



Environmental Report 2009

Introduction

Marston's is the UK's leading independent brewing and pub retailing business. As such we appreciate that we have a significant responsibility to operate in an environmentally conscientious way in order to protect the environment, our employees, our brands and the communities in which we work. Our commitment to this approach is demonstrated by our inclusion in the FTSE4Good Index.

The economic downturn of 2009 has strengthened our resolve more than ever to embed sound environmental practices within all our operational activities. We understand that, as a company, doing more with less – the ethos of sustainable development - is not only good for the environment, but is good for business. Throughout 2009 Marston's has encouraged all parts of the business – from the breweries to tenanted pubs - to ensure the efficient use of materials, energy and fuel, to reduce emissions where possible, and to re-use and recycle wastes.

Particular attention has been placed on the development and roll out of an Environmental Management System within our managed pub portfolio. We aim to reduce energy use, water use and waste to landfill through setting targets, implementing more sustainable operational activities, monitoring progress, and striving for continual improvement. Perhaps one of the most interesting developments has been Marston's head office taking greater control of environmental factors in the company's managed estate. Central controls are now operated from the Wolverhampton offices so the company can remotely control fridges, air vents and heating. This innovation is currently being showcased in new build premises and a handful of newly refurbished sites.

We very much regret that the Jennings brewery, which lies next to the confluence of the rivers Cocker and Derwent at Cocker mouth, had to be closed in November. Unfortunately, the site was flooded as a result of the unprecedented rains that fell in Cumbria and equipment crucial to the operation of the site was damaged. We hope to have the brewery up and running again as soon as possible.

Overall, Marston's is committed to continual environmental improvement. We review our environmental policy statement annually and strive to go beyond simple compliance with environmental legislation through seeking out the business opportunities which new legal requirements may present. We encourage all our staff to act in an environmentally responsible manner. I believe that this report illustrates that we have made sound progress during the year.

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

Scope

The data in this report covers the breweries at Wolverhampton, Burton, Cockermouth, Ringwood and Witney. The data shown for pubs refers to the 496 managed pubs in our estate, excluding our 1,688 tenanted and leased pubs (pub numbers shown are as at December 2009). However, early steps are being taken to manage the environmental impact of our tenanted pub portfolio. Although we do not have direct influence over the operation of these premises, we feel that as a responsible business we have an obligation to try to drive sound environmental practices wherever possible.

Environmental Governance

Overall responsibility for our environmental progress rests with the Board. Day to day responsibility lies with the Environmental and Social Responsibility Committee chaired by the Managing Director of Marston's Beer Company, who reports to the Board on a regular basis. The Committee has an Environmental Sub-Committee with a representative from each of the company's four divisions. More information on the governance of CSR is included in the Corporate Social Responsibility Report within the Annual Report.

The Environmental Sub-Committee meets quarterly to consider the following matters:

- Energy and water usage monitoring
- Review of targets for energy and water usage
- Review of environmental risks
- Review of environmental legislation
- Environmental impacts
- Climate change management
- Consideration of environmental projects
- Annual review of the Environmental Policy
- Annual review of the implementation of the Environmental Management System

The Committee also reviews the Environmental Policy www.marstons.co.uk/about/our_environment.asp on an annual basis. In reviewing our Environmental Policy, we have identified six key areas of environmental impact which occur in both our breweries and pubs. These are:

- The use of raw materials and agricultural products
- The use of energy (gas and electricity) and water
- Greenhouse gas emissions, odours and noise
- Transportation, delivery and distribution of our products and employees
- Generation of post-consumer waste in the form of packaging
- Production, disposal, collection and processing of our waste solids and effluents

Environmental Management System

An Environmental Management System (EMS) is a structured and documented system that can be used to manage a business's environmental performance: it is a means by which environmental impacts are monitored, measured and improvements/efficiencies driven.

Our breweries at Wolverhampton and Burton have an established EMS which has enabled us to monitor and reduce our impacts over time. Both have designated managers with responsibility for implementing and managing the EMS.

