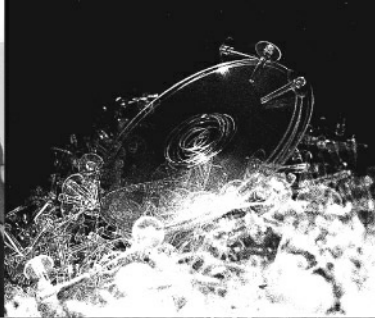


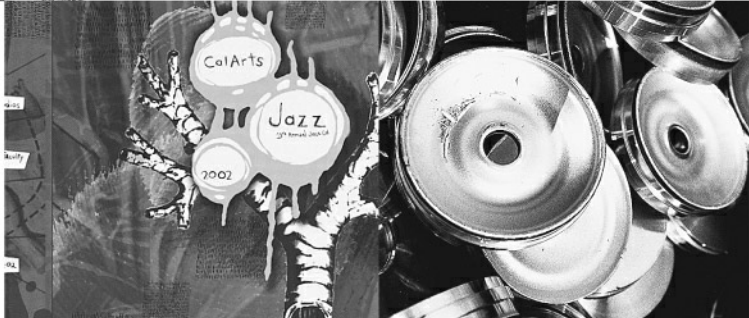
EMI Group plc  
Social Responsibility Report 2003





## Introduction

**‘We intend to demonstrate that, even in a challenging business environment, sound values are a central part of everything we do.’**



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‘Sound Values’ is our first full social responsibility report – and incorporates our eleventh environmental report. For EMI, good relationships with our artists, investors, employees, consumers and business partners are essential. It takes sound values to earn their trust and also to ensure long-term business success. That’s why I believe social responsibility should be a priority for everyone at EMI, every day.

Our focus now needs to widen to include social issues. We have already done good work on employment, community investment and product content. But there is more to do to clarify our goals, ensure that they are consistently applied and develop appropriate measures to track our performance.

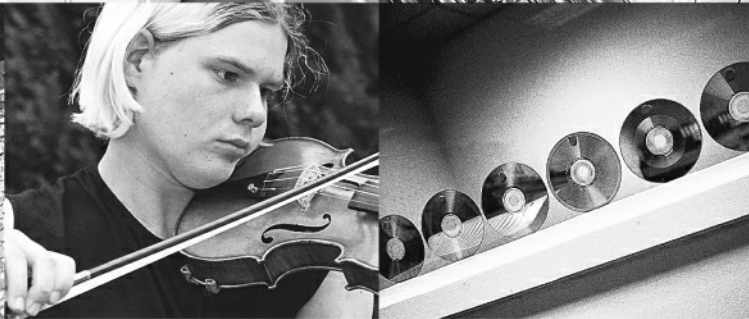
In 2003 we adopted our new social responsibility policy (see page 4). This brings together a number of our existing policies on the environment, employment and the community and extends our commitment into new areas such as human rights. It reaffirms our intention to contribute to sustainable development, one of the most essential and challenging goals facing society, including business, worldwide. And it says we will communicate openly and honestly about our performance – as we do in this report.

One of our most significant community investment roles is increasing young people’s access to music and other performing arts education. I am immensely proud of the achievements of the Music Sound Foundation in the UK (see page 16) and the opportunities it provides for budding young musicians. This is an excellent programme, and in time I expect to see an expansion of EMI’s support for arts education, with an emphasis on music, throughout our regions.

Over the next few years we intend to demonstrate that, even in a challenging business environment, sound values are a central part of everything we do.

We have come a long way in environmental performance since we began reporting in 1993. We have continuously reduced the environmental impacts of our operations and we have well-established systems for keeping up this trend. The technology shift to digital distribution of music may have a beneficial environmental impact and we have been active partners in the Digital Europe project to look into this (see page 20).

Eric Nicoli  
Chairman, EMI Group



## Business Context

### Our Business

EMI is the world's largest independent music company. Content is at the core of EMI: throughout the business, we are focused on finding, developing and supplying pure musical content of high, long-term quality. It is a period of transition for the industry, led by rapid technological change, and we are committed to providing consumers with the music they want, in the format they want, and at good value. We are working with a vast range of retailers, distributors, and hardware and software providers to make that vision a reality.

The company has two divisions, Recorded Music and Music Publishing, and operates directly in over 45 countries worldwide.

During 2002/03, we employed an average of 8,088 employees and generated sales of £2,175.4 million. The regional breakdown of employees and turnover is illustrated below.

### Recorded Music

We have a current roster of over 1,000 artists worldwide and a catalogue of music that stretches back over 100 years. Together they represent a rich and diverse range of musical talent – from Caruso, Callas and Sinatra to the Beatles and the Rolling Stones, Coldplay, Norah Jones, Simon Rattle, Kylie Minogue and Robbie Williams. Our labels include Angel, Astralwerks, Blue Note, Capitol, EMI, EMI Classics, Mute, Parlophone, Virgin and labels in the Christian Music Group including Sparrow and Forefront. We also own or have a share in five manufacturing plants, 24 distribution centres and five recording studios worldwide. Our manufacturing plants produce around half a billion CDs, DVDs and music cassettes annually.

