to around 42,000 tonnes a year. This is in addition to around 27,000 tonnes collected for recycling at our clothing and home Distribution Centres.</p>																								

2006/07 target		How we did
<b>**Waste: electrical products</b>	Implement the Waste Electrical and Electronic Equipment Directive, which covers the recycling of used electrical products, for our UK stores.	This legislation comes into effect in the UK during 2007. M&S has joined a scheme set up by the British Retail Consortium with Valpak, allowing us to meet our obligations without taking products back through our stores. We also have different legal obligations as a producer of electrical goods which we intend to meet through membership of another Government-registered scheme operated by DHL.
Environmental legal compliance		We had no environmental prosecutions in 2006/07.

## Sustainable raw materials

Targets in this section were detailed under the heading of Products in our 2006 CSR Report but now provide updates against some of our Plan A Sustainable raw materials commitments.

2006/07 target		How we did																								
<b>**Wood/furniture:</b>	Launch further ranges of Forest Stewardship Council certified wood furniture.	We achieved a grade A rating for our sourcing of sustainable hardwood garden furniture from Greenpeace in May 2006. We launched further ranges of FSC certified furniture. Our ranges of 'Mix and Match', 'Wells' and 'Autograph Sorrento' garden furniture were produced from FSC accredited wood.																								
<b>**Chemicals:</b>	Launch a range of '100% Natural' household cleaning products manufactured using only natural or naturally-derived cleaning ingredients as well as being free of all artificial fragrances.	These products were launched in September 2006.																								
<b>**Food pesticide usage: New</b>		<p>At the end of 2006 we met with our suppliers to discuss our intention to ban the 19 outstanding pesticides on our phase-out list. We aim to ban ten from April 2008 and the remaining nine by the start of 2010. This will bring to 79 the number of pesticides we have banned.</p> <p>We will develop a new list of pesticides we want to ban in the future based on those that feature prominently in our residue monitoring.</p> <p>In May, we will communicate our new pesticide standards as part of a launch of our improved 'Field-to-Fork' farm standards.</p> <p>Our 2006/07 measurements show that 74% of food was pesticide residue-free (2005/06: 74%). Our Plan A commitments include actions to improve this performance.</p> <p><b>2006/07 pesticide residues (at or above 0.05 parts per million)</b></p> <table border="1"> <thead> <tr> <th></th> <th>% residue-free</th> <th>ongoing target</th> </tr> </thead> <tbody> <tr> <td>Vegetables</td> <td>94</td> <td>90%</td> </tr> <tr> <td>Potatoes</td> <td>71</td> <td>80%</td> </tr> <tr> <td>Salads</td> <td>84</td> <td>80%</td> </tr> <tr> <td>Fruit</td> <td>35</td> <td>60%</td> </tr> <tr> <td>Organics</td> <td>92</td> <td>100%</td> </tr> <tr> <td>Other</td> <td>78</td> <td></td> </tr> <tr> <td><b>Totals</b></td> <td><b>74</b></td> <td></td> </tr> </tbody> </table> <p>During 2006/07, a total of 357 samples were tested. Of these, four samples were found to contain residue in excess of the Maximum Residue Limit (MRL). Further details are available on our website. Two residues found on organic products were naturally occurring or considered by the independent laboratory to have come from contamination rather than a pesticide application.</p>		% residue-free	ongoing target	Vegetables	94	90%	Potatoes	71	80%	Salads	84	80%	Fruit	35	60%	Organics	92	100%	Other	78		<b>Totals</b>	<b>74</b>	
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2006/07 target		How we did
<b>**Animal welfare:</b>	<p>Establish an annual programme of non-food animal welfare projects. These will include improving welfare standards in Indian leather production.</p> <p>We will develop revised specifications and welfare indicators for all fresh meat, poultry and dairy livestock.</p>	<p>In October, we were presented with the 'RSPCA Good Business Awards' for Food and Fashion retailing and were runners-up in the cosmetics category.</p> <p>We do not currently use any cow leather from India due to concerns over standards of animal welfare. We have started to fund an animal welfare programme in India with the Indian Council for Leather Exports to establish best practices in leather production.</p> <p>From February 2007, we launched an animal testing cut-off date for the ingredients used in our beauty products of the 1 January 2006.</p> <p>We are now trialling a database of revised specifications and welfare indicators (starting with chicken) which uses supplier self-assessments to track welfare performance of the farms and food manufacturers in our supply chain.</p>
<b>**Fish:</b>	New	<p>We now offer seven 'Loch Muir' farmed salmon products in our stores which have been grown using a unique feed which is rich in Omega-3. To make sure the feed is not based on fish from poorly-managed stocks, the important fish oil ingredient is sourced from what we consider to be well-managed fisheries in South America.</p> <p>During 2006, we were again rated as the best food retailer for sustainable fish by Greenpeace and also as joint-leaders by the Marine Conservation Society in March 2007.</p>
<b>**Palm Oil:</b>	New	<p>We have submitted an update report to the Roundtable on Sustainable Palm Oil and asked our suppliers to consider joining. We plan to specify the agreed requirement for sustainable palm oil when it is agreed in 2008.</p>
<b>Store &amp; office water usage</b>	New	<p>2006/07 water usage was measured as 1,050,097 m<sup>3</sup> (2005/06: 1,021,000m<sup>3</sup>).</p>

