



Corporate Responsibility Report

2011

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Introduction

Marston's approach to Corporate Responsibility is to embed commercially sound CR practices within all our operations so that they contribute to the success and sustainability of the group. Tough economic conditions have, if anything, strengthened our resolve to manage positively our current and future impacts on the environment and on society.

The Environment and Corporate Social Responsibility Committee, which I chair, provides a framework for this. Crucially, the Committee's work is aligned with Marston's business strategy: it focuses on preparing for a low-carbon economy, cutting energy costs, anticipating new legislation, motivating staff, minimising reputational risk, building trust, and maintaining momentum through benchmarking against our competitors.

We have reported separately on environmental and social issues for four years, but this is the first time we have done so in a combined report – a consolidation which underlines our determination to integrate Corporate Responsibility within the business.

We believe that the progress summarised here demonstrates that we are moving beyond regulatory compliance towards using CR to increase our brand equity and competitive strength. As part of this, we are committed not only to reducing our environmental impacts but to *protecting* and *replenishing* the resources which drive our growth.

From a CR perspective, 2011 has been characterised by particularly strong activity on carbon management and green technology, with encouraging results so far. Progress has been slower towards our goals for managing water and waste impacts more efficiently.

We continue to take our responsibilities within the drinks industry seriously. As ever, the focus of our social agenda is the people and communities who enjoy what we provide, and the people who work for us.

Looking ahead, we intend to introduce more energy saving green technologies throughout our pub and restaurant portfolio, recover more energy from recycling food waste, and continue to drive down the proportion of waste we send to landfill. Our target for 2012 is to reduce energy consumption across the group by 10% compared with 2010. We also intend to develop a more comprehensive and better understood code of ethics for all our people.

All CR targets are to be reviewed in 2012 and a comprehensive set of environmental and social KPIs will be published in next years report.

Mention retail agreement pubs

Stephen Oliver – Managing Director of Marston's Beer and Pub Company and Chairman of the Marston's Environment and Corporate Social Responsibility (E&CSR) Committee.

About us

Marston's Plc is a leading independent pub retailing and brewing business based in the UK. As a successful group, with a turnover of £682 m in 2011, we are:

- A major employer, currently with 12,733 full and part time employees in England and Wales
- A major investor in local communities
- Committed to sustainable, local businesses
- A major investor in new pubs/restaurants and the regeneration of existing pubs

We operate about 2,150 pubs, bars and restaurants across England and Wales, including around 1,650 tenanted or leased pubs and around 500 managed pubs at the heart of thriving local communities – of which 40 are hotels. We are the UK's largest builder of new pubs and have an ongoing programme to build 25 new food pubs each year.

Marston's Inns and Taverns (MIT) is responsible for our managed pubs and restaurants which have transformed over the last few years from drinks-led businesses into premier league pub restaurants. MIT accounts for the greater part of our overall revenues and the majority of sales are associated with a value dining experience concentrating on families, females, food and forty/fifty somethings – our 'F-Plan'.

MIT also operates our 'Retail Agreement' franchised pubs. These agreements allow entry into a pub that gives a retailer the facility to develop their own business with the full help and support of Marston's Pub Company, without the higher entry costs of a traditional tenancy or lease agreement. It gives all the support and guidance that one would expect from a managed house, but allows the manager to use their own entrepreneurial skills to develop and grow the business.

Marston's Pub Company (MPC) operates our leased and tenanted pubs. We seek to attract the best licensees by offering innovative agreements, by sharing risks and rewards, and by providing training and advice.

Scope of this Report

Our 2011 reporting year is 1st October 2010 – 30th September 2011.

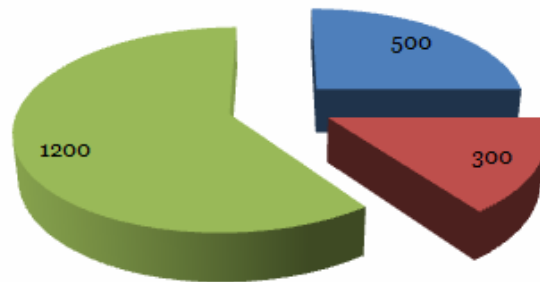
The data in this report covers our five breweries:

- Banks's Brewery in Wolverhampton
- Marston's Brewery in Burton upon Trent
- Jennings Brewery in the Lake District
- Ringwood Brewery in Hampshire
- Wychwood Brewery in Oxfordshire

The data shown for pubs refers to our portfolio of approximately 500 managed pubs, approximately 300 Retail Agreement pubs (added to the portfolio by the end of October 2011) and approximately 1200 tenanted pubs in our estate. Although we do not have direct influence over the operation of tenanted pubs we are taking steps to increase the group's influence over how these premises are run from an environmental and social perspective.

Pub Portfolio

■ Managed Pubs ■ Retail Agreement Pubs ■ Tenanted Pubs



Governance

Overall responsibility for our corporate responsibility performance and progress rests with the Board, headed by the CEO. Specific responsibility is delegated to the Directors of the individual trading companies and then to Senior Managers. Day to day responsibility lies with the Environmental and Social Responsibility (E&CSR) Committee chaired by the Managing Director of Marston's Beer and Pub Company, who reports to the Board on a regular basis. The Committee runs additional Environment Sub-Committees incorporating a representative from each of the company's four divisions. The Committee also reviews our Environmental Policy on an annual basis. www.marstons.co.uk/about/our_environment.asp

In our managed pubs, the largest contributor to the carbon footprint under our direct control, there are dedicated personnel responsible for energy and carbon, supported by energy champions throughout the organisation. In the last two years, two head office personnel have been appointed to drive the energy management programme forwards.

Our breweries are regulated under pollution control regulations by the Environment Agency and have Climate Change Agreements with prescribed, audited reporting of utility usage with annual and bi-annual targets. Other sites are covered by the CRC Energy Efficiency Scheme and have mandatory reporting of performance.

Our commitment to behave as a responsible business is highlighted by the fact that for the fourth year running we have retained our membership in the FTSE4Good Index. The Index is designed to measure the performance of companies that meet globally recognised corporate responsibility standards, and to facilitate investment in those companies.

Our Environment

A key focus of our efforts in 2011 has been on collating and reporting accurate energy use data, and using the data to drive reductions. Our partnership with Entech and our extensive Automatic Meter Reader (AMR) programme has helped us to establish reliable baselines across the organisation for energy use and greenhouse gas emissions. We are now beginning to integrate various green technologies and energy saving programmes (as will be described within the next section) within our pubs and breweries, and are interpreting the success of each individual programme against the data set which we have accumulated.

