

PLAN A: YEAR 1 REVIEW



About Plan A

We launched Plan A in January 2007, setting out 100 commitments over 5 years to address the key social and environmental challenges facing Marks & Spencer today and in the future. Plan A touches all parts of our business including the approximately: 70,000 employees, 570 UK stores, 5 offices, 20 warehouses and 900 trucks that make up our own operations; the 2,000 suppliers, over 20,000 farms and 250,000 workers who help produce our products; and the 16m customers who buy, use and dispose of the hundreds of millions of food, clothing and homeware products we sell each year.

About this report

We also made a commitment to provide regular updates on our progress and we have done so. We issued Plan A updates with our full year financial figures in May and our half year figures in November 2007. We'll continue to provide regular summary updates in our financial reporting cycle.

We also included a full list of all 100 Plan A commitments in our How we do Business (HWDB) Report 2007, issued in June alongside our Annual Report. As of June 2008, future HWDB Reports will outline the progress made across all 100 commitments during the previous year.

Plan A has generated a lot of interest outside M&S; that's why we've decided to publish this one-off 'Year One' review – summarising our progress over the past 12 months. The review provides a summary of our five Plan A pillars: climate change, waste, sustainable raw materials, fair partnership and health. It then provides detailed information on each pillar and finally summarises the key learning from our first 12 months of work.

Year 1 in brief – Making progress, still more to do

Twelve months into Plan A we have made good progress in implementing many of the actions we set out, but we still have more to do. Our progress reflects the growing involvement of M&S customers, suppliers and employees in Plan A across the following five pillars.

1. Climate Change

What we've committed to do

....making our operations in UK and Republic of Ireland carbon neutral. We will minimise energy use, maximise the use of renewables and use offsetting as a last resort. As a significant amount of emissions come from our suppliers and customers making and using our products, we will also mobilise them to reduce their carbon footprint...

What we've done in Year 1

We've made good progress in tackling climate change across our supply chain, operations and consumers' use of our products. In the last 12 months, we've reduced energy related CO₂ emissions from our stores and offices by 55,000 tonnes; supported farmers who are investing in small-scale renewable energy production; opened 3 pilot 'eco-stores'; ordered 140 new aerodynamic trailers; completed a carbon footprint for our food business; and helped shift the percentage of clothing washes done at 30C from 23% to 31%.

2. Waste

What we've committed to do

'...stop sending waste to landfill from our stores, offices and warehouses, reduce our use of packaging and carrier bags, and find new ways to recycle and reuse the materials we use.'

What we've done in year 1

We've started to engage our customers in reducing carrier bag usage and recycling clothing. We've also reduced our use of packaging, increased the amount of recycled material we use and improved our recycling rates for construction waste and coat hangers. It's a good start, but we know we must do even more to achieve our target of sending zero waste to landfill from our own operations.

3. Sustainable Raw Materials

What we've committed to do

'ensuring that our key raw materials come from the most sustainable source possible, in order to protect the environment and the world's natural resources.'

What we've done in Year 1

We've maintained our good progress across a wide range of raw materials. On animal welfare we've led the market in implementing lower stocking densities for chicken and again received the RSPCA Award for animal welfare in fashion. On clothing we've introduced more Fairtrade and organic cotton, organic linen and recycled polyester. We've also increased sales of organic food by 48%.

4. Fair Partner

What we've committed to do

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

What we've done in Year 1

We've extended our use of Fairtrade certified products, in particular cotton and developed a Lamb Pledge to support our UK lamb farmers. We've created a successful Supplier Exchange to involve our suppliers in Plan A and continued to play a major role in the community raising £1.6m for Breakthrough Breast Cancer and £646,000 for Save the Children. In total our Fairtrade food sales are up 20% this year and we've sold 3.2m Fairtrade cotton garments. We've also updated our commitments on labour standards to ensure we work even more closely to support our suppliers. For example, by increasing the size of our overseas team of labour standards experts from 7 to 23 and helping our suppliers develop six ethical model factories to identify and share best practice.

5. Health

What we've committed to do

'...helping thousands of customers and employees choose a healthier lifestyle.'

What we've done in Year 1

We've removed artificial colourings and flavourings from 99% of the food we sell, continued to lead the sector in reducing salt levels in food, introduced front of pack FSA traffic lights and trained 1500 of our employees as healthy eating assistants.