## Fair partner

Targets in this section were detailed under the heading of Products in our 2006 CSR Report but now provide updates against some of our Plan A Fair partner commitments.

2006/07 target		How we did
<b>**Ethical trading:</b>	<p>Make greater use of the Supplier Ethical Data Exchange (SEDEX) database and encourage more of our suppliers to adopt it.</p>	<p>We have 1,397 clothing and home, and 691 food supplier locations. 67%* of our clothing and home suppliers and 89%* of our food suppliers are now registered on the SEDEX database.</p> <p>For clothing and home, 677* assessments (target for 2006: 950) were conducted of which 378* (target for 2006: 350) were carried out independently. Our suppliers made 570* corrective actions.</p> <p>We have trained 208* people on ethical trading practices as part of our 'Buying Academy' programme.</p> <p>For food, 640* assessments (target for 2006: 640) were conducted of which 89* (target for 2006: 100) were carried out independently. Our suppliers made 444* corrective actions.</p> <p>By the end of 2006 we were able to confirm that 249* out of 253 of the UK labour providers used by M&amp;S suppliers have been licensed by the Government. The remainder were in the process of doing so. We have agreed to work with other retailers and the food industry to review the levels of temporary employment and pay in UK food production.</p> <p>*Data based on calendar year.</p>

	2006/07 target	How we did
<b>**International franchises:</b>	Extend the use of Corporate Social Responsibility assessments to our franchise operations in new countries where we open stores.	In the last two years, over 60% of our overseas territories have been assessed and corrective actions have been identified. Our aim is to establish a bi-annual process of franchise partner self-assessments supported by risk-based independent assessments. We are also working with our partners to establish a system of regular assessments of key local suppliers of services and consumables.
<b>**Fairtrade':</b>	<p>Review our use of 'Fairtrade' certified cotton and introduce new ranges in men's, women's and children's clothing.</p> <p>Complete the conversion of tea in our food halls to 'Fairtrade'. Expand our range of 'Fairtrade' food products.</p>	<p>For 'Fairtrade Fortnight' in March 2007 we launched an 'Outfit for all', with a range of 25 products comprising 'Fairtrade' jeans, t-shirts and underwear for all the family in 100 stores. For 2006/07 our usage of 'Fairtrade' cotton had grown to almost 200 tonnes – equivalent to approximately 750,000 t-shirts.</p> <p>Work to convert our tea (other than herbal types) over to 'Fairtrade' is now virtually complete. Our roast and ground, and instant coffee is already all 'Fairtrade'. We also launched ranges of 'Fairtrade' jam, marmalade and bagged sugar.</p>
<b>**Shell Foundation:</b>	Develop and launch more projects with the Shell Foundation to support small suppliers in the developing world.	We've built on our work with the Shell Foundation and used a similar approach with Traidcraft, purchasing greetings cards made by poor and vulnerable communities in Bangladesh and the Philippines.
<b>'Marks &amp; Start':</b>	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.	We completed the third year of 'Marks & Start', our work experience programme to help people including disadvantaged groups like the disabled and homeless back into work. Some 2,600 people took part during the year, 9,000 since its launch in 2004, and we helped some of our suppliers and franchise partners run their own version of the scheme. Over the three years, around 40% of the 1,800 adult participants have found work as a result. Our work on 'Marks & Start' earned us a 'Business in the Community Employability Award for Excellence' during the year as well as the 'Prince's Trust Partnership & Innovation Award'.
<b>Breast Cancer Awareness:</b>	Extend our Breakthrough Breast Cancer support to include the Fashion Targets Breast Cancer campaign in May 2006.	<p>Since 2001 we have helped to raise £6.0m for Breakthrough Breast Cancer. In 2006/07, we helped to raise £1.5m by a range of activities around Breast Cancer Awareness month in October as well as the Fashion Targets Breast Cancer campaign in May. We received the 'Business in the Community Cause Related Business Award for Excellence' for this work in 2006.</p> <p>We also supported The Prostate Cancer Charity helping to raise £90,000.</p>