Key achievements in 2011 include:

- Reduction in waste to landfill – glass recycling collections up by 5%
- Increase in energy efficiency at our Wolverhampton brewery by 14%
- Increase in water efficiency at all of our breweries by up to 10%
- Increase in waste recycling collections
- Pub refurbishments (approx. 70 a year) now incorporate a package of energy efficiency measures as standard.
- Air Source Heat Pumps have been installed for trial at a number of pubs. The system uses ambient outside air for heating water within the central heating and for use by the pub.

In 2012, we will look to:

- Significantly increase the proportion of food recycled from our managed pubs
- Implement new solutions for energy saving in our pubs, including: LED lamps, voltage reduction equipment, new space heating controls and improved insulation, free air cooling systems for pub beer cellars, solar thermal, solar PV and heat pump solutions
- Further reduce waste to landfill

Energy Use and Greenhouse Gas Emissions

Background

Marston's recognises that energy usage, costs and the associated carbon dioxide emissions resulting from our business activities are significant. We are committed to conserving energy, reducing greenhouse gas emissions, complying with all environmental regulations, and reducing cost.

Within our business, energy is used primarily:

- In the managed pubs and restaurants owned and operated by the company, for heating, lighting, storage of beer and food, and for catering
- In the manufacture and packaging of alcoholic beverages at the five breweries within the Group
- In vehicles used to transport goods to the managed and tenanted pubs within the Marston's estate, and resulting from the business travel of our employees

This energy usage, and the associated greenhouse gas emissions, is directly controlled by the company and initiatives are in place to ensure the use is minimised. Other sources of

The company target for energy performance is a 10% reduction in consumption in 2012 compared with 2010. Longer term targets (to 2015) are in the process of being agreed.

greenhouse gas emissions include refrigerant loss and carbon dioxide from the fermentation of beer. These too are recognised by the company and actively managed.

Further energy usage is as a consequence of the company's activities but is controlled by others, including:

- The energy used in the tenanted pubs owned by Marston's but operated by others
- Energy used in the production and transport of goods and services used by the company
- Energy associated with the removal and processing of waste and equipment from the pubs and breweries
- The energy used by our customers and employees travelling to and from our locations

The company is active in all areas of energy and carbon management and aims to be amongst the best performers within the hospitality sector. Actions have been on-going for a number of years, including:

- A major initiative within our managed pub estate to reduce energy use - this year we invested a further £750k on energy efficiency projects
- Working with the Carbon Trust and other advisory bodies to review the opportunities to improve performance and to implement measures
- Research and development to find new solutions, and trials of new equipment and systems, especially within our managed houses
- Improvements to the monitoring and reporting of energy and carbon performance throughout the company, including the widespread implementation of smart meters in pubs and sub meters in breweries
- Working with our key suppliers to improve the efficiency of new build pubs and the equipment we purchase
- Reductions in the number of journeys to our pubs to deliver goods
- Major investments within our breweries to reduce energy use - in the last three years we have invested £2 million in energy efficiency projects



Carbon Trust Standard

In April 2010, Marston's plc was awarded the Carbon Trust Standard in recognition of the systems implemented to manage energy use and carbon dioxide emissions and also to reflect the year on year reductions in carbon dioxide emissions over the previous three years. This is a rigorous standard achieved following close scrutiny of the company's performance.

The company is now seeking re-certification for the performance achievements in 2010 and 2011.

This standard provides independent evidence that we are implementing best practice and delivering improved performance. The company seeks now to continually improve performance with on-going initiatives in all our businesses. We have analysed all possible energy efficiency and carbon reduction opportunities and ranked these according to cost, payback, practicality, ease of implementation and robustness of the technology. We are now implementing those solutions that will have maximum impact on the Group's emissions.

Group Data

The energy use within Marston's direct control is significant. In the 2011 reporting year (the year ended 30 September), our energy costs were over £15 million a year and the associated carbon dioxide emissions were around 100,000 tonnes. Electricity and gas usage are dominant. As the numbers of managed pubs is increasing (up from 500 to 800 over the past two years) and as we move towards higher food sales, it will become increasingly difficult to decrease our absolute energy use and greenhouse gas emissions year on year.

Gas and electricity usage within the breweries and managed pubs is automatically monitored and this data is validated continuously. The percentage of sites covered by AMR is 90% and increasing. Other energy use is collected from manually read meters and this data is cross checked against expected consumption. Fuels used by delivery trucks and drays is recorded and validated against expected values. Other emissions are estimated and are relatively insignificant.

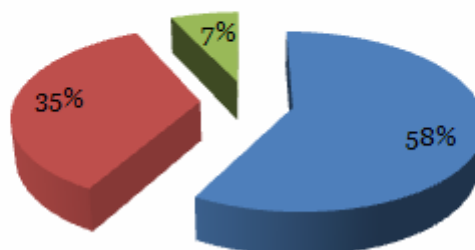
Our managed houses account for the majority of our greenhouse gas emissions, our breweries are second and transport third –77%, 16%, and 7%, respectively.

In the 2011 reporting year Marston's used approximately 124.1 gigawatt hours (GWH)¹ of electricity throughout our operations. This is an increase on 2010 figures when 95.8 GWH was used (up 29.5%). Of the 2011 electricity data, around 5.2 GWH (4% of the total) was used in our five breweries; the remaining 96% was consumed in our managed pubs. We also used 187.7 GWH of gas in our operations (2010: GWH 165.8 GWH). Of this, 57.8 GWH (31%) was used in our breweries and 129.9 GWH (69%) was consumed in our pubs.

Our total fossil fuel consumption from electricity, gas and transport fuel (retail and trunking fleets) produced carbon dioxide emissions of 98,942 tonnes of CO₂ (2010: 82,221 tonnes).

Total CO₂ Emissions by Energy Source

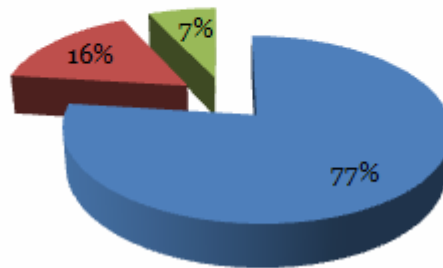
■ Electricity ■ Gas ■ Fleet (diesel)



¹ One gigawatt hour is 1 million kilowatt hours.

GHG Emissions under Marstons Direct Control

■ Managed Houses ■ Breweries ■ Transport



We have installed electricity Automatic Meter Readers (AMR) throughout our managed pub portfolio. These are half-hourly systems which allow electricity to be monitored centrally on a pub-by-pub basis. With such meters there is no longer a need for estimated bills and managers can see clearly the actual consumption and cost of electricity in all our pubs. Electricity usage in each pub is reported weekly against individual targets for improvement.

Throughout 2011 we implemented a programme to install gas AMRs. To date over 369 out of a possible 418 of our 495 managed pubs now have a gas AMRs; the remainder being Calor gas or Oil. This has generated a greater proportion of verifiable gas data relative to last year's figures. Now that we are able to establish baselines and identify wastage, we intend to drive systematic improvements in behaviour and technology.