## Business Context

### Music Publishing

EMI is the world's largest music publishing company and controls the rights to more than one million musical compositions covering a diversity of styles. Our catalogue includes classics such as *New York, New York*, *Blue Moon* and the James Bond theme as well as songs written and performed by Jamiroquai, Ms Dynamite, Pink and Sting. We also have a majority share in Jobete Music, the legendary Motown back catalogue.

### Expanding Our Reporting

This is our eleventh year of environmental reporting and the third in which we have included information about our community engagement. This year we are further expanding our social reporting. We believe this to be important. It is also in line with our stakeholders' desire for greater transparency and the commitment we made last year.

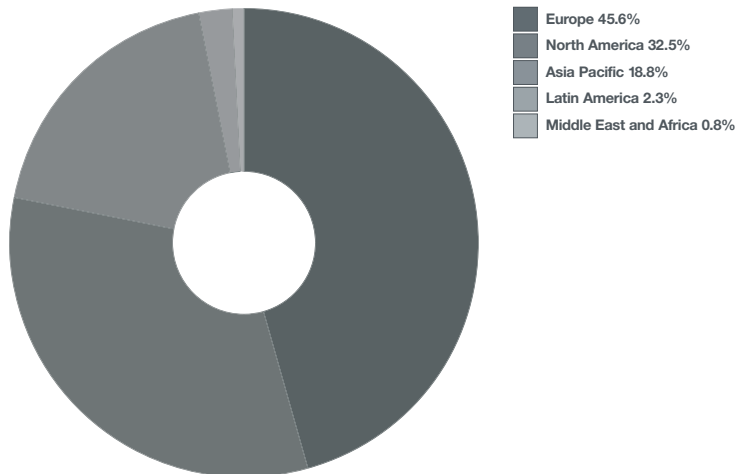
We have called our first social responsibility report 'Sound Values' because we believe values are part of the foundation for long term business success.

This year we developed a social responsibility policy that was adopted by the board just after the end of the financial year (see page 4). This is designed for both internal and external audiences and encapsulates our policies in the key areas of corporate social responsibility (CSR). The social responsibility policy builds on our existing Standards of Business Conduct and other internal documents. The policy will provide our framework for monitoring and reporting as we move forward with our social responsibility agenda.

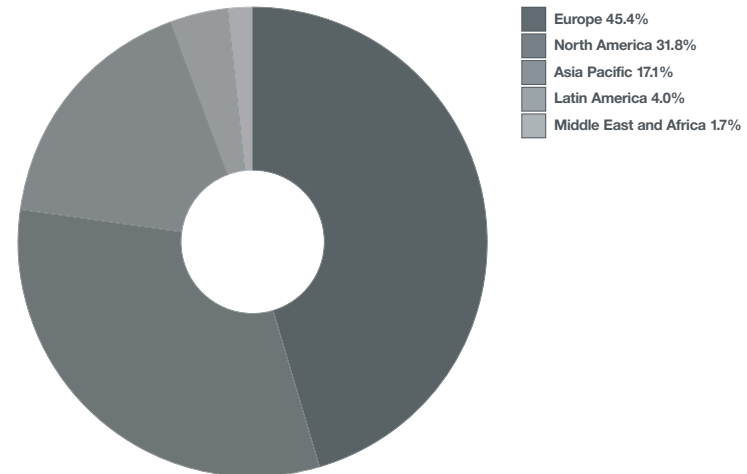
### Scope of Data

The data in this report cover the year to the 31st March 2003 and 95% of our operations. Label and distribution joint ventures where EMI does not have management control are not included.

**Breakdown of Turnover by Region**  
2002/03



**Breakdown of Employees by Region**  
2002/03



# ‘We believe business should be both profitable and beneficial to society. We will respect people and the environment throughout our operations.’

Our social responsibility policy integrates our policies in a number of key areas, and is published here for the first time:

### Introduction

EMI is a leading music company. We believe business should be both profitable and beneficial to society. We will respect people and the environment throughout our operations. We aim to contribute to sustainable development – that is, to develop our business in the context of both improving social well being and environmental protection, thus addressing the needs of future as well as present generations.

We will ensure that effective systems are in place to manage and monitor compliance with this policy, and take remedial action whenever we fall short of our commitments. We will communicate openly and honestly about our performance. Overall responsibility rests with the chairman and the board. The management of individual operating companies will be responsible for ensuring policy implementation at a local level.

### Environment

- We will identify and measure the main environmental impacts at our facilities and in connection with our products.
- We will work to minimise our main environmental impacts including global warming, resource consumption and waste.

Our environmental policy provides more detail on these principles.

### Employment

- We are committed to equal opportunity for all employees regardless of gender, ethnic or national origin, religion, disability, age, marital status or sexual orientation.
- We will provide the highest levels of health and safety in the work place. This includes being mindful of the pressures of work and the potential impact on the health of our employees.
- Employees will be fairly rewarded and given opportunities for development.
- We aim to ensure a respectful working environment free from harassment, in which employees are encouraged to speak openly. Our businesses will implement a grievance procedure for employees.