## Health

Targets in this section were detailed under the heading of Products in our 2006 CSR Report but now provide updates against some of our Plan A Health commitments.

2006/07 target	How we did
<p><b>**Healthier food:</b></p>	<p>Complete the removal of potentially harmful hydrogenated fats and oils from 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.</p>
<p><b>Occupational health:</b></p>	<p>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.</p>

In 2006, we completed the removal of hydrogenated fats and oils as ingredients from M&S food.

In line with FSA recommendations in 2007, we started to introduce front-of-pack colour coded traffic light nutrition labelling on 'Eat Well', 'count on us...' and everyday Italian ready meal ranges. We also decided to include Guideline Daily Amount percentages as additional information to show the contribution of a serving as part of a daily diet.

We continued to reduce the use of salt and now meet the FSA's 2010 Salt Targets for; ready meals, breakfast cereals, sandwiches, bread, sauces, cakes, baked beans and fruit pies.

We trained 1,400 of our store colleagues to help them respond to our customers' questions on nutrition and health.

Our trial of fast referrals to physiotherapists, osteopaths and chiropractors covered 4,000 employees in Scotland and Northern Ireland, and resulted in an 8% fall in sick absence. However, full UK roll-out of the scheme was not cost-effective because of current UK tax legislation. We are working with the Government to see if changes can be made so that all our staff can benefit from the scheme.

Confidential phone advice is now available to all our staff and is proving popular. Some 600 calls are being received every month. More than 70% relate to health, financial and family problems outside work.

## People

2006/07 target	How we did
<p><b>Training:</b></p>	<p>Extend our 'Buying Academy' training to our head office employees in the Food Division.</p>
<p><b>Pension change proposals:</b></p>	<p>New</p>
<p><b>Career development:</b></p>	<p>Launch a 'Your M&amp;S Career Path' programme for section and store managers. This will provide a step-by-step career plan linked to skills and performance.</p>

In addition to the 700 employees from our clothing and home teams who took part in 2005/06, we have now extended this training to our food colleagues.

The issue of pensions has become a challenge for all organisations as a result of greater life expectancy and lower than anticipated returns on investments. In January 2007, the Company agreed to reduce the deficit in our final salary pension scheme by £500m using an M&S property-backed structure. This is on top of the £515m in extra payments we have contributed to the scheme since March 2004. In addition, we needed to make changes to the pension scheme itself to put it on a more secure footing. We consulted with members through our Business Involvement Groups and asked them to consider three options about how their pension builds up. Only one of these options involves employees paying contributions. We modified our proposal during consultation, and reached agreement with employees on the changes, which come into effect in October 2007.

'Your M&S Career Path' for store management was launched in May 2006 and all people at this level have had their skills and competencies audited to prepare them for possible promotion. Career paths for Section Managers and HR management were launched in May 2007. To improve succession planning, development and mentoring groups have been set up for senior managers identified as high potential.