Although the increases in overall energy use appear significant, they can be attributed to a combination of our ambitious strategy to roll out a significant number of new pubs (15 in 2010, 20 in 2011 and 25 planned in 2012) and the conversion of many of our tenanted pubs to Retail Agreements - 337 to date - under which Marston's rather than the retailer is responsible for the energy used. We intend to drive down emissions on a building by building basis.

Managed Pubs



During 2011 we stepped up the energy management and green technology programmes within our managed pub portfolio.

Energy Management

There is comprehensive internal electricity and gas reporting against targets which reaches down to individual pub managers, through Area Managers. Energy performance league tables are produced and reported regularly. These performance levels are calculated using information from the automated gas and electricity meters which are analysed in a central data management system.

Entech

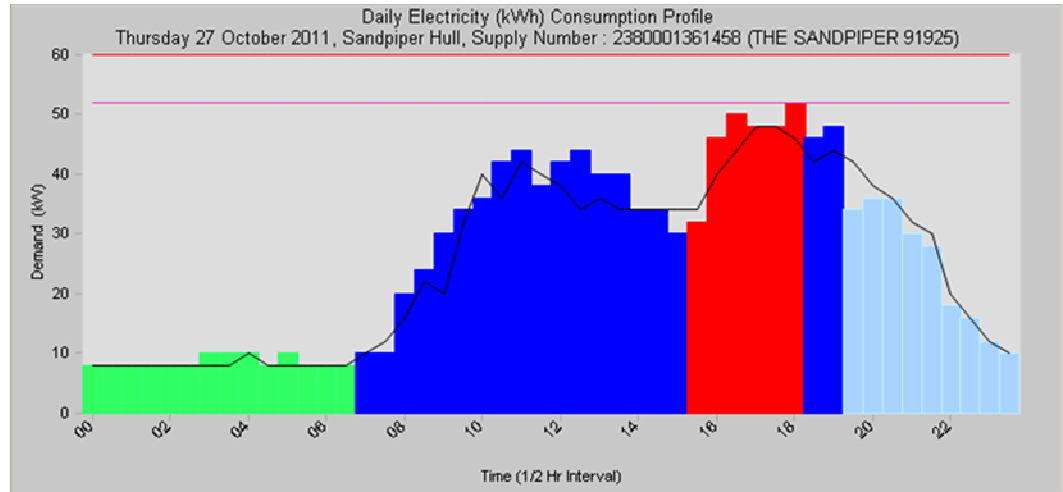
Entech capture Marston's utility data from invoices for the multiple managed pub sites for the purpose of better energy management. Every detail of every bill is entered into the Entech invoice processing. Clean and current electricity and gas data, per pub, is then made available for reporting and analysis by Marstons. In this way, each pub can monitor and manage its energy use and begin to drive enhanced reductions through driving behavioural change and implementing innovative technological solutions.

The energy consumption data captured by Entech from meter readings and invoices is input to a database that is used to provide the figures for the Carbon Reduction Commitment (CRC). This provides an integrated approach to the compilation of the CRC footprint and annual reports to ensure a high degree of accuracy in the measurement of carbon.

Energy Profile

Throughout the year research has been conducted into the energy profile of individual managed pubs. The profile of similar pubs has been compared to identify the reasons for higher levels of energy use. The study revealed that as much as 10% of energy is

consumed when there is little or no activity within the pub, for instance early in the morning or after customers have left at the end of an evening.



Daily energy profile of Sandpiper Pub in Hull

This information has played a fundamental role in our “Take Control” Awareness Campaign.

“Take Control” Awareness Campaign

In 2010, an environmental management system (EMS) trial was undertaken at 16 pubs within one regional manager’s area, in order to explore the extent to which energy use could be reduced under the supervision of the management team. It was hoped that real time accessibility and analysis of gas metering data would have a significant impact on energy use.

The results were extremely positive. The gas consumption of the 16 pubs decreased by 30-40% and in some cases even more. The changes were attributed principally to behavioural change.

Recognising that staff engagement is key to achieving such energy reductions, a major new operational initiative “Take Control” was launched in March 2011 in our pubs and bars. The objective is to reduce electricity and gas consumption by 10% - mainly by building on existing good practice.

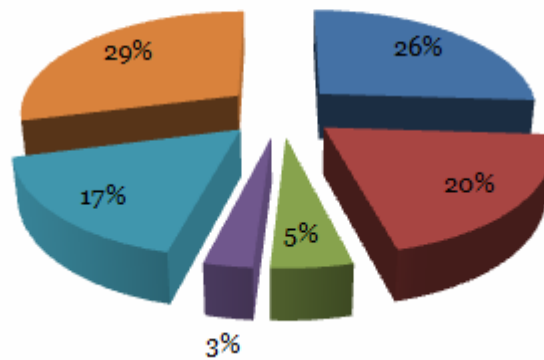
The Take Control programme includes monitoring of performance, reporting usage against targets, the preparation and dissemination of operating procedures and practices to control energy use, awareness raising activities and training. There is a feedback mechanism for our pub managers and others to report issues and opportunities.

Green Technology

The figure below shows the typical breakdown of energy use in a modern pub based on analysis of our existing estate. Refrigeration includes the cellar cooling, beer chilling and food storage systems. Catering includes the kitchen equipment (fryers, grills, hobs and ovens).

Energy Use in Existing Pubs

■ Refrigeration ■ Catering ■ Other ■ Ventilation ■ Lighting ■ Space Heating



Pub refurbishments (approx. 70 a year) now incorporate a package of energy efficiency measures as standard.

In 2011 many investments have been made within managed pubs, including:

- LED lighting to front of house areas
- Free air cellar cooling (see Cellar Cooling Units case study below)
- Heating controls and added insulation at all refurbishment projects since January 2011
- First Marston's new build pub to be lit by LED at the Red Deer, Crediton opened 31 May 2011
- LED external lighting trialled at three pubs
- Power Perfector voltage optimisers installed at 19 pubs
- Air Source Heat Pumps have been installed for trial at a number of pubs. The system uses ambient outside air for heating water within the central heating and for use by the pub.