This year we have developed and started to implement an EMS in our managed pubs. When the system is fully rolled out in 2010 over two-thirds of the company in terms of turnover will be covered by an EMS, a significant undertaking and achievement within our sector. The procedure which we embarked on this year in developing the EMS for pubs, and the strict continual requirements for maintaining the system are set out below:

1. Planning

Environmental Aspects

Through a detailed auditing process we identified the ways in which our pub operations interact with the environment. We considered those operations which we can control and those that we can influence and determined those that can have a significant impact on the environment. Through this analysis we concluded that utilities – **water, gas and electricity** - and **post-consumer waste** were our most significant environmental aspects.

Legal and Other Requirements

We identified legal and other requirements that are applicable to the environmental aspects of our pub operations. Of these, the Carbon Reduction Commitment was a key area of focus (see page 9).

Objectives and Targets

We have begun to set quantitative objectives and targets for the three most significant environmental aspects of our pub operations – water, gas and electricity, and waste.

2. Implementation and Operation

Operational Control

We have begun to put procedures in place to ensure that pub operations are conducted in such a way that will meet the objectives and targets of our EMS. For example, during 2009 we have worked with Npower to install electricity half-hourly Automatic Meter Readers (AMR) in all of our managed pubs. In 2010 we intend to install gas AMRs in all of our managed pubs. This will allow us to collect data and effectively monitor the EMS at a pub level.

Emergency Preparedness and Response

We have developed emergency preparedness and response procedures that take on-site hazards into consideration. Potential emergency situations have been identified and response plans determined.

Resources, Roles and Responsibility

Management has ensured the availability of resources essential to establish, implement, maintain and improve the EMS.

Training

Procedures have been put in place to ensure that all personnel whose work involves significant environmental aspects are trained and competent to deal with them. For example, we have raised environmental awareness with our area managers this year by including energy consumption in the operating statements for individual managed pubs and have included environmental training within a reprint of the staff handbook.

3. Continual Assessment

Monitoring and Measurement

We have started to collect data (e.g. utility bills), the analysis of which will determine how we are managing our significant environmental aspects, achieving objectives and targets, and improving environmental performance. Ultimately the identification of patterns, leaders and laggards can be used to implement corrective and preventative action. For example, we aim in 2010 to make more use of the data from meters in order to provide more meaningful reports for our area managers to target and improve energy efficiency. Pubs energy usage is highly dependent on the size of the premises and the mix of trade, so food-led pubs are more likely to consume more energy than those that concentrate on selling drinks. This makes it more important to manage energy consumption at a local level through area managers who are familiar with individual premises.

Internal Audit

Results and data derived from the pub EMS will be collected and reviewed at the quarterly meetings of the Environmental Sub-Committee and targets set annually. In 2010 we will be able to analyse whether the EMS is being properly implemented and maintained through a full internal audit of the pub EMS.

Review

Senior management will review the pub EMS in the third quarter of 2010 to ensure its continuing suitability, adequacy and effectiveness. The review will include assessing opportunities for improvement and the need for changes to the EMS including the re-alignment of objectives and targets.

The remainder of this report describes how, as a company, we are continually striving to minimise our key environmental impacts – energy and greenhouse gas emissions, water and waste.

Energy use and Greenhouse Gas Emissions

Background

We recognise that, due to global warming, we are increasingly operating within a carbon constrained market in which our company is faced with a range of new challenges:

- An increasing demand from customers, governments and regulators for the highest environmental standards, specifically in relation to energy use and greenhouse gas emissions
- Growing regulation of greenhouse gas emissions and other resources. These include new carbon taxes such as the Carbon Reduction Commitment in the UK, and stricter building codes intended to drive sustainable construction
- An increase in operational costs driven by increasing electricity and energy prices
- New scrutiny of the environmental impact of the supply chain

We recognise that we can reduce our negative impacts which contribute towards climate change by using resources such as energy more wisely. As we continue to see the cost of