Our employment policies provide more details on these principles.

### Community

- We aim to make a positive contribution to the communities in which we operate and to be a responsible neighbour.
- Our businesses will determine their community investment priorities locally. Globally the main areas supported will be youth and education, arts and culture, and health and welfare.
- We will not make political or sectarian donations except through general contributions to industry associations that include lobbying among their activities.
- We will look constructively at proposals from employees for volunteering activities and for matching personal charitable contributions.

### Human Rights

- We support and uphold the principles contained in the Universal Declaration of Human Rights and the International Labour Organisation’s fundamental conventions on core labour standards.
- We will support the human rights of our employees, including freedom of association and the right to organise, of their families, and all those with whom we are directly involved. We will not tolerate forced or exploitative child labour.

### Product Values

- We will support the right to free musical expression, while being sensitive to the prevailing values in the countries in which we operate. Where controversy occurs, we will be open to debate on the issues.
- Where recordings may be considered by some to be unsuitable for a young audience, our products will display warnings in line with local best practice and industry guidelines.

### Suppliers

- We will be fair and honest in our relationships with our suppliers and subcontractors from selection through to payment.
- We will assess the environmental and social issues associated with our major suppliers and engage with them on their performance as follows:
  - Major suppliers in countries with poor human rights records will be expected to provide evidence of their systems for safeguarding their employees’ rights.
  - Major suppliers in sectors with a high environmental impact will be expected to provide evidence of their systems for ensuring good environmental performance.

# ‘We are pleased to continue to be included in a number of CSR indices, such as FTSE4Good and the Dow Jones Sustainability Group Index.’

### Organisation

Overall responsibility for social responsibility rests with the chairman and the board of directors. A small team at corporate level co-ordinates activities and reporting. Implementation of our CSR and related policies at a local level rests with the management of individual operating companies.

Although it is difficult to quantify the number of employees engaged specifically in the wider CSR agenda we have tracked those with defined environmental responsibilities for some years. In 2002/03 one employee had full time and 392 had part-time environmental responsibilities, and 1,525 received some environmental training. In some cases this was part of established health and safety training programmes.

### Data Collection and Reporting

We have a company-wide reporting system, first developed 11 years ago for environmental reporting and since adapted and expanded to gather information on community engagement and, for the first time this year, some employment and health and safety data. We send a detailed questionnaire to operating companies around the world and the consolidated data represents approximately 95% of our operations.

Company reports are signed off by the most senior responsible manager before being submitted for consolidation. At the beginning of 2002/03, our internal audit department began including a review of the environmental and community reporting practices of individual operating companies as part of its programme looking at internal controls. This supplemented existing reviews of health and safety practices.

Our existing risk assessment procedures cover social, ethical and environmental issues. How we assess and manage any such risks will be part of a comprehensive review of our risk management programme which was initiated after the year-end.

### Environmental Management Systems

The specific environmental impacts of a music company are low compared to many other sectors but we believe the impacts we do have in our larger manufacturing plants are large enough to warrant formalised environmental management systems (EMS).

During 2002/03, our US plant in Jacksonville, Illinois completed its EMS development and had a successful first-round audit for certification to the ISO 14001 standard. Following completion of the phase two audit after the financial year-end, the plant was notified that it would be recommended for certification. This means that 93% of our CD output will now come from certified plants, up from 60% in the previous year.

### Compliance

During 2002/03 none of our businesses was prosecuted in connection with environmental legislation, or served with any health and safety enforcement notices.

Of the four claims previously lodged against us (all concerning previously owned companies) under the Comprehensive Environmental Response, Compensation and Liability Act (known as CERCLA, or ‘Superfund’) in the US, one was settled in principle during the year. In the remainder, we are one of a number of ‘potentially responsible parties’ (PRPs) in cases concerning the recovery of clean-up costs for alleged disposal of hazardous substances many years ago. Any liability from the remaining three claims will be divided among the PRPs.

### Affiliations

We are a signatory to the International Chamber of Commerce Charter for Sustainable Development. In the UK we are a member of Forum for the Future’s Business Network and Business in the Community’s PerCent Club (PerCent club members invest more than 1% of their pre-tax profits in the community, through a combination of cash, time and gifts in kind).

We continued to take part in the UK’s Media Sector CSR Forum. The forum is a group of representatives from over a dozen media companies, working to identify the key CSR issues for the sector and establish best practice. During the year we were accepted as members of the Corporate Responsibility Group, an alliance of leading UK companies dedicated to driving forward corporate social responsibility.

### Socially Responsible Investment (SRI)

We engage with the SRI community and value the feedback from this process. SRI organisations often benchmark our policies, procedures and performance in key areas of corporate social responsibility. We are pleased to continue to be included in a number of CSR indices, such as FTSE4Good and the Dow Jones Sustainability Group Index. Our shares are held by a number of socially responsible investment funds.