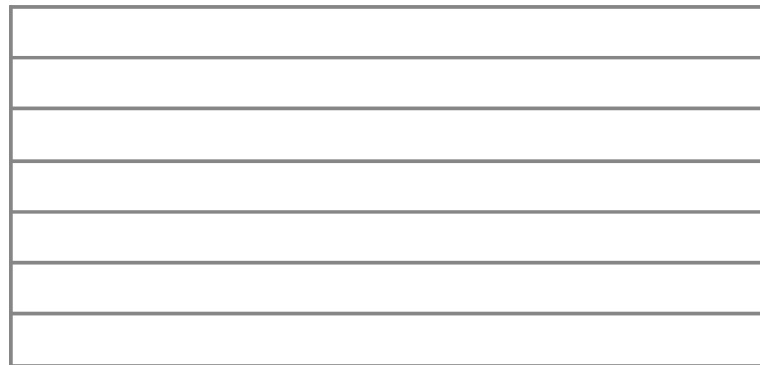
Cellar Cooling Units – Case Study

Existing cellar cooling in beer storage cells is provided by refrigeration units that run 24 hours a day. Cellar cooling units offer considerable savings on electricity usage by using ambient temperature to keep the system at 12°C. The unit sourced by Marston's has a temperature probe that measures outside temperature and when it reaches 9°C or less the unit's fan starts to operate. Early trials show that the unit is in operation 57% of the time and so reduces electricity usage by a similar amount.

With new lighting and better space heating systems, it is expected that catering and refrigeration systems will become 75% of our overall energy use. Future plans include more similar measures plus innovations, including low energy catering equipment and a biomass boiler plant.

The Running Hare, Ewloe is an example of the impact our energy efficiency initiatives are having on performance.

A package of efficiency measures was implemented during a refurbishment. The figure below shows the electricity use before and after the measures were installed. The pub and its facilities remained unchanged, giving a clear picture of the impacts of energy saving measures. The savings in electricity usage achieved were over 22%. Similar measures are being implemented during all refurbishment projects – typically 70 a year.



2011/2012 New Pub Build Programme Incorporating Green Technology

Marston's is building new pubs at a rate of 25 a year to replace older facilities. Our new pubs represent a significant investment, £140 million over three years. We are determined that these will be as energy efficient as possible, and have developed designs with high BREEAM ratings. These include low heat loss and reduced air infiltration, heat recovery, comprehensive monitoring, close control and high efficiency equipment items.

We have evaluated alternative options to improve performance, including heat pumps, solar power, solar heat, wind turbines and further heat recovery, and have implemented trial systems to establish facts where these are uncertain. We continue to evaluate new technologies and solutions as they become available and will invest in our new and existing pubs to maintain best practice performance. We purchase equipment from the Government's Energy Technology List for enhanced capital allowances whenever possible.

Data

Individual Managed Pub

The table below represents average energy consumption and CO₂ emissions per pub within our managed portfolio for which we consider the data collated to be reliable over the previous two years (494 pubs in the case of electricity and 426 in the case of gas).

Year	Gas kWh	Electricity kWh	Total kWh	CO ₂ Emissions t/y
2010-11	260,630	183,339	443,969	128
2009-10	256,118	174,403	430,521	124

When comparing 2011 data to that of 2010:

- Gas use per managed pub has increased by 2%
- Electricity use per managed pub has increased by 5%
- Total energy use per managed pub is up by 3%
- Carbon dioxide emissions per managed pub are up by 3%

We believe there are a number of reasons for these increases:

1. The vast majority of the management, green technology and efficiency improvements we have implemented have only just come on stream and will not yet be represented in the data
2. It is fair to assume that the increasing amount of reliable data we are receiving from AMRs will push up the baseline for 2011
3. In actual terms, the uncharacteristically cold winter of 2010/2011 will have increased gas and electricity use during the colder months of the year
4. The movement of our pub portfolio towards more catering

Our improved energy monitoring systems and diminishing roll out of AMRs year on year will hopefully allow us to better identify why any changes may occur in the 2012 reporting period.

Total of Managed Pubs

Year	Gas GWh	Electricity GWh
2010-11	129.9	119.13
2009-10	116	82.38

The marked increase in energy use can be directly attributed to over 300 Retail Agreement Pubs being incorporated in the data set in 2011. Accordingly, the per-pub

Managed Pub
Target: To achieve a
10% saving in energy
use throughout
managed pubs
within two years
(baseline 2010)

metric represents a fairer means against which we will judge our performance relative to the 2010 baseline, when we next report in 2012.

Regulatory Overview

The Carbon Reduction Commitment

Marstons is registered for the Carbon Reduction Commitment (CRC), a mandatory emissions trading scheme for large organisations whose annual half-hourly metered electricity usage is above 6,000 MWh. It will compel us to monitor our energy use and purchase carbon allowances corresponding to CO₂ emissions. This carries significant implications for us in terms of both financial and reputational penalties.

Marston's achieved 161st place in the CRC Performance League Table 2010/11 which included over 2,100 participants. This ranking reflects the success of the company in achieving the Carbon Trust Standard and in rolling out AMR meters across the pub estate.

Tenanted Pubs

We own 1,653 tenanted pubs which form the majority of our property estate. Our tenants are responsible for the energy used in the pubs they operate. However, we aim to support their efforts in energy and carbon management by the transfer of our knowledge and experience. Through our online portal – “My Marston’s Online” - we offer information on energy saving strategies.

We are currently investigating innovative finance solutions to assist with the implementation of measures and will be offering training and support.

We are increasingly converting tenanted pubs into Retailer Agreement pubs with group energy contracts for gas and electricity and AMR. This increases our capabilities to monitor and manage energy within our non-managed portfolio.

Breweries

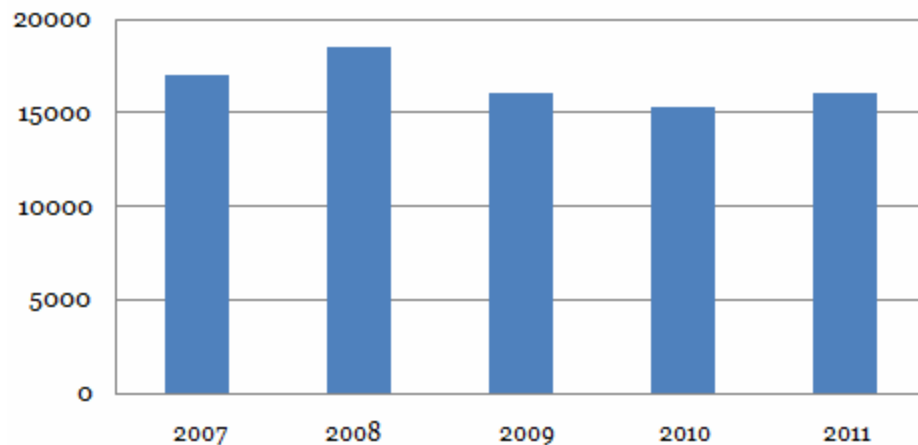
Brewing is an energy intensive process which uses both natural gas and electricity. Last year our breweries produced 16,110 tonnes of carbon dioxide (up from 15,495 tonnes in 2010). This is attributed to an increase in productivity and to the below average winter temperatures.

Our breweries are also highly committed to energy efficiency. In the last three years we have invested £2 million in energy and carbon management projects: better monitoring and control, improved refrigeration and efficient lighting.

There are also extensive energy monitoring systems at the two largest breweries at Wolverhampton and Burton.

