

# Sustainability report 2005

---

**MANGO**







# CONTENTS

1. LETTER FROM THE MANAGING DIRECTOR
2. SCOPE
3. THE MANGO GROUP
  - Presentation
  - Brief historical review
  - Business activity and basic characteristics
  - Organisation
  - Product and the production system
4. CORPORATE SOCIAL RESPONSIBILITY (CSR) IN THE MANGO GROUP
  - Our sustainability model
  - Timeline and stages of the process
  - The Mango Group Code of Ethics
5. ECONOMIC DIMENSION ASPECTS
  - Preparation of Annual Accounts and external audit
  - Basic figures
  - National and international expansion
  - Economic performance indicators
6. SOCIAL AND LABORAL DIMENSION ASPECTS
  - Management areas and activities
  - Internal sphere
  - External sphere
7. ENVIRONMENTAL DIMENSION ASPECTS
  - Environmental impact
  - Activity and management spheres
  - Internal management
  - External management
  - Environmental performance indicators
8. SOCIAL COOPERATION ASPECTS
  - Customer service
  - Human resources
  - Communication
  - Policy on use of animal skins
  - Social action
9. GARMENTS AND ACCESSORIES QUALITY AND SAFETY ASPECTS
  - Quality management systems
  - Control of harmful or dangerous substances

## 10. CORPORATE GOVERNMENT

Shareholders and governing bodies  
Executive Committee  
Internal auditing

## 11. CONTACT DETAILS

## 12. INDEX OF GRI INDICATORS

## 1. LETTER FROM THE MANAGING DIRECTOR

---





## 1. LETTER FROM THE MANAGING DIRECTOR



This second sustainability report has been drawn up in accordance with the Sustainability Reporting Guidelines 2002 of the Global Reporting Initiative (GRI) and offers a balanced and reasoned presentation of our organisation's economic, environmental and social year. As with last year, this report has been drafted internally by our Internal Auditing department (Corporate Social Responsibility or CSR section), which also has the mission to monitor and put forward recommendations for improvements to the sustainability strategy. This total involvement has repercussions on the coherence of this activity, the management of which affects the day-to-day running of the entire organisation.

We have gradually consolidated the collaboration between the Purchasing, Quality Control and CSR Internal Audit teams. This close relationship between individuals whose work is carried out directly on the premises of our suppliers translates into continuous monitoring of the application of our Code of Conduct.

The CSR department is linked directly to the Executive Committee and was set up with the aim of collaborating with all interested parties through dialogue and in order to understand different points of view. In this regard, we have taken part in numerous acts organised by diverse institutions, NGOs, universities, etc., in order to study further and clarify the complexity and the CSR challenges, and to draw up policies and actions.

Our company was set up 22 years ago and is now present in 83 countries. It is based on family capital and management, and has undergone a gradual and sustainable growth. We have progressively incorporated individuals of 32 different nationalities into our central offices in the Barcelona province. We also encourage training and internal promotion in the belief that the success of our organisation depends on the quality and responsibility of our employees. We continue to pay special attention to individual health and safety and are making progress, beyond legislative limits, in improvements to the management and control of the substances used in our garments and accessories.

In this more emotive atmosphere, the notion of CSR becomes an essential element of the relationship between the different parties, whether internal or external. We know that only the effort of all the staff of our organisation can allow us to continue to contribute economic growth and generate trust in the society we serve and form part of.

We will work to carry on growing, without losing the flexibility that allows us to adapt to a globalised, changing and demanding environment. The world has become increasingly smaller and interrelated, thanks to advanced communication systems allowing different cultures to come together. In this sense, we all have the responsibility to take advantage of this opportunity to listen to and understand each other.

**Enric Casi**  
*Managing Director*



## 2. SCOPE

---



## 2. SCOPE

The scope of this sustainability report covers the consolidated group Mango, which is formed by MANGO MNG HOLDING S.L. and its subsidiary companies. The report will duly note if any information included in it does not fall within this scope.