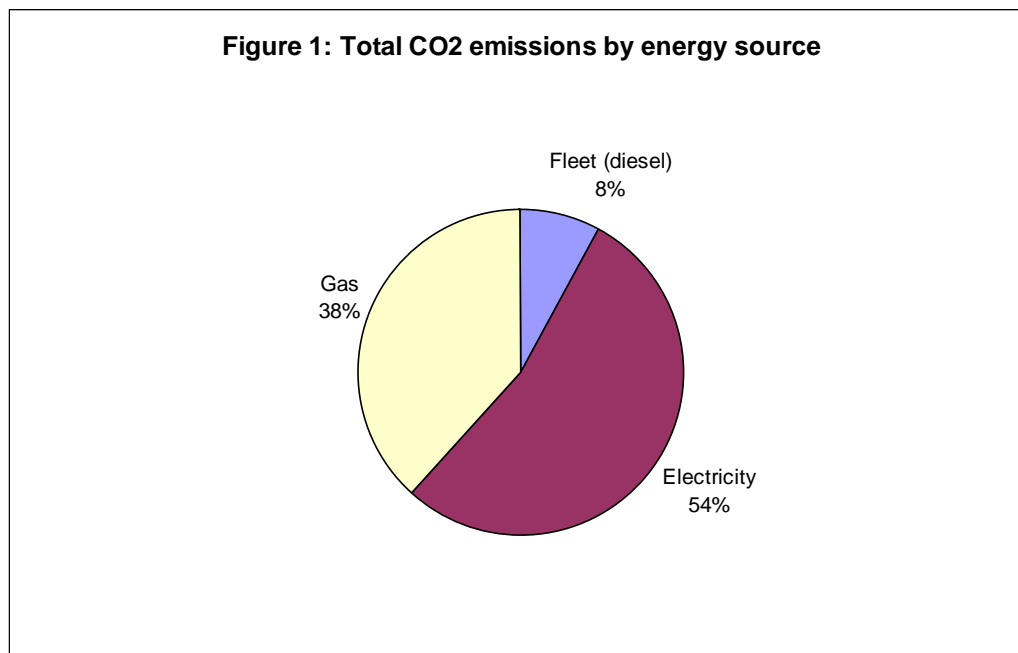
energy increase, such reductions will become more and more important to the bottom line of our company.

2009 Group Data

In the 2009 reporting year (the year ended 30 September) Marston's used approximately 89.8 gigawatt hours (GWH)¹ of electricity throughout its operations. This is an improvement on 2008 figures when 93.2 GWH was used (down 3.6%). Of the 2009 electricity data, around 14 gigawatt hours (16% of the total) was used in our five breweries; the remaining 84% was consumed in our managed pubs. We also used 159.7 GWH of gas in our operations (2008: GWH 163 GWH). Of this, 54 GWH (34%) was used in our breweries and 105 GWH (66%) was consumed in our pubs.

Our total fossil fuel consumption from our electricity, gas and transport fuel (retail and trunking fleets) produced carbon dioxide emissions of 78,918 tonnes of CO₂² (2008: 83,384 tonnes).

In 2008 we had installed only 150 half-hourly Automatic Meter Readers (AMR) within our managed pub portfolio. This year the number has increased to over 400. This has generated a greater proportion of verifiable electricity data relative to last year's figures. For this reason, although we are optimistic that the positive trends in electricity use – as stated above – are a consequence of improved efficiencies through operational and behavioural change, we have chosen to wait until the 2011 reporting year to evaluate fully our progress through normalising our data by output or pub numbers.



¹ One gigawatt hour is 1 million kilowatt hours.

² At present this figure does not include emissions from the company car fleet.

Breweries

Brewing is an energy intensive process which uses both natural gas and electricity. Last year our breweries produced 16,223 tonnes of carbon dioxide (down from 18,426 tonnes in 2008) from fossil fuels.