Breweries Target: To increase efficiency in the breweries by 5% by 2012 (relative to a 2010 baseline), the equivalent of approximately 1,000 tonnes of CO₂.

CO₂ Emissions (tonnes) from Marstons Breweries 2007 - 2011



The below table shows the Marston's breweries CO₂ emissions in 2010 and 2011, per tonne of product.

Brewery	2011	2010	Relative % Improvement	Relative % change in production volume
	tCO ₂ /tonne product	tCO ₂ /tonne product		
Wolverhampton	0.062	0.072	14%*	23%
Burton	0.089	0.071	- 25%	- 19%
Cockermouth	0.117	0.124	6%	25%**
Ringwood	0.106	0.104	- 2%	6%
Witney	0.059	0.064	8%	6%

* 20% improvement in Energy Efficiency Quotient up to June 2011, further 7% improvement targeted in 2012.

** Offline due to floods on 19th November 2009 – Brewery was not functioning again until February 2010.

As can be seen from the above table, there is a general correlation between relative change in production volume and performance – an increase in volume invariably leads to an increase in efficiencies, and corresponding reductions in tCO₂/tonne product.

The difference in tCO₂/tonne product between the breweries is a consequence of the different processes that operate in each. Burton is less efficient than Wolverhampton, for example, due to its bottling processes (which are more energy intensive than kegging). Nevertheless, we are still in line to meet our 2012 target.

As part of the brewing industry's *British Beer and Pub Association* (BBPA) climate change agreement (CCA) with DEFRA we are committed to reducing our emissions. Our efficiency targets are split between the breweries as follows: Wolverhampton brewery aims to increase its efficiency by 32% from 1999 levels², Burton by 51%, Cockermouth, Ringwood and Witney by 2% - all by the end of 2011. All the breweries currently qualify for the reduction in the Climate Change Levy.

The CCA targets will have produced an overall saving of around 12,089 tonnes CO₂ based on 1999 production volumes. The targets have been met by the breweries within the BBPA's climate change scheme. Currently new targets are awaited from the Government which will come into place in 2012/13. We are determined to meet these targets (adjusted where agreed with DEFRA for any significant decrease in production volume) and as a result continue to benefit from the 80% reduction in our obligation under the Climate Change Levy.

There has been extensive involvement with the Industrial Energy Efficiency Accelerator at the breweries.

The Carbon Trust: Industrial Energy Efficiency Accelerator Programme (IEEA) - Brewing Sector Guide

Marston's along with four other breweries participated fully this year in the IEEA programme organised by the Carbon Trust. The aim of the programme was to identify where step-change reductions in energy use can be achieved through detailed investigation of sector-specific production processes. The programme seeks to accelerate innovation in processes, product strategy and the uptake of low carbon technologies. The investigation centred on the brewhouse, small packaging, kegging/casking and clean-in-place as the key areas where significant improvements could be made. The IEEA report was published in June 2011 and identifies total potential sector carbon savings of 31%, the equivalent of 138,000 tCO₂/yr. The opportunities have been categorised into three waves of improvement:

Wave 1: Energy efficiency best practice and process optimisation: 5% saving from the application of all feasible best practice opportunities. Process optimisation opportunities identified showed a further 9% potential reduction.

Wave 2: Opportunities on the horizon: newer technologies available in the UK were identified, including direct steam injection, vapour heat recovery, using a heat pump to recover energy from refrigeration system condensers, switching to flash pasteurisation or cold sterile filtration for small pack. An estimated 12% carbon reduction could be achieved from these measures.

Wave 3: The future: key areas identified for future development were UV pasteurisation for kegs and small pack, precise techniques for monitoring and controlling clean-in-place. A further 5% carbon saving could be achieved.

The report recommended that the brewing industry: continue to implement current best practices; optimise existing processes; collaborate with equipment suppliers on technology trials and pilot projects; continue to receive support from the British Beer and Pub Association/Carbon Trust.

² This is the baseline level chosen for the brewing industry due to the lack of available data

Investments in technology continue at our breweries to improve energy efficiency. The IEAA report has been useful in highlighting the movement the industry is taking on utilising new technology.

Transport

We have a large fleet of trunking and retail vehicles. Our fleet vehicles covered 5.1 million miles this year, an increase from 4.3 million last year. For 2011 they have operated on a fuel efficiency ratio of 8.73 miles per gallon (mpg) (2010: 9.31). This mileage equated to a total consumption of 579,313 gallons of diesel last year and CO₂ emissions of 7,058 tonnes (2010: 465,327 gallons and 5,669 tCO₂).

We aim to continue to reduce the fuel efficiency ratio of our fleet, and we monitor our mileage per gallon monthly to identify potential inefficiencies. We also measure miles travelled per delivery and miles travelled per barrel to ensure that our routes are optimally efficient.

In the coming year we are looking to implement a new system to monitor driver efficiencies. This will consider driver safety, but also have a fuel efficiency component.

Improvements in fuel efficiency have so far been down to the use of new vehicles, and the following initiatives:

- All vehicles that run into the London area are now Euro III compliant and meet the standards required by the London Emission Zone (LEZ).
- We have installed satellite tracking in all our retail delivery vehicles, which has helped with more efficient planning of routes and management of the logistics operation.

Company Car Policy

We have approximately 140 cars in our corporate car fleet at any one time. These travel an average of 30,000 miles per year. It is our policy for staff to have only diesel or hybrid cars to minimise CO₂ emissions and we specify that emissions must be lower than 200ppm CO₂.

Water Use

Background

We use water in our breweries both as an ingredient of beer and for cleaning barrels and brewing equipment, and in our pubs for everyday use and washing in our kitchens. Over previous years significant work has been undertaken to drive down water use efficiencies in our breweries.

Within our managed pub portfolio our initial efforts have been complicated by difficulties in obtaining accurate water use data for each site. Without a baseline, it is difficult to

design, implement and review any strategy to drive down use. We will be looking at solutions to this problem throughout 2012.

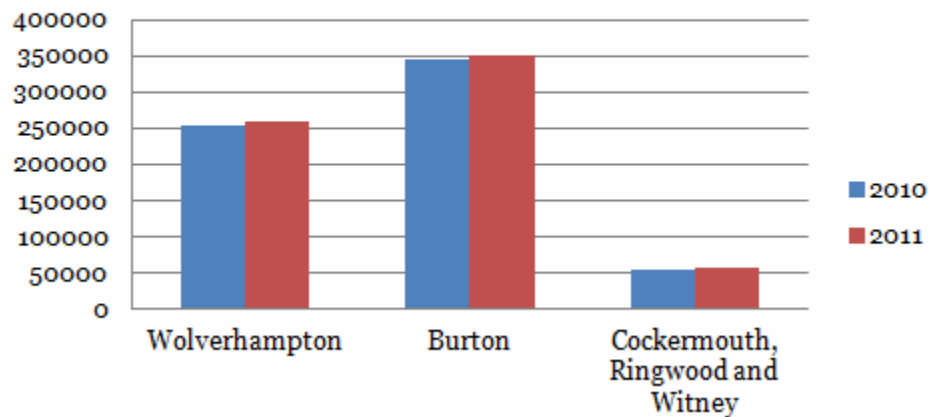
Breweries

Water consumption is a key performance indicator for site managers at all five breweries and we continually monitor our usage to identify potential reductions. Last year, our breweries used a total of 704,787m³ of water (up from 659,194m³ in 2010). This is taken from both the mains supplies and from boreholes. The increase can be directly attributed to an increase in production in 2011.