Chief Executive's Message

A Year In Review

Plan A - summary

Plan A - detail

Our performance

How we do business

Assurance Statement

2006/07 target		How we did
Responding to Farepak:	New	Following the collapse of the Farepak Christmas savings scheme at the end of 2006, we replaced the lost savings of around 420 employees in full with M&S gift vouchers. We also donated £250,000 to the Farepak Response Fund.
Fire, Health & Safety:	Reduce accidents and absence related to any work-related injury.	We are keen to support a culture where accidents are readily reported. By May 2007, we will have assessed the skills of our Fire, Health & Safety Officers and provided a minimum of two days' additional specialist training. The role has been included in the 'Your M&S Career Path' programme with improved rates of pay. Improved awareness produced an increased number of reported accidents of 30,833 (2005/06: 16,980). Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) incidents totalled 1,057.
Major incidents:		There were no fatalities in our business in 2006/07.
Code of Ethics:	Communicate our new consolidated Marks & Spencer Code of Ethics across the Company.	This was communicated across the Company in May 2006. Senior management are now asked to confirm their acceptance annually. Feedback on whistle-blowing and any significant breaches is provided to the Audit Committee twice a year. Our Code of Ethics will be reviewed for revision during 2007.
Diversity & data:	Comply with new legislation on Age Discrimination in October 2006 and complete discrimination training for human resource managers.	We reviewed all our policies and procedures to make sure we complied with the new legislation. Our work was recognised by the Employers Forum who named us best private sector organisation for our implementation of the new Age Discrimination Laws. We completed diversity training for 150 HR managers during the year. Retention across all categories of employees was 75%. Our 2006/07 workforce diversity is shown in the table below.

## 2006/07 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 of service
M&S employees (as of March 2007)	76%	66%	14%	8%	24%	23%
UK averages (2001 Census)	50%	-	8%			

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

# How we do business

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. Adopting a responsible way to how we do business underpins our values – Quality, Value, Service, Innovation and Trust.

## Managing how we do business

For the first half of 2006/07 we operated a system of governance similar to that described in previous years. A Board level Corporate Social Responsibility (CSR) Committee was Chaired by the Group Chairman and supported by two CSR Forums of senior managers – one covering operational issues within our retail activities and one focused on policy development. The CSR Committee met twice during the year.

In November 2006, we replaced the CSR Committee with a new executive committee called the 'How we do business' Committee, chaired by Chief Executive, Stuart Rose. This new Committee includes senior management who hold responsibilities for key aspects of our social, environmental and ethical performance. Membership of our 'How we do business' Committee is shown in the table below:

The role of the Committee is to ensure the implementation of Plan A, provide leadership and respond to stakeholder expectations. The Committee also ensures the integration of social, ethical and environmental issues into our everyday activities. The Chair of the 'How we do business' Committee briefs the full Board on activities and progress at least once a year.

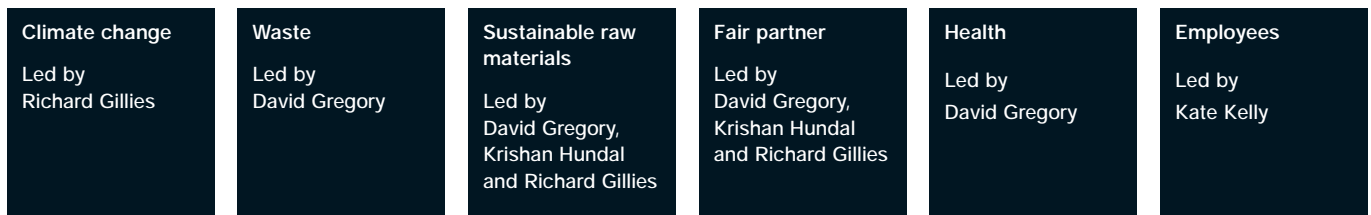
Since its launch in November, the 'How we do business' Committee has met on nine occasions during 2006/07 to start implementing our new Plan A 'eco plan'. Each Plan A pillar – Climate change, Waste, Sustainable raw materials, Fair partner and Health – is sponsored on the Committee by at least one representative and is also supported by a steering group. There is also an additional sixth steering group to support the involvement of employees.