The big picture

The last 12 months have been challenging on the High Street and consumer outlook is likely to remain tough for 2008. Despite this, we've made good progress in implementing Plan A. Most importantly, we've started to engage and involve our customers, employees and suppliers in change – helping to create a virtuous circle as their ideas and commitment spur us on to make further progress and find new solutions. In particular Plan A is encouraging our suppliers to see environmental and social issues less as an issue of basic compliance and more as an opportunity to innovate, bringing us new ideas and solutions. Across 35,000 product lines we need our suppliers' creativity and energy to help us deliver Plan A.

Plan A has re-emphasised the importance of partnership to drive social and environmental change. Groups such as Oxfam, WWF, Breakthrough Breast Cancer, Save the Children, The Carbon Trust, Waste Resources Action Programme (WRAP), Groundwork and many others have played an important role in helping us deliver Plan A. They've helped us innovate, they've provided skills we don't possess and inspired our customers. Constructive partnerships like these will stay at the heart of Plan A in the future.

Plan A has given us a clear direction in tackling social and environmental issues which are evolving rapidly. As these expectations change, we will need to keep Plan A under constant review. Our 'freeze' on the use of bio-fuels and a greater emphasis on working in partnership with our suppliers to manage labour standards are just two reminders of our commitment to keep Plan A fresh and relevant.

We knew Plan A was ambitious when we launched it. During the past 12 months we've achieved a lot and learnt a lot. We're convinced that if we want our business to sustain its success in the long term then we must offer exceptional products, service and stores in a way that reflects the expectations of our customers and stakeholders that we are leaders on managing environmental and social issues.

Year 1 – reviewing progress on our five Plan A pillars

1 *Climate change*

Our operations

We've reduced energy related emissions from our stores and offices by around 55,000 tonnes of CO₂ since January 2007 – mainly by switching an additional 23% of our electricity to renewable sources, making 25% in total. In addition, over 80% of the electricity supply for our dedicated General Merchandise distribution centres now comes from renewable sources.

Between April and November 2007 we also reduced our overall electricity use in stores and offices by 1.2%, despite opening approximately 500,000 square feet of new space. On a like for like basis, our electricity use over this period was down by 5.3%.

We know that more renewable energy generation capacity is required in the UK. To address this issue, we're encouraging farmers to provide small-scale, on-farm renewable generating capacity by installing anaerobic digestion (AD) and wind turbine systems. We now have three contracts in place with anaerobic digestors (two of them on farms) that will provide us with 6 Gwh of green electricity. To put this in perspective, there are currently around 20 anaerobic digestors in the UK, compared to several thousand in Germany. We've recently funded a study tour to Germany for 27 farmers and other interested parties to look at on-farm AD. We hope this will encourage more farmers to invest in the technology. In addition, a farmer who installed wind turbine technology, now supplies us with enough electricity to meet demand at our new Pollok store; a second farm wind turbine is scheduled to start supplying us with electricity in the summer of 2008.

We re-assessed our operational carbon footprint during the year, using the now widely accepted best practice methodology, the World Business Council for Sustainable Development (WBCSD) Greenhouse Gas Protocol. This produced a total of 515,000 tonnes of CO₂e, compared with the 400,000 CO₂e that we estimated in January 2007. This increase was largely due to three factors: the inclusion of our Republic of Ireland stores in the data; a change in the Government conversion factor used to calculate emissions; and leakage from our refrigerators. Leakage levels from our refrigerators are low (below the industry average we believe) but the gases released have a high global warming potential. Consequently, we're now trialling the use of refrigerants, which are less harmful to the environment. Our Pollok and Galashiels stores have hydrocarbon/CO₂ systems installed which have a lower global warming potential than conventional systems.

The three model 'eco' Marks & Spencer stores that opened in 2007 are teaching us valuable lessons about how to roll out green measures during the continuing refurbishment of our store portfolio. The three stores deliberately reflect the diversity of our retail portfolio, including an existing high street store (Bournemouth), a new retail development (Pollok) and a new Simply Foods (Galashiels). A number of successful initiatives trialled in these 'eco' stores will be rolled out to other locations next year.

We ordered 140 new aerodynamic trailers during the year, of which 90 are already in use. They're 10% more fuel efficient and have 10% more capacity than our existing trailers. In addition, 295 of the lorries we use to support our food business, 45% of the food fleet, will have the most efficient, Euro V, engines by March 2008. We also undertook a small trial to explore the use of bio-fuels in our lorries beyond the legal minimum but suspended it during the summer of 2007 until the issues around sustainable sourcing of bio-fuels are resolved.