Breweries Target: To comply with any recommendations as a result of the IPPC regulations and to further reduce water usage at Burton.

Water targets to be reviewed during comprehensive review of targets in 2012

Water Use (m³) at Marstons Breweries 2010 and 2011



At Burton we currently use up to 6.61 barrels of water for every one barrel of product brewed and bottled. This ratio is 2.73 at Wolverhampton and between 2.27 and 3.23 at the other three breweries. The difference in ratios is the result of a more modern brewing process at Wolverhampton, whereas Burton uses larger numbers of small oak barrels in our more traditional process, the "Burton Union System". Over the past year the ratio at Burton has marginally increased, due to a modification of the cleaning approach for the Burton Union System.

We also look at our water efficiency in terms of water used in proportion to effluent produced. In 2011, at Burton 65% (2010: 66%) of the water brought on to site was eventually discharged as effluent to the sewer; at Wolverhampton this ratio was similar at 73% (2010: 74%). The industry average is 66% (BBPA). We are trying to minimise our water use at Burton by cleaning plant with recovered water from the clean rinse phase of cleaning tanks and pipes. In Burton, the use of hot water has been reduced by using alternative cleaning methods. Our three other breweries all have effluent ratios below the industry average.

We work with water authorities and the Environment Agency to ensure that we meet standards for the disposal of rainwater and effluent. Last year we did not have any breaches of regulations or compliance failures.

Managed Pubs

Our pubs use water in a number of ways: cooking, food preparation, drinking, cleaning and flushing. Water usage historically has not been as well metered as other utilities. Marston's has identified that significant savings can be made in water usage within the pub's toilets. So far 356 water saving devices have been fitted within the toilet facilities within 242 managed and retail pubs. The devices control the flushing of the urinals more intelligently sensing movement and matching operational hours.

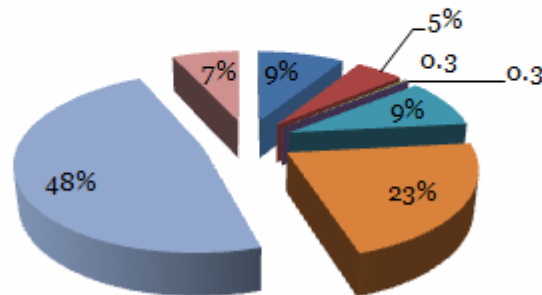
Waste

Group Data

We produced around 45,377 tonnes of waste in total in the 12 months to September 2011 (2010: 36,862 tonnes), of which, 25,914 tonnes came from our brewing processes and 19,463 tonnes came from our managed pubs. Of this total we recycled 77% (2010: 65%); the remaining 23% was sent to landfill.

Total Waste (main categories) 2011

- Cullet (recycled) ■ Cardboard (recycled) ■ Metal (recycling)
- Polythene (recycling) ■ Oil (recycled) ■ Landfill
- Spent Grain (recycled) ■ Waste Yeast (recycled)



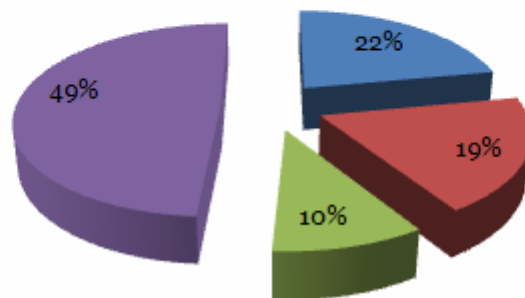
Managed Pub Data

Wherever possible, we endeavour to reduce, reuse and recycle our waste. At present we recycle 51% (2010: 27%) of the waste that we produce in our pubs. The pub waste we recycle is from three waste streams: used cooking oil, card and glass. We recycled glass in 409 out of our total of 495 managed pubs (2010: 405) – accounting for 18% of the total waste in these pubs. From an initial trial of 35 pubs three years ago, now 415 of the managed pubs are recycling card, amounting to 4,908 tonnes in 2011 (2010: 2,994 tonnes). The Environmental Management System in our pubs further encourages the segregation of waste and the development of contractual arrangements with waste collectors to improve our pub recycling rates.

Managed Pubs and Breweries Target: We aim to continue to decrease the proportion of our waste going to landfill over time. In managed pubs, with the introduction of the EMS, we hope to decrease volumes of three individual waste streams: glass, cardboard and used cooking oil.

Pubs Waste (main categories) 2011

■ Cooking Oil (recycled) ■ Mixed Cullet (recycled)
■ Cardboard (recycled) ■ Landfill



Food Waste

WRAP Voluntary Agreement

Reducing Waste, optimising packaging and increasing recycling rates

Resource efficiency experts WRAP have recently established a programme to work with the Hospitality and Food Service sector to reduce food waste, optimise packaging and increase recycling rates. Marston's, along with other organisations in the sector, is working with WRAP to support change that delivers both commercial and environmental benefits.

WRAP has held workshops with interested and relevant organisations and individuals to identify potential proposed targets for a voluntary agreement. Marston's expects to fully participate in attaining the targets.

The broad aims of the Agreement currently in discussion between WRAP, the supporters of the Agreement and the Government are:

- Work towards zero waste to landfill
- Targeted reductions in food and packaging waste

Food Waste Recycling Pilot

A trial is currently running involving 33 of our managed pubs to separate our food waste. The food waste bins will be collected for recycling by Biffa, with whom we have signed a 5 year deal. If successful we expect to roll out food waste recycling across all of our managed pubs from 2012. The food is recycled by anaerobic digestion (AD) producing methane to generate power.

Used Cooking Oil Recycling

Last year we collected 22,779 litres per week of cooking oil (2010: 20,000 litres a week) from tenanted and free trade pubs which was recycled by a specialist contractor into bio-fuel. The oil converted to bio-diesel is sold generating additional revenue. This has yielded a combined saving of £200,000 based upon current diesel prices.



Biffa Collection and Dray Deliveries

Since 2010 there has been a 40% growth in our tenanted pubs and our Free Trade customers using the waste collection and recycling arranged for Marston's by Biffa. As the contract is organised on a Group level favourable rates per collection can be offered to the customer. The Biffa contract provides recycling opportunities for glass and card which might not be otherwise available if the tenanted or Free Trade operator were to individually contract a waste collector.