## Environment Global Warming

Global warming is a key challenge facing our world. There is increasing evidence that global warming is causing climate change. As the potential local and global impacts of climate change become better understood, people are recognising that urgent action is needed.

Global warming is caused by, among other things, burning fossil fuels to power transport and generate electrical energy. This emits carbon dioxide (CO<sub>2</sub>), a 'greenhouse gas' that traps radiation in the atmosphere, raising the temperature of the earth's surface. The consequent climate change could lead to reduced crop yields, increased severity and frequency of tropical storms, greater risk from disease and possibly conflicts over fresh water. Without doubt, these effects will lead to greater human suffering and environmental damage.

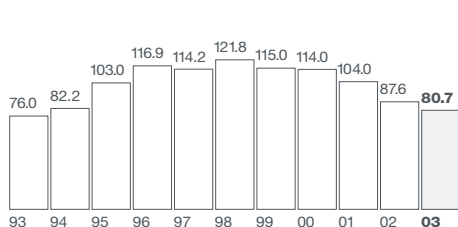
### Our Impact

Although on a global scale EMI's contribution to global warming is tiny, given the potential problems it may bring we think it's important to do what we can to reduce our own impact. We calculate our overall contribution by monitoring our energy consumption<sup>1</sup> and fuel use. Close to 70% of all CO<sub>2</sub> emissions associated with EMI are from energy use in buildings; transport accounts for the remainder. During 2002/03 emissions from buildings energy dropped 8% in absolute terms, to 80.7 kilotonnes. Total emissions associated with our activities was reduced by 10% in absolute terms, to 118.7 kilotonnes.

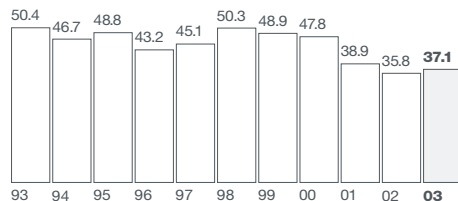
We also calculate our CO<sub>2</sub> emissions from buildings per unit turnover, which allows for changes in our business. This year, with turnover down by 11%, our emissions rose by 3.6% per £million. However since we began recording CO<sub>2</sub> emissions in 1993 we have reduced them by 26% per unit turnover.

<sup>1</sup>The conversion factors we use to work out CO<sub>2</sub> consumption are the ones we have used since we began reporting in 1993; this allows greater comparability. If we use current United Nations Environment Programme (UNEP) factors, our current CO<sub>2</sub> output from building energy is 11% lower, at 72 kilotonnes.

**CO<sub>2</sub> Emissions From Energy Use in Buildings**  
Kilotonnes



**CO<sub>2</sub> Emissions From Energy Use in Buildings**  
(normalised)  
Tonnes/£million turnover



## Environment Global Warming

For UK emissions, we record data in line with Government guidelines. This 'Greenhouse Gas Indicator' can be found on [www.emigroup.com/enviro](http://www.emigroup.com/enviro).

### Energy Efficiency Initiatives

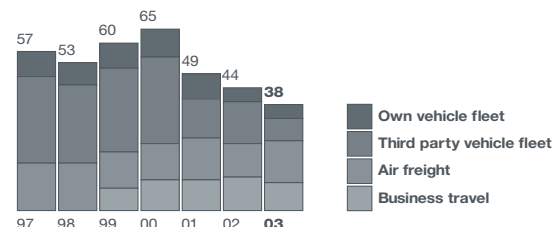
EMI's energy consumption in buildings varies across our operations. Our five manufacturing plants use significantly more energy than the other areas of our business. This year, the manufacturing division reduced energy consumption by 5.4% per CD produced, with a significant reduction by the plant at Uden in the Netherlands. The Environmental Care committee there set a target to reduce energy consumption as part of an energy agreement with the Dutch government. Efficiency measures were implemented following a series of workshops. A subsequent audit promoted Uden's energy care system to a class B (on a scale of A-D), achieving the best result in its industry sector.

EMI employees around the world have taken action to reduce the amount of energy wasted as well as reduce energy requirements. Our Caroline distribution centre in the US began keeping the warehouse doors open during the summer, halving the need for overhead lighting and reducing heat levels. Office refurbishments also provide an opportunity to improve energy efficiency. Fitting energy efficient windows helped our office in Austria to reduce energy consumption by 2%. The US offices of Capitol Nashville reduced consumption by installing automatic light switches. And when our New York office moved premises we installed an energy management system in its new building.

### Renewable Energy

We realise that current climate change trends will not be stabilised or reversed unless there are broader changes in global energy sources. Energy from renewable sources such as solar, wind, geo-thermal and hydro is continually replenished and does not emit CO<sub>2</sub> when used. The contribution to global warming is therefore negligible. We have continued to shift to renewable electricity in our UK businesses – from November 2002 all existing UK sites were supplied from renewable sources, up from 55% two years ago. We took a further big step in January 2003, when the manufacturing and distribution site in Uden also switched to renewable electricity. Most of the benefit from this will be seen in next year's data.