As a major employer we want to minimise the impact of staff travel on the environment. We've reduced the average CO₂ emissions from our company car fleet from 171g/km to 164g/km and introduced a new Company Car Policy that means new recruits only receive a company car if they need one to do their job and are offered only diesel or hybrid vehicles. Existing company car drivers now receive a cash allowance when their existing lease expires. As a result of these measures, we've reduced our company car fleet from 488 to 469 cars. We're also encouraging people to use the train for business journeys.

Supply chain

We've completed work with the Carbon Trust to develop a unique carbon footprint of our entire food business, covering all the food we sell. This reveals that Marks & Spencer's 4.3% share of the UK food market generates around 3.3mt of CO₂e during the production of raw materials, manufacturing, transport, sale, use and final disposal of the food we sell. We're currently developing tactics and targets to reduce this 'food footprint'.

We source a significant proportion of our food from the UK, well above our overall marketshare. Last summer we bought 10% of the UK blackberry crop, 12% of the UK raspberry crop, 26% of the UK plum crop, 50% of UK blueberries and 48% of all UK-grown cherries. We want to buy even more UK foods and following five research projects, sold British grown sugar snap peas, sweet potatoes and melons for the first time during 2007. During the current English apple season we will stock only home grown Gala apples (another first) and will continue to explore ways to grow new crops in the UK and to extend the UK growing season for established fruit and vegetables.

We have worked closely with our asparagus suppliers to double the length of the growing season in the UK. We estimate this will save up to 360 tonnes CO₂ per season by not flying in our asparagus. We are the only major retailer to be 100% UK asparagus during the season. We are continuing to reduce the amount of fish imported by airfreight. We expect to have all Canadian Lobster frozen at source and shipped by sea for Christmas 2008 and are developing a frozen at sea source of Tuna, to replace the current air-freighted source.

We're working hard to encourage our suppliers to reduce their greenhouse gas emissions. Three suppliers in Sri Lanka are due to complete the construction of model 'eco' factories in 2008, with a fourth factory in China planned to commence construction in 2008. All of these new factories will be independently assessed and accredited by Leadership in Energy and Environmental Design (LEED). A Welsh supplier is currently renovating a factory and providing valuable insights about how to improve existing manufacturing operations.

Customers

As part of the Climate Group's Together Campaign we're encouraging our customers to save energy by washing laundry at 30C rather than 40C or above, with growing success. This campaign is beginning to make a difference, with 31% of washes now done at 30C compared with 23% when we launched the campaign in April.

All our air freighted food products are clearly labelled as such to help customers make more informed buying decisions.

In September 2007 we launched over 60 products in our eco-home range, supported by a Greener Living shop on our internet retail site. We've also been greatly encouraged to see 5,000 WI members sign up to our WWF/WI/M&S Carbon Challenge through their use of the 'One Planet Living' Carbon Calculator.

We've continued our work with The Carbon Trust to explore the feasibility of developing a national scheme for the carbon labelling of consumer products. We believe this is an important undertaking, but that it is likely to take several years to develop an effective scheme. In the meantime we have no plans to trial carbon labels on our products. Instead we will focus on setting targets to reduce our total carbon footprint across our supply chain, operations and use of our products.

Challenges for 2008

Our main challenges in 2008 are clear: to use lessons learned at our three eco stores in our wider store modernisation and construction programme; to develop plans to reduce the carbon footprint of our supply chains; and to continue finding ways to engage our customers in tackling climate change.

2 Waste

Operations

We reduced the use of carrier bags by 11% across our business between April and December 2007 – a total of 37 million bags fewer bags given out. We achieved this by simply asking our customers: 'Do You Need a Carrier?' and by encouraging them to buy our Bags for Life. The sales volume of these Bags for Life has increased eight fold compared to 2006, with over 6.5 million sold.

We've achieved a more substantial 66% reduction in our 14 Northern Ireland stores by introducing a 5p charge for each food carrier bag our customers use. In the four weeks before we introduced the charge our customers were given a free bag for life, normally sold at 10p. All money raised from the purchase of 5p bags was donated to the charity Groundwork to invest in local environment projects. A similar trial is being rolled-out to 35 stores in the South West of England during January 2008. If successful, the scheme is likely to be introduced in all our UK stores.

Asking customers the simple question: 'Do you need the hanger?' when they buy our clothes and then offering to recycle it instead, increased hanger recycling in stores by 32% between April and December 2007 - a total of 22 million extra recycled hangers.

We've increased the proportion of recycled construction waste from our store refurbishment programme to 75% this year and will push for 85% in 2008. We've also increased the use of recycled materials in the consumables (e.g. cups) used in our operations from 12% to 41%. In addition, we will improve the recycled content of our stationery from 16% to 32% by April 2008. This includes switching our copier paper to one with 80% recycled content.