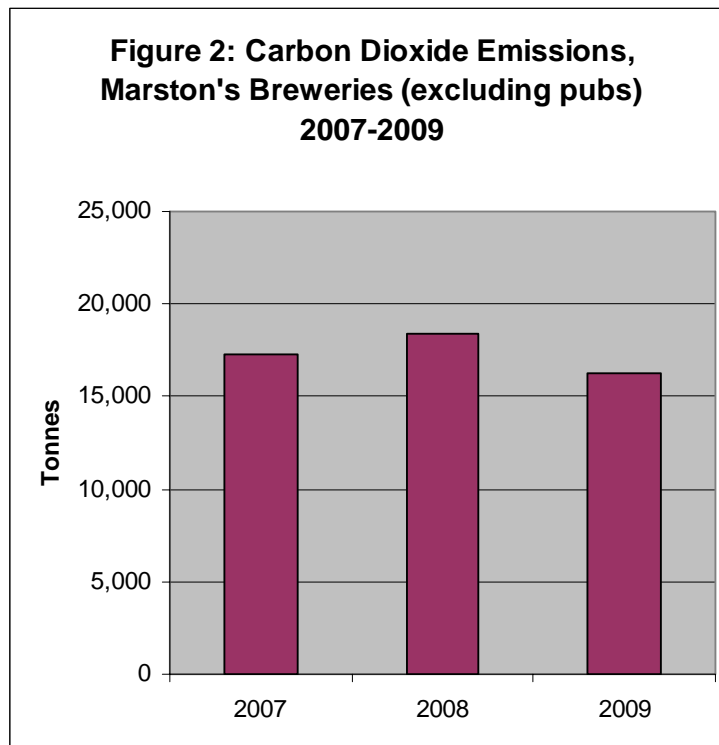
Brewery	2009	2008	Relative % Improvement
	tCO ₂ /tonne product	tCO ₂ /tonne product	
Wolverhampton	0.080	0.079	- 1.3%
Burton	0.090	0.114	21%
Cockermouth	0.111	0.124	10.5%
Ringwood	0.095	0.092	- 3.3%
Witney	0.067	0.066	-1.5 %

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 due to its bottling processes (which are more energy intensive than kegging). Investments at Burton have yielded a significant improvement in energy efficiency in 2009 compared with previous years (see below, *Case study: Energy Saving Initiatives at Burton*). The efficiency at Burton during 2009 has also been helped by the increase in volume brewed of 7%. Wolverhampton has been successful in keeping the efficiency tCO₂/tonne product ratio stable between 2008 and 2009.

As part of the brewing industry's *British Beer and Pub Association* 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 levels³, Burton by 51%, Cockermouth, Ringwood and Witney by 2% - all by 2010. All the breweries currently qualify for the reduction in the Climate Change Levy. We aim to reduce our emissions and meet our CCA obligation by mitigating our own greenhouse gas emissions through improving efficiencies rather than by purchasing offsets. This is because we disagree with the principal that a company can pay others to cut carbon on its behalf. We believe that our biggest contribution towards decreasing greenhouse gas emissions will come from changing our own activities – through innovation and behavioral change.

Our CCA targets should produce an overall saving of around 12,089 tonnes CO₂ based on 1999 production volumes. 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.

³ This is the baseline level chosen for the brewing industry due to the lack of available data before this.



Case study: Energy Saving Initiatives at Burton

Improvements in efficiency at our Burton brewery have continued this year. A new beer wort cooler with a more efficient cooling arrangement has been installed. The installation of a more efficient water circulation system for fermentation has eliminated the need for three water tanks and numerous pumps.

These investments together with the increase in volume brewed at Burton (up 7%) have increased efficiency by 29.3%, based on the energy efficiency quotient calculated the British Beer and Pub Association (2009: 0.978; 2008: 1.343)

2010 Climate Change Target – Breweries: to increase efficiency in the breweries by 5%, the equivalent of approximately 1,000 tonnes of CO₂.

This target is less ambitious than last year's 10% target because significant investments in technology to improve energy efficiency have already been made. We believe that because the most easily achievable reductions have already been achieved, cost effective improvements will become increasingly difficult to accomplish.

Managed Pubs

Electricity and gas are used for heating, lighting and cooking in our 496 managed pubs. By September 2009 electricity meter readers had been installed in 83% of our managed pubs. These are half-hourly Automatic Meter Reader (AMR) 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 our managers can see more clearly the actual consumption and cost of electricity in all our pubs. For the pubs with automatic electric meters fitted we have started reporting weekly electricity usage in conjunction with their individual targets for improvement.