**CO<sub>2</sub> Emissions From Transport Use**  
Kilotonnes



**‘The project is not just about providing electricity in an area with fast growing energy needs – it also offers a sustainable livelihood for poor rural communities.’**

**Offsetting Our Transport Emissions**

Our transport emissions include our own vehicle fleet and our best estimates of business air and rail travel, air freight and third party road freight. During the year we reduced our vehicle fleet by 6% and fuel consumption by 13%.

Since 1999 we have offset the CO<sub>2</sub> produced by our UK car fleet. For the first few years we funded reforestation projects, ensuring that sufficient indigenous woodland was planted to absorb the carbon emissions associated with our fleet for a year. This year we chose a new approach which reduces CO<sub>2</sub> and benefits some of those who may be most affected by climate change – people in the developing world.

Continuing our relationship with the UK business Future Forests, for our offset in 2002/03 we supported a rural small-scale power plant in Karnataka, southern India, run by the charity Women for Sustainable Development (WSD). The plant converts biomass such as coconut shells and rice husks to methane gas. The methane fuels an engine that provides power to local businesses, homes and water pumps. Each plant saves around 1,000 tonnes of CO<sub>2</sub> each year compared with traditional generation. Importantly, the project is not just about providing electricity in an area with fast growing energy needs – it also offers a sustainable livelihood for poor rural communities and reinforces EMI’s support for the development of clean technologies.

**Where Now?**

Reducing consumption, sourcing renewable energy and offsetting CO<sub>2</sub> are three ways EMI is trying to combat this global problem. While governments around the world continue to debate ways forward, we will continue to try to find ways to reduce our impact further.

We cannot have a sustainable future without reducing resource use and waste. And it’s not only the planet that benefits, since eco-efficiency makes business sense. Using less, and wasting less of what we do use, reduces costs as well.

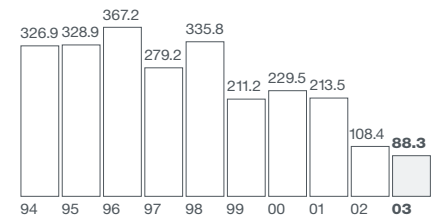
Resource efficiency and waste minimisation is a challenge we take seriously at EMI, in all areas of our business. Our largest and most significant environmental impacts are in manufacturing, where we measure all the resource inputs needed to make CDs and DVDs and the associated waste streams. In our offices and studios the major impacts are paper, waste, water consumption and ozone depleting substances in air-conditioning units. Distribution centres have similar issues to offices, as well as waste product and transit packaging.

We report and set targets in three key areas: hazardous waste, non-hazardous polycarbonate scrap and solvent use. Looking at our long-term progress, we have reduced our hazardous waste by nearly three quarters and polycarbonate scrap by a third since 1995. In the same period we have halved our use of solvents. We have also been collecting water consumption data since 1996 and publicly report on it this year for the first time. The reductions for water use follow similar patterns – more than halved since 1997.

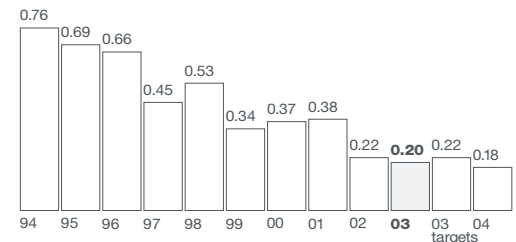
**Hazardous Waste**

Hazardous waste is generated at several points in the manufacturing process: during electroplating (part of the process of transferring music from a master tape to a disc); metallising (the addition of aluminium to the disc); and label printing. This year we reduced the amount of hazardous waste to just 0.2 tonnes per million units of output. This was largely due to reduced ink use at Uden, and less nickel waste at Uden and the Toshiba-EMI plant in Japan. We continue to set ambitious targets, and have a 10% reduction target for next year.

**Hazardous Waste**  
Tonnes



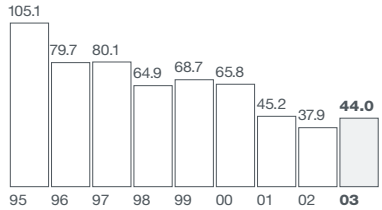
**Hazardous Waste (normalised)**  
Tonnes/Million Units of Output



**Solvents**

Solvents are volatile organic compounds that evaporate at room temperature and can contribute to photochemical smog. Solvent fumes have been associated with respiratory problems, so we monitor their use closely. We use solvents in manufacturing (for cleaning inks in the print areas) and in disc mastering. This year staff at the Uden manufacturing plant discovered a computing error that meant we have under-reported solvent use in previous years. As a result of the correction our reported solvent use shows a significant increase during 2002/03. Next year we expect to re-establish the trend for reducing consumption, with a 4.9% reduction target.