We still have much to do to reach our target of zero waste to landfill from our operations. During the past year, external consultants have reviewed our options; they concluded that the volumes of waste we generate don't justify the creation of an in-house waste handling operation. As a result, we're exploring ways to achieve our objectives by using recycling service companies to collect waste from our stores and warehouses.

Consumers

We recognise that our use of packaging can cause concern amongst customers and other stakeholders. Over the last year we've worked hard to address this packaging challenge and, despite growth in our sales, have achieved the target agreed under the Courtauld Commitment between the Government and the British Retail Consortium (BRC) to reduce the amount of food packaging we use.

For example, we have introduced a new type of plastic packaging for ready meals that is 20% lighter than the one we previously used. This packaging has been trialled in our Italian ready meal for one range and has been very successful. We would estimate that rolling this new packaging out across the 15 lines in this range will save 48 tonnes of packaging per year.

We know that customers are ready to recycle more, but want easy access to recycling schemes. To encourage them we've led the roll-out of Waste Resources Action Programme (WRAP) recycling logos, providing clear, consistent information about recycling on our food packaging. We will be extending WRAP recycling logos to clothing and home packaging during 2008.

Across all the food products we sell, 68% of the packaging we use is recyclable in the majority of local authorities, which is in line with the average for the food retail sector. This figure could rise to 80-90% if a wider range of recycling services for plastic packaging were available across the UK. We are committed to working with local and national government to support the improvement of recycling rates in the UK. For example, by working in partnership with Tetrapak we've helped make it easier for consumers to recycle Tetrapak products. There are recycling facilities in over 70% of local authorities for this material, up from 20% six months ago.

We have actively created a market for recycled plastic and cardboard by using it in our packaging and consequently encouraging investment in the collection of more plastic. We've been involved in the development of the Closed Loop London Dagenham recycling plant, which will be the first UK re-

processing plant for food packaging when it opens in spring 2008. We've also introduced 100% post consumer recycled plastic in our non-food carrier bags and bags for life and 20% industrial waste plastic in our food bags. From January 2008, 35 M&S stores in the South West of England will be the first in the country to trial the use of standard food carrier bags made from 100% recycled post consumer waste.

Consumers have also told us that they want help in recycling products after use. In response, we've launched a major trial across the UK and Republic of Ireland with Oxfam to incentivise people to donate their used clothing to Oxfam stores. This helps us to improve recycling rates and Oxfam to raise much needed funds to support their development work in some of the poorest parts of the world. This programme also includes an incentive element: anyone who donates M&S clothing at an Oxfam store from 28th January 2008 will receive a '£5 off' voucher for use when they purchase M&S clothing, home or beauty products worth £35 or over. We have also supported the Woodland Trust in January 2008 by offering Christmas card recycling facilities in our stores.

Challenges for 2008

Our key challenges for 2008 include: continuing to work on our plans to send zero waste to landfill; continuing the good progress currently being made to reduce our use of packaging and improve its recyclability; widening our carrier bag charging trial to M&S stores in the South West of England; and implementing our clothing recycling trial with Oxfam.

3 Raw materials

General merchandise

We continue to play a leading role in extending animal welfare criteria into non-food products. During 2007 we introduced a fixed cut off date for all of our 1000 beauty products, and since then have further extended this to all of our household products, and won the RSPCA's award for animal welfare leadership in fashion for the third consecutive year.

Customers have reacted positively to the introduction of garments made using recycled polyester from waste bottles and we've sold around 200,000 items made from a total of 2 million bottles this autumn.

As one of the largest retail users of cotton in the world, we want to use our influence to improve environmental and social standards in its production. As part of our strategy we're converting 10% of the cotton we use to Fairtrade, organic, or both. We're also supporting the Better Cotton Initiative to define good social and environmental standards to encourage mainstream cotton growers across the world to improve their practices. We were the first major UK clothing retailer to launch organic wool and linen garments and sold a total of 500,000 garments made from organic cotton, wool and linen during 2007.

We've made steady progress on our commitment to switch to FSC/recycled wood: this is now used in all our tissue products, our customer magazine and around 30 million Marks & Spencer Christmas greeting cards.

Food

We were named joint leaders of the Marine Conservation Society's (MCS) supermarket league table on responsible fish sourcing. We have also commissioned research by the MCS into sustainable sources of fish meal and fish oil for use in farmed fish feeds, due to be completed in March 2008.