In 2009 the average electricity consumption per pub was 169,000 kWh and average gas consumption 291,480 kWh, equating to total emissions of 128 tonnes of CO₂ per pub/per annum (2008: 138 tonnes of CO₂). In conjunction with our installation of the AMR across 83% of the pubs and the development of an EMS for managed pubs, we have started reporting monthly electricity, and gas usage and targets, pub-by-pub, for area managers to monitor.

Significant Achievements

- Since 2006 Marston's Inns and Taverns has been in partnership with the Carbon Trust. The collaboration is intended to identify areas where energy savings can be made within our operations and has led to the development of a Building Management System within new pubs. The system allows the company centrally to monitor electricity use in real time in order to calculate trends and identify potential savings. We have agreed to continue our partnership through a number of joint energy saving initiatives over the next 12 months which will be of benefit to the existing trading pubs and our new build programme.
- We have introduced environmental guidelines for all new build and refurbished pubs.
- In the majority of our pubs we have low energy lighting, although we still retain a percentage of filament lamps on dimmer systems which are not suitable for low energy lighting.

We hope to make further energy reductions through our EMS, AMR and various "spend to save" initiatives such as using low energy lightbulbs.

2010 Climate Change Target - Pubs: to achieve a 10% saving in energy use throughout our managed pubs within two years.

Carbon Regulation – The Carbon Reduction Commitment

From 2010 Marston's managed pubs will be subject to a new carbon trading scheme. The Carbon Reduction Commitment (CRC) will extend mandatory carbon reductions and trading into a large part of the UK economy not covered by the European Union's Emissions Trading Scheme. Administered by DECC, it is a mandatory emissions trading scheme for large organisations whose annual half-hourly metered electricity usage is above 6,000 MWh. It will compel Marston's 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.

As a consequence, Marston's is working with the Carbon Trust to identify the opportunities to reduce CO₂ emissions in our pubs. In preparation for CRC, the installation of Automatic Meter Readers into 83% of our managed pubs was accelerated in order to improve the reporting of energy usage and engage staff in helping to find ways to manage consumption downwards.

Tenanted Pubs

We own 1,688 tenanted pubs which form the majority of our property estate. We act in an advisory capacity to the pub operators to help them to minimise their impacts. Through our online portal – "My Marston's Online" - we offer information to support energy saving initiatives, including:

- Energy saving tips
- Energy efficient light bulbs
- Waste oil collections

Marston's has teamed up with suppliers to support tenants and free trade customers with free energy surveys. Surveys can be arranged on request or during a change of tenancy. During the survey independent advice is provided on energy savings, billing, water management systems, light bulbs and how to read meters. Assistance is also provided to tenants negotiating utility supply deals, collecting quotes and understanding the different proposals.

Transport

We have a large fleet of trunking and retail vehicles. Our fleet vehicles cover over 4.5 million miles a year. For the last two years they have operated on a fuel efficiency ratio of 8.9 miles per gallon (mpg). This mileage equated to a total consumption of 526,871 gallons of diesel last year and CO₂ emissions of 6,419 tonnes (2008: 528,684 gallons / 6,441 tCO₂).

We aim to reduce the emissions from our fleet and we monitor our mileage per gallon monthly to identify potential efficiencies. We also measure miles travelled per delivery and miles travelled per barrel to ensure that our routes are optimally efficient.

Our Transport division has embarked on a number of energy and environmental initiatives during the year, as follows:

- All vehicles that run into the London area are now Euro III compliant and meet the standards required by the London Emission Zone (LEZ).
- In November 2008 we integrated our two depots at Totton and Ringwood into a single site at Ringwood. This reduced vehicles by about five a day, saving in the order of 130,000 vehicle miles per annum.
- Reroutes were implemented at both our Wolverhampton and Mansfield Sites, which removed about three vehicles a day from the road.
- During the year, we completed the installation of satellite tracking on all our retail delivery vehicles, which has helped with more efficient planning of routes and management of the logistics operation.
- In March 2009 we began collecting used cooking oil from our managed pub estate and we now collect in the order of 16,500 litres a week using our existing beer delivery vehicles.
- We began to convert a proportion of the used cooking oil to biodiesel, which we are using at varying blend rates of between 50% to 100% in seven of our vehicles operating out of our Wolverhampton depot. In the coming year we will be offering our tenanted and free trade customers the opportunity to buy fresh cooking oil from us which will be delivered by our own delivery vehicles.