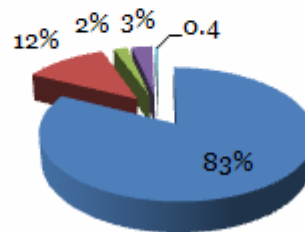
In addition to waste collection 663 tenanted pubs are now receiving bar snacks on the drays and 245 are receiving cooking oil on the drays. This new initiative reduces the pubs environmental impact by reducing the separate number of deliveries.

Breweries

Marston's recycle 97.4% (2010: 96.3%) of the waste produced by our breweries. Some of our waste such as the malt and hops that we use in our breweries is recycled as animal feed after brewing; we also dispose of other waste such as glass (cullet), metals, cardboard, paper and polythene through recycling contractors.

Breweries Waste (main categories) 2011

- Spent Grain and Hops (recycled)
- Waste Yeast (recycled)
- Cullet (recycled)
- Landfill
- Cardboard, Metal and Polythene(recycled)



Ringwood brewery has launched a new green initiative to cut down on glass wastage by asking customers to return their empties. The recently developed scheme asks brewery store customers to return eight or more empty bottles in exchange for a 10% discount off the next purchase. Already they are on track to save half a tonne of glass per year.

Our People and Our Responsibilities

Our philosophy is that we should act in ways that ensure our employees are proud to say who they work for, our suppliers are keen to do business with us, and our customers choose Marston's pubs and beers for their value, quality and reputation.

The underlying principle that guides delivery of this philosophy is that we should always aim to be **"FIT"**. **"FIT"** summarises three fundamental behaviours that are now well embedded throughout the business:

- Fairness - Any action, decision or policy adopted within the Marston's Group should be both equitable and reasonable. It should not result in one particular group of stakeholders gaining an unjustified advantage or benefit at the expense of another.
- Integrity – If a commitment is made it should be kept. If it cannot be delivered or circumstances change so that an alternative course of action is appropriate this should be clearly explained.
- Transparency – Wherever there is the freedom to do so, the Group should act in a manner that is open to the scrutiny of our employees and the wider community.

Our decision to move from three to two trading divisions within the group offers an ideal opportunity to review and enhance these statements over 2012 so that they evolve into a full and clearly understood Code of Ethics.

Our People

We employ about 13,000 people, offering local job opportunities throughout England and Wales. In addition, our lessees, tenants and Retail Agreement operators also employ significant numbers of people across the country. Many of our staff work on a flexible part-time basis to suit their personal circumstances - offering excellent and growing opportunities for students, people seeking to work around child caring responsibilities and people returning to the work environment after a career break.

- Circa 51% of our entire workforce is female.
- More than half of our workforce work flexible hours, many of whom do so to fit work around other commitments and a quarter of the workforce typically work less than 16 hours per week
- Our youngest employee is 16 and our oldest employee is 97
- 42% of our pub managers are female and represent 45% of our new-build management team

Encouraging all of our employees to take advantage of our training and development opportunities is a fundamental part of our strategy for success. For pub-based staff who wish to progress through the business, many of whom have not necessarily achieved their full potential through the school system, we offer comprehensive catering and front of house training programmes. These are designed to increase the skills and experience of individuals who may ultimately go on to manage one of our pubs or move into a range of Head Office roles whilst achieving nationally recognised qualifications at the same time.

We are an Accredited Training Centre for both the Chartered Management Institute (CMI) and the British Institute of Innkeeping (BII) and run programmes that offer a wide

range of supervisory, managerial and operational training qualifications. We actively encourage employees to take up further education opportunities and are currently supporting employees undertaking 50 types of further and higher education. We offer graduate training scheme opportunities and are particularly proud of our industry leading apprenticeship programme designed to attract very high quality sixth form students who wish to undertake professional training without incurring the student debt burden associated with full time higher education.

- We first achieved the Investor In People award in 1995 and have been continuously accredited since that date
- Our retail staff have undertaken over 28,000 online induction, customer service and responsible retailing training courses this year
- This year 2,250 Keyholder and kitchen training programmes have been completed.
- We have 133 ex-Keyholder trainees who are now fully fledged deputy managers and a further 24 have made the next step to taking overall responsibility for managing one of our pubs
- Over the last three years 187 employees have completed CMI or BII accredited training programmes
- We are currently the only Company accredited to run the BII's new Multi-Site Retailer Programme via our own internal People Development team
- We received 115 applications per position for our last Graduate Training scheme entry, 66% higher than the national average for the year. (Source Assoc of Graduate Recruiters)

Marston's seeks to operate in a transparent policy where its people are concerned and this is supported by a full Equal Opportunities policy and a "Whistleblowing" policy, both of these can be seen at www.marstons.co.uk/Investors/Governance.aspx

Our Communities

Community involvement and "localness" are at the very core of our business. Where appropriate we source locally, we recruit locally and we seek to be our customers' local choice. We see playing a positive part in our local communities as part of our business strategy, running open days at our breweries and supporting a huge range of community and charitable events both through our brewing sites and our pubs.

We were delighted when Jennings Brewery was recognised in the industry's Publican Awards 2010 for its tireless community support, raising the single biggest donation to the Cumbrian Flood Relief Fund of £178,000. The good work continues and Jennings has now been nominated as a finalist in the CN Group Business Awards Community Involvement Category.

- Charitable involvement starts at the very top at Marston's and this year Chief Executive Ralph Findlay helped to raise £40,000 for a range of good causes by cycling the 103 miles between Wolverhampton and Aberdyfi on the coast of Snowdonia
- Our employees also run their own Marston's Employee Charity Fund, which the Company supports by match funding the employee contributions. In the last 12 months the fund has donated over £13,000 to a range of local good causes nominated by our staff

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- Marston's Inns and Taverns (MIT) also runs a Charitable Trust funded equally by the Company and employee contributions and in the last year has made awards of over £16,000 to help support charitable activity run in our MIT pubs
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Health and Safety

The health and safety of our employees, customers and the general public is treated with the utmost importance. Information on accident rates, compliance and audit scores for all areas of the business is reviewed by the Board on a regular basis. A description of our health and safety systems is available at:

<http://www.marstons.co.uk/Responsibility/HealthAndSafety.aspx> There is also a link there to the Company policy on Health and Safety at Work.

Day to day responsibility for health and safety in the workplace is delegated to operational managers best placed to monitor and control safety. This is backed up by individual site health and safety committees responsible for reviewing safety controls, monitoring accident rates and implementing improvements. We also have dedicated professionals responsible for monitoring compliance to Company policy and legislation.