## HOW WE DO BUSINESS COMMITTEE

- 1 **Glen Tinton** Director of General Merchandise Sourcing
- 2 **Flic Howard-Allen** Director of Communications and CSR
- 3 **David Gregory** Director of Technology, Food Division
- 4 **Richard Gillies** Director of Store Design, Development and Procurement
- 5 **Guy Farrant** Director of Retail
- 6 **Andrew Skinner** Director of GM Planning, Sourcing, and Supply Chain
- 7 **Steven Sharp** Executive Director, Marketing
- 8 **Stuart Rose** Chief Executive and Chair
- 9 **Mike Barry** Head of Corporate Social Responsibility and Secretary
- 10 **Krishan Hundal** Head of Technology, General Merchandise
- 11 **Ian Mumby** Head of Food IT and Supply Chain
- 12 **Kate Kelly** Head of Employee Relations and Reward
- 13 **David Hordle** Head of Plan A Delivery
- 14 **Andrew Prophet** Head of Food Finance
- 15 **Scott Fyfe** Executive Assistant to Chief Executive



## How we do business Committee Chaired by Stuart Rose



## Plan A Champions in stores and head offices

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

### Integrating Plan A

Implementation, budget management and co-ordination of Plan A is overseen by the Head of Plan A Delivery, who reports directly to the Chief Executive. Food, clothing and home and store development functions are appointing Plan A Delivery Managers. Plan A objectives will form part of individuals' performance targets. In March 2007, we appointed 560 Plan A Champions in our stores and head offices to co-ordinate local activities.

The work of the 'How we do business' Committee is also supported by a 'How we do business' Forum of managers from across the Company and a small team of social, environmental and ethical specialists who focus on the development of policies and solutions, stakeholder relationships and the management of risks.

### Managing risks

Every six months the Board reviews risks as part of a wider Group Risk Profile. Further information on our Governance systems and Board Committee membership is contained in our 2007 Annual Report.

### Certified international social, environmental and ethical standards

In line with most major retailers, M&S mainly uses internally developed systems to keep pace with a fast-moving trading environment. Our employment policies meet the requirements of the United Nations Universal Declaration of Human Rights.

### Listening and taking action

Our policies are guided by what our stakeholders – customers, shareholders, employees and suppliers – tell us. We have formal ways of listening and responding to their views. We also have regular discussions with the Government, regulators, community partners, trade associations and environmental, human rights and animal welfare groups. A summary of feedback and our responses is shown on page 34.

## About this Report

This is our fourth report on social, environmental and ethical performance and has been re-titled as the 2007 'How we do business' Report to reflect that these issues are central to the way we run and manage the Company. It is the first opportunity we have had to explain our Plan A since it was announced on the 15 January 2007. The Report also contains an update on our performance against the targets we set in last year's Report, many of which have been the foundations for our new Plan A 100 commitments. This is an annual report and covers our financial year running from April 2006 to March 2007 and was published in June 2007.

### Audience

A wide range of stakeholders have an interest in Marks & Spencer's performance on social, environmental and ethical issues. Some require technical data; others want more general information. To balance the content for this varied audience, we have tried to include enough specialist detail, while keeping the report accessible for those with a broader interest. The Report has been primarily written for an external audience as we will also be communicating relevant sections to other stakeholders by using different types of media such as our employee magazine and in-store marketing.

### Report structure

The Report marks a transition away from the setting of annual targets under the headings of Product, People and Places, used in our previous reports between 2004 and 2006, to the structure of our Plan A five-year commitments which we intend to use for reporting in the future.

A summary of 2006/07 is followed by an explanation of Plan A and the 100 commitments we have set ourselves. We provide an update on our progress against the objectives we set in 2006 and then describe our values and how we go about managing our business responsibly.

## Key impacts

As a major UK retailer selling a wide range of goods and services we are impacted by a wide range of social, environmental and ethical issues either directly or through our global supply chains. This means that we have to manage a continually evolving set of issues rather than a small number of set measurements. The stakeholder consultation conducted during the development of our Plan A (summarised on page 34) identified five key impacts. These are: Climate change, Waste, Sustainable raw materials, Fair partner and Health. As a large employer we also identify the importance of workplace issues under the heading of People.

## Decisions on report content

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

We have developed the content of this Report in layers starting with the 22 targets we set in our 2006 Corporate Social Responsibility Report plus additional significant activities. Operational workplace performance data has also been included along with our Plan A commitments. These commitments will form the basis of future content. The detail of this content has been informed by our understanding of stakeholder feedback.