Company Car Policy

We have approximately 151 cars in our corporate car fleet at any one time. These travel an average of 41,000 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

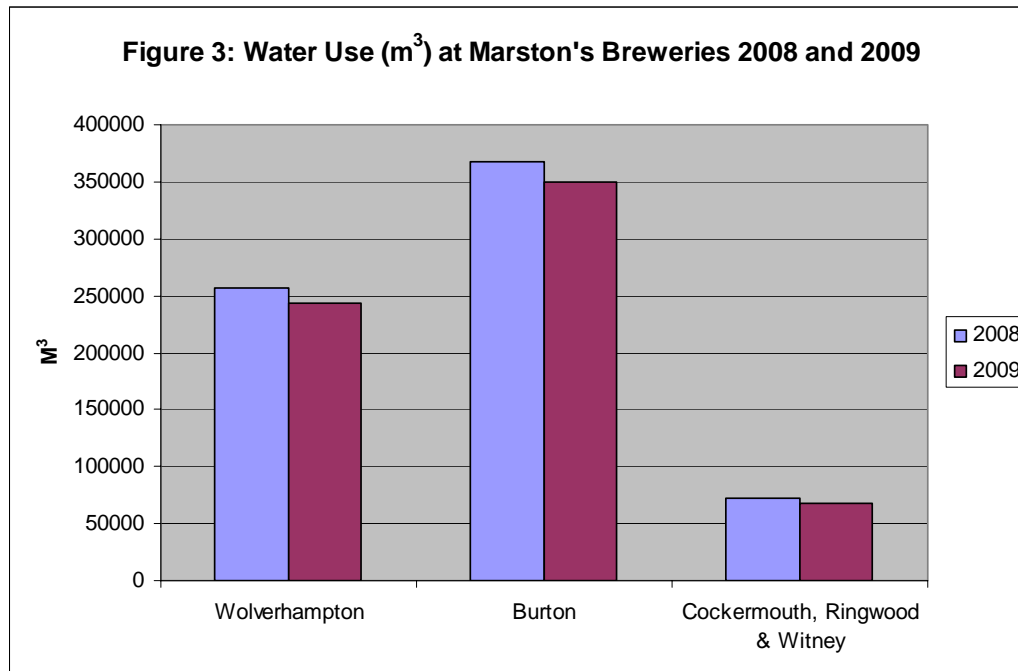
Background

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. We are attempting to minimise our use of water, first by putting systems in place to measure our use of the resource, and then by implementing programmes to minimise it. We already measure the water use in our breweries comprehensively. Marston's Inns and Taverns has the majority of sites measured by water meters and we continue to improve the management of readings available. Step by step in the coming year, as our data collecting techniques improve in managed pubs, we will introduce water targets into our EMS programme.

Data

Breweries

Water consumption is a key performance indicator (KPI) 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 660,798m³ of water (down from 697,999m³ in 2008). This is taken from both the mains supplies and from boreholes.



At Burton we currently use up to 6.58 barrels of water for every one barrel of product brewed and bottled. This ratio is 3.06 at Wolverhampton and between 2.89 and 3.66 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". All our breweries have ratios which are equal to or better than the industry average of 5:1⁴.

We also look at our water efficiency in terms of water used in proportion to effluent produced. In 2009, at Burton 65% (2008: 65%) of the water brought on to site was eventually discharged as effluent to the sewer; at Wolverhampton this ratio was similar at 73% (2008: 73%). 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

⁴ This figure is provided by the British Beer and Pub Association (BBPA)

of regulations or compliance failures. More information on the Integrated Pollution Prevention and Control (IPPC) assessment is given in the Corporate Social Responsibility Report included in the Annual Report and on the website www.envirowise.gov.uk (search under "IPPC").