We have recently funded development of Marine Stewardship Council (MSC) assessment of small scale fisheries where the history of fish landings is lacking and therefore certification difficult. This project is focused on the Cornish Sardine fishery which M&S helped to develop but will have widespread application globally and hopefully increase the number of fisheries that can be MSC certified. We have also supported the launch of the Seafish Industry Authority's Responsible Fishing Scheme for the UK fleet and have encouraged all boats supplying fish to M&S to adopt this standard within our Plan A timeframe.

Sales of organic food are up 48% this year, with our organic range doubling in size to almost 500 products. All our children's chocolate products are organic and all our shortbread is now made with organic butter.

Our farmers have responded well to the introduction of a Pesticide Reduction Network, which involves as advisors several eminent experts in the use of pesticides. We've already banned the use of 60 pesticides in our products and the Network will help us to phase out 10 more by the end of April 2008 and a further nine by 2009.

Pushing ahead on animal welfare, we've reduced the stocking densities of our Oakham chicken flocks to RSPCA standards and converted all fresh whole ducks and whole Christmas turkeys to free range, alongside our fresh whole geese that were already free range. We also recently became the first major retailer to commit to stop selling imported white veal and calves' liver due to welfare concerns. From January 2008, we will only sell UK-reared rosé veal which meets high animal welfare standards, backed by Compassion in World Farming and the RSPCA.

We've identified all our food and beauty products that contain palm oil. Our suppliers have been asked to avoid the use of palm oil if possible and where ever an oil is present in a product, it will now be labelled by its name e.g. palm oil or rapeseed oil. We're members of the Roundtable on Sustainable Palm Oil (RSPO). We are encouraging the RSPO to implement a robust certification process for sustainable palm oil. We are also funding a WWF project to re-plant forests in Borneo that have been affected by the palm oil and logging industries.

We are also working to make our packaging raw materials more sustainable by extending the use of cardboard from forests that have been independently certified as sustainable by the Forest Stewardship Council (FSC). Currently 19% of the cardboard used in our food packaging is FSC certified and we are looking to extend this further.

Stores

Throughout the year we've worked closely with our suppliers to assess the environmental impact of the materials we use to build and fit out our stores. We're incorporating the learning from this work into a Sustainable Construction Manual that will come into use during 2008. The Manual will help the analysis of initial store designs and selection of construction materials. It will also support key suppliers in their efforts to deliver sustainable construction methods.

Key challenges for 2008

Our efforts in 2008 will include a particular focus on our water footprint, implementation of our cotton strategy, addressing clothing animal welfare issues and further work on sustainable palm oil.

4 Fair partner

Labour standards

We've made good progress on a number of our ethical trade commitments. We've undertaken a series of unannounced audits, trialled a confidential worker complaints line at 8 food manufacturing sites, and held successful Food and General Merchandise Supplier conferences in a number of countries covering a range of key labour standards issues.

However, during the autumn some social NGOs challenged our commitments. They acknowledged our existing risk management systems are good, but asked us to be more aspirational in our commitments to improve labour standards. We've recognised the need to push ourselves harder and to offer suppliers more support in their efforts to make improvements. We will do this by working with our suppliers in a way and to an extent that we believe is unique in the retail sector.

Our unannounced audit project showed that labour standards were better and more consistent when suppliers were visited regularly by a member of the M&S team. Consequently, we are strengthening our commitment to in-country resources, adding more labour standards experts to our team (increasing their number from 7 to 23) and making sure they get the training and resources needed to offer suppliers ongoing support.

Our Plan A commitments on labour standards are being strengthened as a result of the lessons learned in 2007. These include moves to:

- Improve the international compliance teams monitoring of our suppliers' performance in implementing good labour standards, by ensuring that all of our audits are conducted on a semi-announced basis (audits are conducted within a 3 week 'window') and that a quarter of the visits to suppliers by our regional compliance team are done on a completely unannounced basis;
- Train and equip our regional ethical trade team to provide even more support to suppliers during the follow-up to audits and the development and implementation of corrective action plans;

- Provide a better service to suppliers including detailed best practice examples, information about policies, training, case studies and workbooks;
- Further improve our existing buyer training by working with the Chartered Institute of Purchasing and Supply (CIPS) to deliver an ethical trade module focussing on establishing leading responsible buying practices;
- Increase the number of ethical trading conferences we run in key sourcing countries to bring suppliers together to discuss issues and share success stories;
- Work with our suppliers to define and create six ethical 'model' factories in key sourcing countries in order to develop and implement best practices on key issues such as wages, effective employee representation, productivity and our own purchasing practices. Learning will be shared with all suppliers;
- Make it a condition of trade with M&S that all manufacturing sites implement Worker Rights training; and encourage all suppliers to have effective mechanisms for workers to discuss and achieve improvements.