The Group Health and Safety Manager oversees the operation of controls within our pub division and monitors compliance across the Group. Our newly appointed Supply Chain Health and Safety Manager manages the operation of our health and safety systems and compliance to job safety instructions for our Production and Distribution teams. This new appointment reflects the priority given to tackling any risks to the safety of our employees especially where the nature of their work is manually demanding.

An additional investment has been made this year in an incident recording and investigation application for our Production and Distribution sites. This online platform will give management greater oversight of the emerging trends in the types of incidents before accidents happen; allow better tracking of audit scores for our breweries and depots and assessment of corrective actions taken.

Our managed pubs are subject to a bi-annual external audit of hygiene, health and safety. The results of those audits directly impact upon the evaluation of our pub managers' performance. The safe operation of our pubs is built upon safety training, documented safety instructions, safe design and engineering, and established routines of safety inspection. New recruits as well as seasoned managers are trained from the outset of their employment, and continually refreshed thereafter, to ensure that a high degree of awareness of safety and alertness to danger is sustained.

The operators of our tenanted pubs, including Retail Agreements, are primarily responsible themselves for the health and safety of their employees and customers. Our tenants and lessees are, however, provided with documentation on creating a health and safety policy and on risk assessing the workplace and the threat of fire. We also provide support for our tenants and lessees to help them fulfil their legal obligations particularly in respect of equipment inspections and fire risk assessments.

Both our managed houses and tenanted pubs are supported by customer service teams and dedicated surveyors who can respond quickly to any property defects that may cause a threat to safety.

Responsible Retailing

The Group is a long-standing member of the British Beer and Pub Association (BBPA), and Marston's PLC and its pub businesses continue to be signatories to the Portman Group Code which promotes responsible attitudes towards drinking alcohol. Marston's also continues to support both the Drinkaware Trust and the industry's own long term multi-million pound alcohol awareness campaign for smarter drinking "Why let good times go bad?"

We have made a significant investment in e-learning tools which all MIT pub staff must complete. A core part of our investment in e-learning is the identification of potential under-age drinkers. The Company also runs similar training to ensure tenants, lessees and retail agreement operators are aware of their responsibilities in this area.

Marston's actively supports the Challenge 21 initiative in both its managed and leased pub estate and maintains close links with licensing and other enforcement bodies to help ensure that our pubs operate in a responsible and considerate manner. Managed pubs monitor its use via the till system, recording each time service is refused. In addition, we also operate our own "test purchase" programme to further reinforce the compliance message.

Challenge 21

This year nearly a quarter of a million refusals to serve were recorded, mostly for failure to provide acceptable evidence of age or not being fit to consume alcohol. Whilst this only affects about 0.25% of total transactions it is a clear demonstration of our commitment to operate in a responsible and consistent manner.

Where Pubwatch and Best Bar None initiatives are in place we expect our pub managers to play an active part in these arrangements, and none of our pubs operate a 24 hour licence. We have established operating procedures and promotion policies within those pubs we manage to ensure that they comply with the Mandatory Code of Practice relating to the retailing and promotion of alcohol that came into force in 2010.

A practical demonstration of this commitment is the Company's decision to sign up to many of the pledges that form part of the Government's new Responsibility Deal.

Responsibility Deal Pledges

- Alcohol Labelling.
- Alcohol unit awareness.
- Tackling under-age alcohol sales.
- Support for the Drinkaware Trust.
- Advertising and marketing of alcohol.
- Community support to tackle alcohol harm.
- Healthier eating
- Occupational health and chronic conditions

Healthy Eating

Food represents a significant area of growth for Marston's, particularly in our inns and taverns (MIT). A continuing part of our strategy is offering healthier and more sustainable food choices without compromising quality or value for the customer.

We are committed to offering customers healthier meals, for example:

- In January 2011 MIT launched a range of calorie counted dishes with less than 500 calories per meal. To date we have served over 175,000 of these meals
- Marston's has signed up to two of the food pledges in the Government's Responsibility Deal
- As part of our salt reduction commitment to ensure compliance with UK government 2012 salt targets, we have removed 1.5 tonnes of salt from the food we serve to our customers
- 8 tonnes of saturated fat have been removed from dishes on our menus
- Hydrogenated vegetable oils have been removed from all our products
- Where vegetables are an accompaniment to a main meal at an MIT pub they provide two portions of an adult's "5 a day" requirement
- We do not add salt to chips and we grill rather than fry our sausages
- All our MIT meals are free from genetically modified ingredients and monosodium glutamate

Food Safety and Supply

In 2011 we spent £53 million on purchasing food (2009: £45 million), sourcing over 800 lines from more than 120 suppliers. We are determined to ensure that the goods we buy are produced ethically, and are socially and environmentally sustainable.

To maintain consistently high standards of food quality and hygiene, all of our suppliers are either British Retail Consortium approved, complete a self audit or are audited by an independent food hygiene company. As part of this process, suppliers must be able to demonstrate full traceability of all products supplied to all Marston's managed pubs. All of the suppliers audited this year by our independent food hygiene consultants were successful in achieving the required standard. On occasions, audit teams have also included our own food safety specialists so that we can see at first hand the processes and standards our suppliers adhere to.

Having 5 regional breweries within the Group helps minimise the carbon footprint we generate in producing and distributing our beers. Similarly, by sourcing locally wherever possible and keeping our external suppliers under review we are able to minimise food delivery miles.

All of our purchasing professionals abide by the Chartered Institute of Purchasing and Supply's (CIPS) Professional Code of Ethics Statement.

Product Stewardship

We are conscious that the agricultural products that we buy to make our beer and to serve as food in our pubs have both environmental and societal impacts as a consequence of the way that they are grown and transported.

We have set quality standards that these products must meet and our consistently working to develop the sustainability of our supply chain.

- We continually review the impact of food sourcing in terms of food miles and the manner in which food is produced – ethically, socially and environmentally
- We use Prep High Performance cooking oil which supports the production of sustainable palm oil via the Green Palm trading programme
- We source 4,500 tonnes of chips from a responsible supplier who uses the potato remnants for animal feed, fertiliser and renewable energy
- All the meals in our managed houses are free from genetically modified ingredients
- All suppliers are either British Retail Consortium (BRC) approved, complete a Self audit or are audited by an independent food hygiene company
- Suppliers must be able to demonstrate full traceability of all products supplied

In 2011 we sold 349 tonnes of sustainably sourced fish, reducing the quantity of haddock and cod we use by 70% to help these endangered stocks to replenish.

Award Winning Food

Providing healthy food does not mean compromising on quality and this has been recognised in 2011 with a number of awards for our products.

- At the 2011 menu Innovation & Development Awards MIT secured two awards for Best Children's Menu and Best Community Pub Menu.
- Our Steak and Marston's Pedigree Ale Pie won a Gold award at the 2011 British Pie Awards.
- At the 2011 British frozen Federation Awards our Cod en Croute won Best New Main Course/Meal Centre Product – Traditional Style Cuisine.