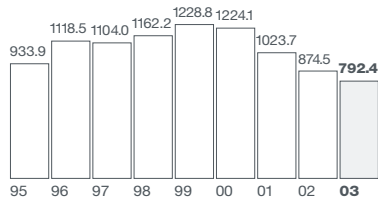
**Solvent Use**  
Litres 000s



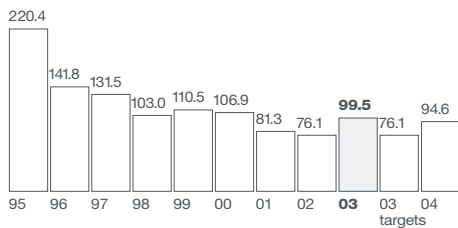
**Polycarbonate Scrap**

The major component of a CD is polycarbonate and inevitably an amount of process scrap is created during CD manufacturing. This scrap increased by 1.6% per CD produced during 2002/03, almost entirely the result of the 2002 closure of our UK plant at Swindon, which had a very low scrap rate in its final year. All but one of our remaining plants reduced their polycarbonate scrap this year. The US plant in Jacksonville achieved a 12% decrease. This was partly due to fitting grinders on the CD moulding machines so that the centres that are punched out can be captured, reground, and recycled directly into the incoming stream of polycarbonate.

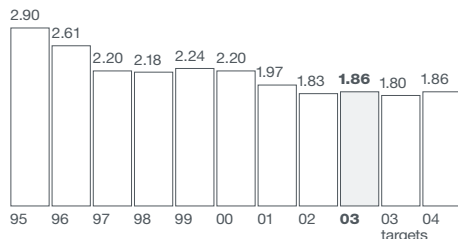
**Polycarbonate Scrap**  
Tonnes



**Solvent Use (normalised)**  
Litres/Million Units of Output



**Polycarbonate Scrap (normalised)**  
Tonnes/Million Units of Output



**Ozone Depleting Chemicals**

The ozone layer is a protective layer of gases that shield the earth from the sun's ultraviolet radiation. Certain man-made gases deplete the ozone layer. This year we purchased no class 1 ozone depleting chemicals (CFCs or halons). We reduced our purchases of HCFCs (class 2), and increased consumption of HFCs which, although not ozone depleting, have a high global warming potential. We purchase these gases when necessary to top up refrigeration units for air conditioning and fire extinguishers.

**Working in Partnership**

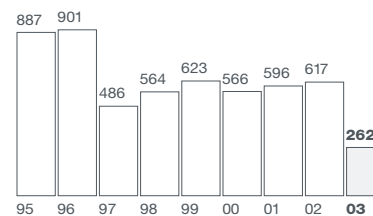
Many environmental improvements rely on strong relationships throughout the supply chain and between different parts of EMI.

Our UK distribution facility saves around 30,000 cardboard transit boxes a year, yielding a significant reduction in packaging and transport costs, by working with most of its customer base to consolidate orders and minimise the number of individual consignments. EMI Music Portugal reduced promotional and merchandising material by 20% by tightening control and reaching agreements between sales and promotion departments to minimise overstocks.

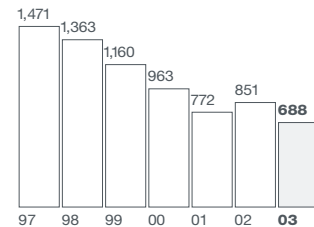
The architects, engineers and project management team contracted to renovate EMI's new headquarters building in London were briefed to ensure that their designs and materials minimised environmental impact. As a result, it is one of only a few hundred office buildings worldwide to have received the UK's Building Research Establishment's Environmental Assessment Award.

Over the past few years, reductions in resource use and waste at our sites have helped to reduce our overall environmental footprint. However, like our approach to climate change, we realise that there must be a radical change in resource use and waste if sustainable patterns of production and consumption are to be achieved. Our work with Digital Europe examines just such a future (see page 20).

**Ozone Depletion**  
Purchases of HCFCs  
Kilogrammes



**Water Consumption**  
000s m<sup>3</sup>



## ‘The programme has had a tremendous impact on the lives of many young, talented musicians – several have said that their time in the studio was a defining moment in their lives.’

It is important for us to care about the wider community in which we operate and to turn that care into action. We have over 8,000 highly creative and committed employees, most of whom have a real passion for music and the arts in general. So it is not surprising that most of our community support is in arts and culture, whether related to youth, education or the local community.

In 2002/03 our community contributions were £2.2 million. Of this, £1.5 million was cash donations to charity and the balance was sponsorship, the value of time (practical involvement and advice) and gifts in kind. At the end of the year we joined the London Benchmarking Group, which will help us quantify the benefit of our contributions, both to the community and to our business.

### Supporting the Arts and Education

A good example of the kind of difference we can make is our partnership with the California Institute of Arts (CalArts). Since 1990, EMI and our Capitol record label in Los Angeles have helped CalArts underwrite, produce and manufacture a CD featuring student acts from CalArt's jazz programme.