Fairtrade

In 2007 we purchased around a third of the world's Fairtrade cotton and sold over 3.2m garments made from Fairtrade cotton. During the year, we also converted all our jams and preserves to Fairtrade sugar. In total our Fairtrade food sales were up 20% in 2007.

Community

We continue to make a real difference to the community. Since January 2007, 650 people who face specific barriers to work (including homeless and disabled participants) have completed our Marks & Start employability programme, with 40% going on to find jobs. Since April 2007 we have raised £1.6m for Breakthrough Breast Cancer and over £640,000 for Save the Children to help 15,000 children into education in Uganda. We've also raised money to help Shelter by selling limited edition Christmas food products.

Supporting suppliers

We were the first major retailer to launch a Milk Pledge, guaranteeing our fresh milk farmers a six-month price based on agreed parameters, including the price of animal feed and fuel. We already pay one of the highest prices amongst major food retailers to our fresh milk farmers and the Pledge provides them with a consistent price in a market characterised by major price fluctuations.

Following the uncertainty many British farmers faced due to Foot and Mouth, we announced a series of measures in 2007, all designed to increase support for UK lamb farmers through our 'Lamb Pledge'. This includes guaranteeing a market-leading price for the entire UK season, extending the lamb season in-store and increasing the number of British lamb products on sale. The Pledge should help stimulate

further demand for British lamb and offer our dedicated producers financial security against market and seasonal price fluctuations.

Our Plan A Supplier Exchange has proved a success. Over 1500 suppliers in 36 countries worldwide have used the website to find out more about Plan A and how they can help us put it into practice. We've held several Plan A conferences for suppliers, at which they've provided great support and lots of good ideas. We're now in the process of setting up smaller working groups to help suppliers share best practice and to develop solutions to pressing issues such as labour standards and pesticides.

Involving our people and franchise partners

We've appointed 570 Plan A Champions across our stores and offices. These Champions are a constant source of new ideas, having already provided several hundred suggestions about implementing Plan A. In stores our Plan A Champions have been one of the key drivers behind our 5.3% like-for-like reduction in store energy usage, the 32% increase in hanger recycling and the eightfold volume increase in Bag for Life sales. Our Champions also play a key role in communicating Plan A progress to their colleagues across the business.

We've now shared Plan A with all our International Franchise Partners and many are currently developing their own local plans.

Key challenges for 2008

We will focus on rolling out our new labour standard commitments, extending the use of our Supplier Exchange, developing our community programme and providing our Franchise Partners with more opportunities to get involved with Plan A.

5 *Healthy eating:*

Food ingredients

As a 100% own label food retailer we can make sure our customers receive clear, simple and re-assuring information about the ingredients we use in all the food products we sell. We were the first retailer to remove all hydrogenated fats from our food in 2006 and in 2007 we have focused on removing artificial colours.

Our original Plan A commitment was to use only natural colours in children's sweets and confectionery by 2008. By September 2007 we had completed the removal of artificial colours from all our children's food and extended our work to all foods (including soft drinks). By December 2007, 99% of our food was free from artificial colours and flavourings. We are on target to achieve 100% by the spring of 2008.

We have been recognised as leaders in salt reduction having started reducing levels of salt in bread in 1998. We're still making good progress in reducing salt levels in our food. We currently meet the Food Standard Agency's 2010 salt targets for 10 of our 15 priority categories, categories that are recognised as contributing the most salt in our diets (including important categories such as ready meals,

sandwiches, breakfast cereals, bread and sauces) and are on course for meeting all the targets before the 2010 deadline.

We are aware of the health consequences of eating a diet high in saturated fat, that's why we have been reducing saturated fat levels in everyday food to help improve the diets of our customers. We've cut levels of saturated fat in foods such as sandwiches, ready meals, crisps and savoury snacks – everyday foods that can make significant contributions to fat levels in people's diets. On average, M&S crisps and savoury snacks now contain 70% less saturated fat than two years ago, sandwiches 30% less and in ready meals we are aiming for a 20% reduction by spring 2008. So far, saturated fats have been reduced in over 500 products.