2010 Water Target - Breweries: to comply with any recommendations as a result of the IPPC regulations and to further reduce water usage at Burton.

Managed Pubs

Marston's Inns and Taverns is introducing water metering equipment as we undertake refurbishment work in our pubs. We are working to incorporate water targets and reduction programmes within our EMS.

2010 Water Target - Pubs: To collect comprehensive water use data throughout our managed pub estate, to incorporate water use within our pubs EMS, to set targets, and to begin to minimise water use.

Waste

Background

We appreciate that minimising our waste carries significant positive implications for the environment. Therefore, wherever possible, we endeavour to reduce, reuse and recycle our waste.

Data

We produced around 43,374 tonnes of waste in total in the 12 months to September 2009 (2008: 43,535 tonnes) of which 22,133 tonnes came from our brewing processes and 21,241 tonnes came from our managed pubs. Of this total we recycled 60% (2008: 55%); the remaining 40% was sent to landfill. [See Figure 4]

Pubs

At present we recycle 29% (2008: 26%) of the waste that we produce in our pubs (see Figure 5). The pub waste we recycle is from three waste streams: used cooking oil, card and glass. The improvement this year is due to the increase in the number of managed pubs now recycling glass. We recycled glass in 433 out of our total of 496 managed pubs (2008: 429) – accounting for 21% of total waste in these pubs.

Recycling has also increased in the other main streams of pub waste. From an initial trial of 35 pubs two years ago, now 439 of the managed pubs are recycling card, amounting to 1,255 tonnes in 2009 (2008: 1,394 tonnes). Last year we collected 379 tonnes (2008: 598 tonnes) of used cooking oil, which was recycled by a specialist contractor into bio-fuel.

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.

Breweries

We recycle 91.1% (2008: 91%) of the waste produced by our breweries [see Figure 6]. 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.

We review our packaging on an ongoing basis. We light-weighted our 500ml bottles about six years ago and removed 55 grams of glass from each bottle and in 2007 reduced this further to 300 grams. The light-weighting projects remove glass from the manufacturing process and reduce the energy consumed in transportation.