Each year all of the composers and performers at CalArts are invited to submit demo tapes to a faculty committee. From an initial 70 or 80 submissions, 25 compositions are short-listed and performed, then 10 or 11 groups are selected to spend time recording in the Capitol Studio. Their music is mixed, then EMI presses the CD and it is distributed to the music press, college radio stations, educational conferences and other audiences. The project also provides the students with an excellent example of their work for their portfolios.

The programme has had a tremendous impact on the lives of many young, talented musicians – several have said that their time in the studio was a defining moment in their lives. Some 500 students have had their best work documented and distributed through the programme, and there is now a long list of talented CalArts graduates who have gone on to successful careers in music, working with artists including Macy Gray, The Wallflowers and Smashing Pumpkins.

Other local arts initiatives include EMI Music UK's annual 'Hot Tickets' programme. Hot Tickets gives some of the most disadvantaged children in West London the chance to experience live theatre at the Lyric Theatre in Hammersmith. This year over 1,000 school children were able to see a production of Charles Dickens' *A Christmas Carol*. EMI in the UK also helps the BRIT School for Performing Arts and Technology. In addition to annual financial support, the company gives presentations on the commercial aspects of the music industry and sets a related project for the students.

### Contributing to Health and Welfare

Local EMI companies also lend support in the area of health and welfare. EMI South Africa is working with Cotlands, a charity dedicated to promoting self-sufficiency for children and families living with HIV and Aids. In 2002/03 EMI gave financial support and arranged for local pop group 101 to meet the Cotlands children in the run-up to World Aids Day. Staff will now forge closer links by providing commercial advice to the charity and encouraging other EMI-signed artists to get involved.

In the UK, EMI provides financial and in-kind support to Canine Partners for Independence, a charity that trains golden retrievers and labradors to help severely disabled people lead a much more independent life.

EMI's Christian Music Group in the US has linked up with with Locks of Love, a programme that provides hairpieces to financially disadvantaged young people who have suffered severe hair loss. During the year 22 employees, friends and families donated over 500cm (200 inches) of hair for the programme.

**‘We are really working hard at improving our children’s access to a creative curriculum...’**

**St George’s RC  
Primary School, York  
MSF beneficiary**

We believe that educating children in music and other performing arts subjects is vital to nurturing their creative spirit. The arts are the principal trainers of the imagination, and imagination brings with it a host of benefits from scientific discovery and technological advance to better jobs and communities and a more secure society. Our continuing support of the Music Sound Foundation is one of the key ways in which we contribute to helping young people realise their creative potential.

We created the Music Sound Foundation (MSF) in 1997, to commemorate one hundred years of trading by EMI Records. That particular milestone was also marked by many concerts and celebrations but MSF lives on as an active music education charity and a permanent reminder of that centenary year.

MSF quickly became a significant benefactor of music education in schools, working with the Technology Colleges Trust (now the Specialist Schools Trust, or SST). The SST helps secondary schools secure commercial sponsorship for their bids to become Specialist Schools (schools that focus on a particular subject, such as technology, languages or the performing arts). Specialist Schools receive £100,000 capital funding from the UK government and revenue funding for four further years as long as certain academic standards continue to be met. Performing arts colleges were finding it almost impossible to raise their sponsorship funds until the arrival of MSF and the foundation soon became the single largest sponsor of performing arts colleges in England, a fact that remains true today.

MSF provides at least 50% of the commercial sponsorship for each school it decides to support in making a bid for Specialist Schools status. Schools are chosen from a shortlist recommended by the SST. So far MSF has successfully sponsored 22 schools, giving over 20,000 students across the country the

opportunity to enjoy enhanced music, dance, drama teaching and facilities. MSF sees at first hand how difficult it is for these schools to find sufficient funding, and one aim is to demonstrate how exposure to the performing arts can boost the character and confidence of a teenager.

One of the key concerns of MSF is to remain active and engaged with the schools it sponsors and wherever possible it is represented on the school’s Board of Governors. Each year, MSF also offers all performing arts colleges the chance for a music teacher and a student to take part in two-day programmes that introduce them to various aspects of performing arts businesses in London and includes time with a range of EMI employees.

In addition to Specialist Schools, MSF makes smaller, but no less significant, donations to schools, teachers and students. Hundreds of music students have been able to realise their individual potential through MSF’s help with instrument purchase, and primary and non-specialist secondary schools across the UK have improved their stock of music equipment with MSF donations. Teachers can also apply for funds towards music education courses.

Since 1999 MSF has also provided annual bursaries of £5,000 to six music colleges in the UK. Many talented but needy students accepted by the colleges have been helped by this scheme – many of whom may not have been able to attend their college without it.

MSF has been operating independently since its launch but EMI’s assistance, with an annual donation and funding of administration costs, enables the charity to pass virtually 100% of its invested income on to the people and places where it is needed most.

### Management Framework

Our social responsibility policy includes the key points of our employment policies – equal opportunity, health and safety, open communication and fair reward.

Responsibility for employment matters continues to rest with each business operation. Individual operating companies develop and implement specific policies that cover areas such as grievances, disciplinary procedures, anti-harassment and public interest disclosure.