Our approach to food enrichment has been to increase those nutrients that are difficult to obtain from a typical diet or where current dietary intakes may be low through the avoidance of specific foods. Our customers want us to do this in a way that is natural which is why we have chosen to enrich the diet of cows, salmon and chickens to increase the omega 3 content of food rather than add the omega 3 during the food manufacturing process. We offer omega 3 enriched eggs and milk and all of our fresh farmed salmon is now fed a diet that's naturally rich in omega 3; so is most of the salmon used as an ingredient in our prepared food. The one exception, salmon used in sandwiches, will also meet this standard by April 2008.

Food labelling

We have listened to our customers and in January 2007 we introduced the Food Standards Agency's (FSA) front of pack food traffic light system on the food categories recommended by the FSA. We were the first retailer to combine colour coding with additional information on the percentage a serving contributes to the Guideline Daily Amount. We now have front of pack labelling on over 800 products and have also introduced it on in store recipe cards. We will continue to listen to our customers to establish which other categories that they will find this labelling useful.

We also make it easy for customers to choose 'at a glance' the healthy option across our range of food through use of our Eat Well sunflower logo. We now have over 30% of our food catalogue labelled as a healthier option including sandwiches and prepared meals.

Consumer and employee engagement on health issues

We've trained 1500 healthy eating assistants in our stores to date who can be easily identified in stores by badges and logos on their fleeces. We provide website information and regular features in the M&S magazine on health issues but we know there's a lot more we can do to engage our employees and customers about health issues.

For example, over the past year we've worked with our store teams to encourage healthier lifestyles and have introduced Eat Well options into our staff restaurants. This is accompanied by nutrition 'did you know's' on the recipes and information on how to eat five portions of fruit and vegetables each day.

Our February 2008 employee magazine also sees the launch of a regular health feature for employees, which will focus on a different aspect of health and nutrition each issue.

Key challenges for 2008

We will continue to reduce salt levels of food; complete the phase out of artificial colours and flavours in our food; identify additional categories of food for which our customers would find front of pack labelling useful; drive sales of our Eat Well products; and engage our customers and employees in adopting a healthier lifestyle.

Key Learning from the first 12 months

During the last 12 months we have learnt some important lessons in implementing Plan A. We have summarised these below.

Understanding consumers

More and more consumers expect retailers to improve their social and environmental performance. Our most recent research categorises consumer attitudes on green issues under four broad categories:

- 'Green crusaders' (11% of consumers and 24% of our 70,000 employees) – the most well informed and passionate group. 'Green crusaders' are already making a significant difference themselves and expect business to take a lead as well.
- 'If it's easy' (27% of consumers and 54% of M&S employees) – increasingly positive people who recognise that there are issues to be addressed. They are willing to play their part provided it does not require significant personal change or sacrifice.
- 'What's the point' (38% of consumers, 21% of M&S employees) – people who are increasingly concerned about environmental and social issues but don't believe that they personally can make a difference. They hope government, business and other groups will take a lead in addressing green issues; they may be willing to make changes themselves as part of an identifiable group in which their contribution is matched by others.
- 'Not my problem' (24% of consumers and only 1% of M&S employees) – people who haven't engaged with green issues to date. Some of them doubt the scientific evidence behind issues such as climate change; others are simply unaware of the problem.

Although 2008 is likely to be a challenging year for High Street retailers, we believe that the number of 'green crusader' and 'if it's easy' consumers will continue to increase over the medium to long term.

Engaging consumers

To deliver Plan A successfully, we need to engage customers from all four of the categories identified by our research. For those in the 'what's the point' and 'not my problem' categories it's probably enough at present that with Plan A we have a coherent and comprehensive approach to environmental and social issues; but 'green crusader' and 'if it's easy' customers don't just want M&S to take a lead – they want to be involved themselves. We're helping them to do this.

We're encouraging our 'if it's easy' customers to turn the dials on their washing machines down a notch to 30C – a simple action that can reduce energy use considerably compared with loads washed at 40C or higher. Customers have responded well to our advice and the number of 30C washes has increased from 23% to 31% in the last few months

Our 'green crusaders' and 'if it's easy' customers have also responded positively to our broadened organic and Fairtrade certified food offer, with sales up by 48% and 20% respectively. We've also sold 3.2 million garments made from Fairtrade cotton and 500,000 garments made from organic cotton, linen or wool since we launched Plan A.

In our 14 Northern Ireland stores, charging 5p for 'free' carrier bags has reduced their use by 66%. This local trial touches customers of every kind; we believe they've responded so well because of our decision to give away for free 'bags for life' that normally cost 10p in the four weeks before the trial began, and to donate all the money raised from sales of 5p bags to local environment projects managed by the charity Groundwork.