## Scope

We concentrate mostly on our UK business, which accounted for more than 90% of 2006/07 turnover. Product performance data also relates to our stores in the Republic of Ireland and Hong Kong as well as our overseas franchise stores. Operational information relating to M&S Money, UK Simply Food Stores operated under franchise and our wholly-owned chain of Outlet stores are not included. Our food and clothing and home warehouses are operated by third-parties and are also not included.

## Data

Most of the data and statements contained in this Report relate to our 2006/07 financial year. There were no significant structural changes to the business during that time although our beauty product area is now managed within home products. For this reason we refer to non-food products as clothing and home instead of: clothing, home and beauty as used in our previous Report.

Where data is presented by calendar year for other purposes, we have followed the same format in this Report, marking the data with the \* symbol. Where we have included significant events which occurred after the end of our financial year in March 2007 we have quoted the date.

## Assurance

The content of this Report has been provided by M&S management. Data on energy, gas, water, and delivery transport has been provided by suppliers and collated by M&S. This Report is reviewed by the 'How we do business' Forum, 'How we do business' Committee and the Board. Targets carried forward from our 2006 CSR Report and claims about our product-related performance denoted by \*\* were independently assured by Ernst & Young. You can find full details of Ernst & Young's assurance on page 35.

## Report technical standards

To meet some of the technical standards requested by some of our readers, we have adopted the Global Reporting Initiative 3rd generation framework, known as G3, as a checklist and point of reference. The new G3 framework has six possible levels of compliance. This Report has been designed in accordance with the 'entry' level C. GRI G3 references are shown on page 36. Some GRI information on governance, financial performance and employment data can be found in our 2007 Annual report.

The Report also meets retail industry requirements as set out in the Department of the Environment, Food and Rural Affairs (DEFRA) environmental reporting guidelines for UK business.

## M&S Annual reports

You can find a more comprehensive review of our financial performance and governance in our Annual report. Both the 'How we do business' Report and Annual report are available online. You can download a PDF and large font and audio versions of the two reports at [www.marksandspencer.com/thecompany](http://www.marksandspencer.com/thecompany)

## Your views

We welcome your comments. Please send us your views either through our website at:  
[www.marksandspencer.com/howwedobusinessreport2007survey](http://www.marksandspencer.com/howwedobusinessreport2007survey)

via email:  
[Plan.A.Suggestions@marks-and-spencer.com](mailto:Plan.A.Suggestions@marks-and-spencer.com)

or by writing to Marks and Spencer Group plc,  
CSR Department, Waterside House, North Wharf Road,  
London W2 1NW.

Further information and our previous CSR Reports are available from our website at:  
[www.marksandspencer.com/thecompany](http://www.marksandspencer.com/thecompany)