2010 Waste Target –Pubs and Breweries: 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.

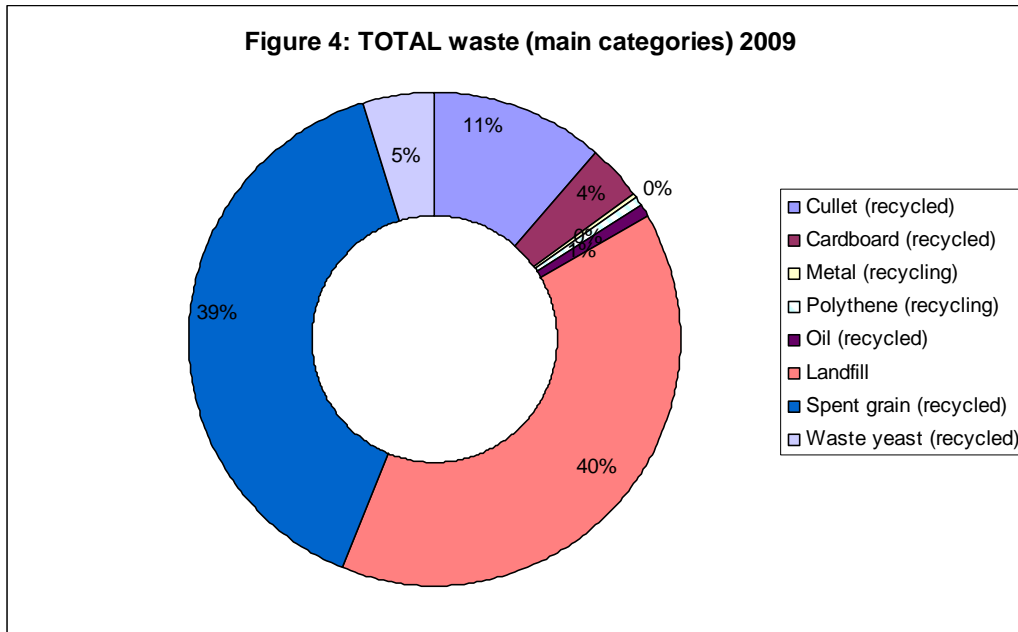


Figure 5: PUBS Waste (main categories) 2009

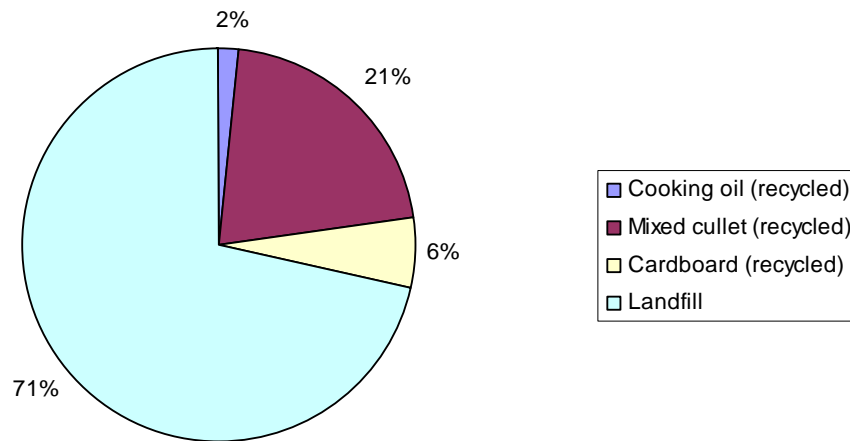
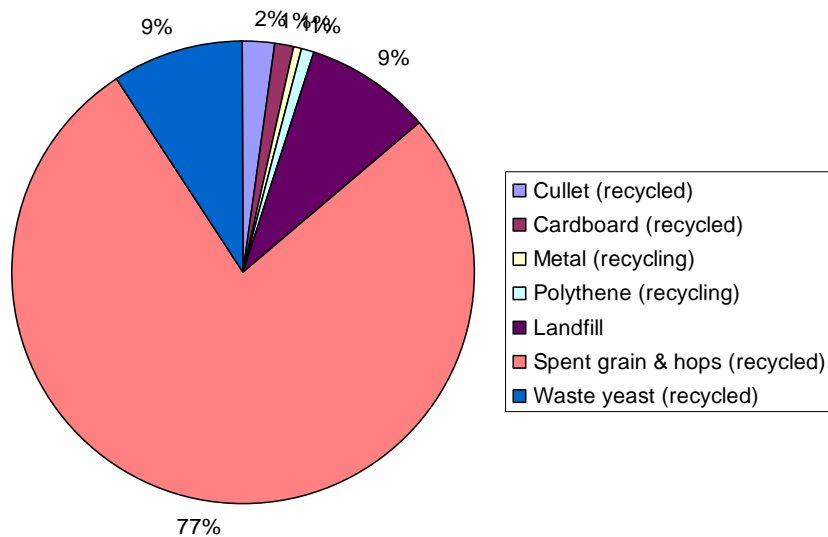


Figure 6: BREWERIES - waste (main categories) 2009



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 significant environmental impacts as a consequence of the way that they are grown and transported. Each year our breweries use 16,889 tonnes of sugar (sourced mainly from overseas), malt and hops (sourced in England). We have set quality standards that these products must meet.

In 2009 we spent over £45 million on purchasing food (2008: £42 million), sourcing 980 lines from 85 suppliers. We are currently looking at ways to reduce the impact both in terms of food miles and by ensuring the methods by which the goods we buy are produced are ethically, socially and environmentally sustainable.

We require all our suppliers to work to certain standards both of health and hygiene. Our auditor, Charnwood Hygiene, audits each supplier against food safety and hygiene standards. The remit of these audits includes ethical standards – for example, the conditions in which the product is grown or produced. In addition, as a result of new government guidelines and health concerns, we ask all of our suppliers to work within salt limits and to exclude hydrogenated fats where possible. We have altered a number of our recipes as a result of new guidelines to ensure the food we produce is healthier.