### Diversity

This year we have consolidated diversity data for the first time. The data cover our operations in the UK and US (which account for 46% of our staff). Women made up 48% of all staff and 32% of management. Ethnic minorities made up 15% of all staff and 4%<sup>1</sup> of management. A very small percentage of our staff (less than 1%) in these regions are disabled.

### Training and Development

A number of our operating companies already have training programmes at a local level. One good example is EMI Music UK, where a formal programme is embedded into the day-to-day human resource function. The focus is on contributing to the individual's development and growth; the company also sponsors many individuals studying for professional qualifications.

Over the past year more than 80 managers in the UK have completed the 'Effectively Managing Individual' programme which consists of four two-day modules of people management skills training, designed in-house and co-delivered by an external facilitator and members of the in-house HR team.

Globally, the Recorded Music division recently launched a performance management initiative that will be followed up with training programmes to develop core management skills ranging from marketing and negotiating to 'softer' skills such as coaching and leadership.

### Health and Safety

Our health and safety data cover all our manufacturing plants, distribution centres and recording studios as well as approximately 75% of our office-based staff. In 2002/03 there were 55 reportable injuries/illnesses<sup>2</sup> based on UK standards (8 per 1,000 employees, the same as last year), and an average of 4.1 days' absence due to illness per employee.

### Internal Communications

During the year we have worked to improve internal communications. We launched a worldwide fortnightly electronic newsletter and improved our global intranet to provide a more useful, accessible and practical tool.

## 'Our investment in local repertoire contributes to cultural as well as economic growth.'

### Human Rights

We have small, office-based operations in a number of countries with poor human rights records. These include Colombia, Egypt, Indonesia, Turkey and the United Arab Emirates. We ensure that employees in these countries are treated in line with our overall employment policy framework, and our investment in local repertoire contributes to cultural as well as economic growth.

### Product Ethics

We are fortunate that our product – music – involves creativity, relaxation, and entertainment and is relatively uncontroversial. However we recognise that some albums or tracks will be thought by some to be unsuitable for a young audience. We ensure that relevant content is reviewed by senior executives, who decide if it is appropriate to display warnings on the product.

### Supply Chain

Supply chain issues have formed part of our environmental management programmes in manufacturing and distribution for some time. Manufacturing employees in particular have worked on joint projects with suppliers and implemented audit programmes. As part of a comprehensive review of our purchasing and contract management in the rest of the business, work has begun in the UK and a few other major label operations of Recorded Music to introduce new standard terms and conditions that formally stipulate the behaviour we expect in various ethical areas from our suppliers.

<sup>1</sup>Ethnic minorities as a percentage of management was misstated in our 2003 Annual Report (page 31), due to a checking error. 4% is correct.

<sup>2</sup>A reportable injury or illness includes work-related death, major injuries, accidents resulting in more than three days off work, diseases identified by a doctor as a reportable work-related illness, and dangerous occurrences in the workplace.

# Sustainability Research

In 2002/03 we continued to work with others inside and outside our industry to engage in broader sustainability issues. We work in partnership on these issues because we believe that will be one of the most effective ways for real change to be delivered.

## Digital Europe

Digital Europe is a pan-European two-year study on the effects of e-business, supported by the European Commission. It has researched the current and projected impacts of e-commerce – and music was one of the sectors in the spotlight. We worked with Germany's Wuppertal Institute and the UK's Forum for the Future to look at the potential environmental and social implications of a shift towards the direct digital distribution of music.

## Environmental Implications

The environmental case study was the first attempt to measure the potential benefit of distributing music online rather than manufacturing and distributing physical CDs for sale in a shop. The initial findings show that consumer behaviour will play a large part in determining the environmental benefits, particularly with so many variables involved – for example the varying times taken to download a music file depending on the user's online set up. If a consumer downloads and plays music digitally (but does not burn a hard copy onto a blank CD) then, in the best case, less than half the resources are used compared with traditional physical production. If CDs are burned at home, this saving could be reduced, reversed or, in some cases, increased, depending on how efficiently the CD-Rs are used for music storage. Our challenge is to try to ensure that the potential environmental benefits are realised as we work with our retail partners to move further into the digital world.

## Social Implications

The research into the social impacts of digital music was broader than the environmental research and it is too early to identify clear social impacts. However the case study did identify four key areas where digital music is creating opportunities but also, potentially, risks:

- access to music
- creativity
- the promotion of diversity
- participation.

More information can be found at [www.digital-eu.org](http://www.digital-eu.org).

## Environmental Packaging Project

In a second and much smaller environmental project with design and technology students at Loughborough University, we looked at ways to reduce the environmental impact of CD packaging. We will use the students' findings to investigate and develop any practical design changes with our packaging suppliers.

Paper  
Text paper stock made from 100% recycled content.  
Cover paper stock is Zen Pure White, made from 100% ECF pulp without the addition of chemicals or coatings.

Design  
SEA

Consultancy  
Context

Cover Photography  
John Ross

Print  
Moore