We listened to	What they told us...	What we've done
<p><b>Customers by:</b></p> <ul style="list-style-type: none"> <li>Monitoring sales</li> <li>Research and surveys</li> <li>Direct feedback through our customer service team</li> </ul>	<p>In July 2006, research told us that our customers had a positive view of our 'Look behind the label' marketing campaign. They wanted more information about the social, environmental and ethical qualities of our products and to understand our whole approach. Many also wanted opportunities to take action themselves.</p>	<p>The responses we received provided the foundations for our Plan A 'eco plan'.</p> <p>The five Plan A headings reflect the social, environmental and ethical priorities of our customers. We are working with partners to provide opportunities for customer involvement.</p>
<p><b>Employees by:</b></p> <ul style="list-style-type: none"> <li>Business Involvement Groups</li> <li>Feedback to Plan A</li> <li>Surveys</li> </ul>	<p>We received positive feedback about our 'Look behind the label' campaign. When we launched Plan A, our employees wanted to know how they could participate. We also received a large number of suggestions, mainly on how we could improve recycling activities, packaging, carrier bags, energy efficiency and business travel.</p>	<p>In March 2007, we held the first of a series of planned 'Green Weeks' for employees. We appointed Plan A Champions in our stores and head offices and started to implement many of the suggestions we had received including: recycled carrier bags, recycling trials for unsold food and an improved head office recycling scheme.</p>
<p><b>Shareholders</b></p> <ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Meeting with institutions</li> <li>Survey of institutions</li> <li>Ethical surveys</li> </ul>	<p>Investors who specialise in the risks and opportunities created by social, ethical and environmental issues as well as some individual shareholders have asked about how we intend to report our performance in the future. We have also been asked to provide more details on Plan A.</p>	<p>This Report contains our Plan A 100 commitments which will be used to report future performance. We included a Plan A update in the announcement of our financial results on 22 May 2007 and in our Annual report. We intend to continue with this approach in future.</p>
<p><b>Suppliers</b></p> <ul style="list-style-type: none"> <li>Visits and meetings</li> <li>UK agricultural shows</li> <li>Envirowise Retail Supply Chain Forum</li> <li>Plan A meetings</li> </ul>	<p>Our suppliers wanted to gain a better understanding about our Plan A 'eco plan' and how it will affect them. Many also asked for our support in helping to improve their own performance and sharing best practice.</p>	<p>We held meetings with our largest suppliers to discuss our Plan A commitments in more detail.</p> <p>One of these commitments is to establish a Supplier Exchange to develop best practices. We have also offered to provide funding towards the cost of 'green model' factories.</p>
<p><b>Government &amp; regulators</b></p> <ul style="list-style-type: none"> <li>Submissions</li> <li>Meetings</li> <li>Working with trade associations</li> <li>Plan A briefings</li> </ul>	<p>Government and its agencies were very supportive of our Plan A 'eco plan'. We were also asked to continue working on projects that would improve environmental performance across the retail industry, manufacturing and consumer behaviour.</p>	<p>We are continuing to work on a wide range of Government-backed projects such as The British Retail Consortium's Carrier Bag Agreement, the Courtauld Commitments on waste, emissions trading, carbon labelling and environmental education.</p>
<p><b>Non-governmental organisations</b> (e.g. Greenpeace, Friends of the Earth, WWF, RSPCA, Oxfam etc).</p> <ul style="list-style-type: none"> <li>Regular meetings and discussions</li> <li>Collaboration on joint-projects</li> <li>Plan A meetings</li> </ul>	<p>Many non-governmental organisations (NGOs) contributed ideas and critiques of Plan A whilst we were developing it. They asked us to:</p> <ul style="list-style-type: none"> <li>Collaborate with them and our customers.</li> <li>Regularly review our Plan A commitments in the future.</li> <li>Support effective legislation on minimum standards.</li> </ul>	<p>We are collaborating with NGOs on a wide range of commitments throughout our Plan A commitments. We will continue to review and add to our Plan A commitments.</p> <p>We will continue to work with NGOs, trade associations and the Government on effective legislation.</p>

# Independent Assurance Statement

## To the management of Marks and Spencer Group plc

We have been asked to review Marks & Spencer's '2007 How we do business 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 targets relating to 2006/07 have been transferred from the Corporate Social Responsibility Report 2006 into this Report.
- Whether product-related claims (denoted by \*\*) in the 'Our Performance' section are consistent with the explanation and evidence provided by relevant managers at company level.

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 'Our performance' section of the Report denoted by \*\* to understand the current status of progress against set objectives and the mechanisms for measuring progress.
2. **Reviewed relevant documentation** such as, guidance documents, status reports, meeting minutes, internal spreadsheets and assurance reports to review consistency with progress claims denoted by \*\*.

### What are the limitations of our work?

We do not make conclusions on the accuracy and completeness of data presented in tables.

We did not interview Marks & Spencer employees at stores to discuss the topics covered in the Report.

### What are our conclusions?

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

- We are not aware of any 2006/07 targets presented in the CSR Report 2006 which are not included in the Report.
- We are not aware of any misstatements in the claims denoted by \*\*.