In 2008 we're extending our carrier bag charging trial to 35 stores in the South West of England and launching a major trial with Oxfam to encourage the recycling of clothing. This clothing recycling trial will also include an incentive element to encourage change.

It's important that our customers back Plan A, and there are signs that it is helping to build consumer support for our brand. A recent CBI consumer survey highlighted Marks & Spencer as the most reputable business in the UK and cited Plan A as an important contributing factor.

Creating a culture of innovation

We always knew that Plan A had to be much more than a 'head office' initiative to succeed. We wanted it to produce a culture shift – and this is starting to happen. More and more employees and suppliers now see Plan A as an asset that helps us all to innovate; to do things differently and better. The creation of our Plan A Supplier Exchange and the efforts of our 570 Plan A champions have played a big part in sparking this change.

For example, we started 2007 with plans for our suppliers to develop three 'eco' factories: two in Wales and one in Sri Lanka. As we start the New Year, more 'eco' initiatives are now planned, including two more factories in Sri Lanka and one in China. All of these new factories will be independently assessed and accredited by Leadership in Energy and Environmental Design (LEED).

Suppliers are getting more involved in other ways too: working with us to turn food and farm waste into renewable electricity, converting plastic bottles into polyester, using plastic waste from our own operations to make new packaging and carrier bags, and helping disabled women get into work in clothing factories.

The importance of partnership

The social and environmental issues outlined in Plan A are too large to be tackled by consumers, businesses and even governments in isolation. Collective action is needed to make a positive difference – and that's why partnership is at the heart of Plan A.

Our external partners have provided solutions, improved our understanding of issues and helped us inspire our customers: WWF is helping us tackle environmental issues associated with water, cotton,

wood, fish and palm oil sourcing; Oxfam is helping us encourage clothing recycling; Groundwork has worked with us to reduce carrier bag usage. We've worked with Tetrapak to improve recycling facilities and with the Fairtrade Foundation to increase the availability of Fairtrade certified cotton.

It's partnerships with farmers that are helping us develop new small-scale, de-centralised renewable energy generation via anaerobic digestion and wind power. We've also played our part in helping Government develop a wider policy framework on issues such as the Carbon Reduction Commitment; a methodology for product carbon footprinting (PAS 2050); and introducing recycling labels for packaging.

Independent benchmarking

Our customers and stakeholders expect us to lead on social and environmental issues. It's important that as we implement Plan A we keep checking our performance to ensure its meeting these high expectations. But unlike measuring financial performance it's still early days for measuring how business is progressing towards a more sustainable future. We therefore look to independent benchmarks done by third parties to help us understand how we are performing.

Our progress during year one of Plan A has been recognised by a number of independent groups. In December 2007 we were awarded the World Environment Centre Gold Medal for Sustainable Business. We lead the global retail sector in the Dow Jones Sustainability Index and (jointly) Carbon Disclosure Project. We've also received recognition in the UK from Greenpeace (joint top retailer for using wood from sustainable sources to make paper tissues), from Compassion in World Farming (top retailer for our food animal welfare standards), from the RSPCA (for our fashion, cosmetic and food animal welfare standards) and from the National Consumer Council, which rated us a joint leader for green supermarkets.

Staying relevant

As customer and stakeholder expectations develop it's important that we keep Plan A relevant. We do this via the benchmarking outlined above but also by listening to those who have a view on how we do business. Plan A has been well received but there's always more we can do, and we will.

In the autumn of 2007, some social NGOs challenged our approach to labour standards. They acknowledged that our risk management systems are strong, but asked us to set more ambitious goals for the future. We've acted on their advice by introducing more support for our suppliers in managing labour standards and by growing our overseas-based ethical trading team from 7 to 23 people to help us address these issues more effectively. Looking ahead, we're going to further help our suppliers by working with them to develop six model 'ethical' factories to identify best practice to improve labour standards.

Our performance was also challenged in a Local Government Association survey of food packaging recyclability. We know we have to do better in this area and we're working hard to improve standards. Across our 5,500 food product lines, 68% of our packaging is readily recyclable, in line with the industry average. We're currently working to improve this figure and to reduce our overall use of packaging.

Back in January 2007 we believed that the use of bio-fuels could play a key role in Plan A; one year on, there's a growing consensus that they may create new problems, such as loss of habitat. So we've stopped using them until sustainable sources of supply are identified.

Other issues covered by Plan A have been highlighted by stakeholder groups during 2007. These include animal welfare in clothing production, water use in supply chains and palm oil. We expect stakeholders' expectations and their level of scrutiny around all these areas to continue to grow in 2008.