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

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

Ernst & Young LLP, London, 24 May 2007

# Global Reporting Initiative (GRI) Index

	GRI References	Inclusion	Page
<b>Vision &amp; strategy</b>	1.1 CEO's statement	Yes	1
	1.2 Key impacts	Yes	33
<b>Organisation profile</b>	2.1 Name of organisation	Yes	IFC
	2.2 Brands	Yes	IFC
	2.3 Operational structure	Yes	IFC
	2.4 Location of head office	Yes	IFC
	2.5 Countries of operation	Yes	IFC
	2.6 Nature of ownership	Yes	IFC
	2.7 Markets served	Yes	IFC
	2.8 Scale of organisation	Yes	IFC
	2.9 Significant changes in operation	Yes	33
	2.10 Awards received	Yes	5
<b>Report parameters</b>	3.1 Reporting period	Yes	32
	3.2 Date of report	Yes	32
	3.3 Reporting cycle	Yes	32
	3.4 Feedback	Yes	33
	3.5 Defining content	Yes	33
	3.6 Scope of report	Yes	33
	3.7 Exclusions from scope	Yes	33
	3.8 Joint ventures and subsidiaries	Yes	33
	3.9 Data measurement techniques	Yes	33
	3.10 Restatements	Yes	33
	3.11 Significant changes	Yes	33
	3.12 GRI table	Yes	36
	3.13 Assurance statement	Yes	35
<b>Governance</b>	4.1 Governance of SEE matters	Yes	31
	4.2 Chair of senior committee on SEE matters	Yes	31
	4.4 Stakeholder engagement with senior SEE committee	Yes	34
	4.5 Remuneration linkages	Yes	32
	4.3 Board structure	Yes	AR
	4.13 Principal trade associations	Yes	IFC
	4.8 Code of Ethics	Yes	30
	4.9 Risk assessment and management	Yes	AR
	4.14, 4.16, 4.17 Stakeholder engagement	Yes	34
4.6, 4.7, 4.10, 4.11, 4.12, 4.15	No		
<b>Economic performance indicators</b>	EC1 Economic profile	Yes	2
	EC2 Climate change risks & opportunities	Yes	8-9
	EC3, EC4, EC5, EC6, EC7, EC8, EC9	No	
<b>Environmental performance indicators</b>	EN1, EN2, Material usage (packaging)	Partial	25
	EN3, EN4, EN5, EN6, EN7, EN18 Energy usage	Yes	24
	EN6 Energy-efficient products	Yes	8-9
	EN8 Water usage	Yes	27
	EN16 Greenhouse gas emissions	Yes	23 & 24
	EN22 Waste data	Yes	25
	EN28 Environmental Fines	Yes	26
	EN29 Transport	Yes	23
EN9, EN10, EN11, EN12, EN13, EN14, EN15, EN17	No		

# Global Reporting Initiative (GRI)

## Index continued

	GRI References	Inclusion	Page
<b>Environmental performance indicators</b>	EN19, EN20, EN21, EN23, EN24, EN25, EN26, EN27, EN30	No	
<b>Labour practices &amp; decent work performance indicators</b>	LA1 Workforce employment numbers LA2 Employer turnover or retention LA7 Health & Safety data LA11 Training LA3, LA4, LA5, LA6, LA8, LA9, LA10, LA12, LA13, LA14	Partial Partial Partial Partial No	AR 30 30 29
<b>Human rights performance indicators</b>	HR2 Supplier assessments HR1, HR3, HR4, HR5, HR6, HR7, HR8, HR9	Yes No	27
<b>Society performance indicators</b>	SO1 Community programmes SO5 Public positions on key legislation SO6 Political donations SO2, SO3, SO4, SO7, SO8	Partial Partial Yes No	14-15 24 AR
<b>Product responsibility performance indicators</b>	PR5 Customer satisfaction PR1, PR2, PR3, PR4, PR6, PR7, PR8, PR9	Yes No	AR

IFC: Inside Front Cover

AR: Annual Report

SEE: Social, environmental and ethical

# MARKS & SPENCER

We welcome your comments. Please send us your views either through our website at [www.marksandspencer.com/howwedobusinessreport2007survey](http://www.marksandspencer.com/howwedobusinessreport2007survey) or via email:

[Plan.A.Suggestions@marks-and-spencer.com](mailto:Plan.A.Suggestions@marks-and-spencer.com)

or by writing to Marks and Spencer Group plc, CSR Department,  
Waterside House, North Wharf Road, London W2 1NW.

Further information and our previous CSR Reports are available from our website at:

[www.marksandspencer.com/thecompany](http://www.marksandspencer.com/thecompany)

[www.marksandspencer.com/howwedobusinessreport2007](http://www.marksandspencer.com/howwedobusinessreport2007)