This report corresponds to the 2005 financial year and has been prepared in accordance with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines 2002.

In 2005, we made progress in the different areas of CSR without generating major changes in the policies we had established previously. As a result, this sustainability report is virtually an update on information and the monitoring of objectives.

The information on our staff is supplied by dividing them into two main groups with the aim of simplifying and homogenising: on the one hand, we have store staff and, on the other, the rest of the staff, whom we refer to as structural staff.

All amounts unless stated otherwise are in thousands of euros.

All pictures of production centres in this report were taken during inspection and monitoring visits to our suppliers' installations.



### 3. THE MANGO GROUP

---





### 3. THE MANGO GROUP

#### INTRODUCTION

MANGO MNG HOLDING, S.L. is the head of a group of companies dedicated to the design, manufacture, distribution and marketing of garments and accessories for women through the fashion distribution chain MANGO/MNG.

At the end of the 2005 financial year, the Group was represented in 83 countries with 866 stores. Of these, 261 were the company's own and 605 were franchises.

The consolidated turnover for the 2005 financial year amounted to 888,260 thousand euros, while the consolidated profit for the same period reached 103,217 thousand euros. It is particularly worth noting that 72.6% of the total turnover corresponds to exports.

As at 31st December 2005, the group employed a total of 5,847 staff.

The most significant business figures for recent financial years are as follows:

DESCRIPTION	2005 <sup>(1)</sup>	2004	2003	2002	2001
Net turnover	888,260	831,679	779,814	744,997	671,572
Net profit	103,217	73,129	64,791	60,629	56,408
Number of stores	866	768	704	629	575
Number of countries	83	75	72	69	62
Exports (%)	72.6%	71.44%	71.58%	69.43%	67.85%
Average number of employees	5,414	5,453	4,862	4,729	4,670

(1) As at 31st December 2005, the group had certain companies (SICAV) which, due to their nature, are subject to listing on the stock exchange. Therefore, the annual accounts for the year 2005 have been prepared in line with International Financial Reporting Standards (IFRS), pursuant to the legislation in force for this year.

#### BRIEF HISTORICAL REVIEW

In 1984 MANGO opened its first shop on the Paseo de Gracia (Barcelona). A year later, the company had five outlets in Barcelona and from this point on, with the opening of a shop in Valencia, it began its expansion in the domestic market. What was initially a small team had begun to grow: by 1988, the company had 13 sales outlets in Spain.

In 1992, the company took its first steps outside the domestic market with the inauguration of two stores in Portugal. The following year, the company opened its 100th store in Spain and, two years later, the business management system, based on specialised and co-ordinated teams, was successfully introduced – and is still in place today. We can differentiate between two stages in the history of our company:

In the first, from 1984 to 1995, we gradually gained a greater knowledge of the business and consolidated our product and store concept, and implemented the JIT philosophy in the distribution area, obtaining a certain critical mass on the Spanish market.

In the second stage – from 1996 to the present, we have reinforced the values of our team and increased our investment in a new concept of complete logistics based on speed, information, and technology. During this stage, we have opened bigger stores and increased the rate of store openings in other countries.

We are now opening stores at a rate of two per week and, as at 31st December 2005, we have 866 stores around the world.

New technologies allow greater integration and collaboration between suppliers, manufacturers, platforms and logistics operators, sales outlets, and our central offices. They have also allowed us to set ourselves the target of having 3,000 stores around the world.

## BUSINESS ACTIVITY AND BASIC CHARACTERISTICS

Diverse factors influence and explain the business and growth of our organisation. However, it is based on the following three basic points:

### **The people**

Staff with human warmth and a motivated team with a solid, open and flexible attitude.

### **The concept**

A well-defined product arising from the relationship between our own design, styling, and quality, a specific target – to dress women in the latest trends, both for their day-to-day and occasional needs – and a coherent and unified brand image.

### **Our own technology**

As a basis for logistics, for improving all company processes and information systems, developed a team of engineers, analysts, etc..

All of this in order to achieve:

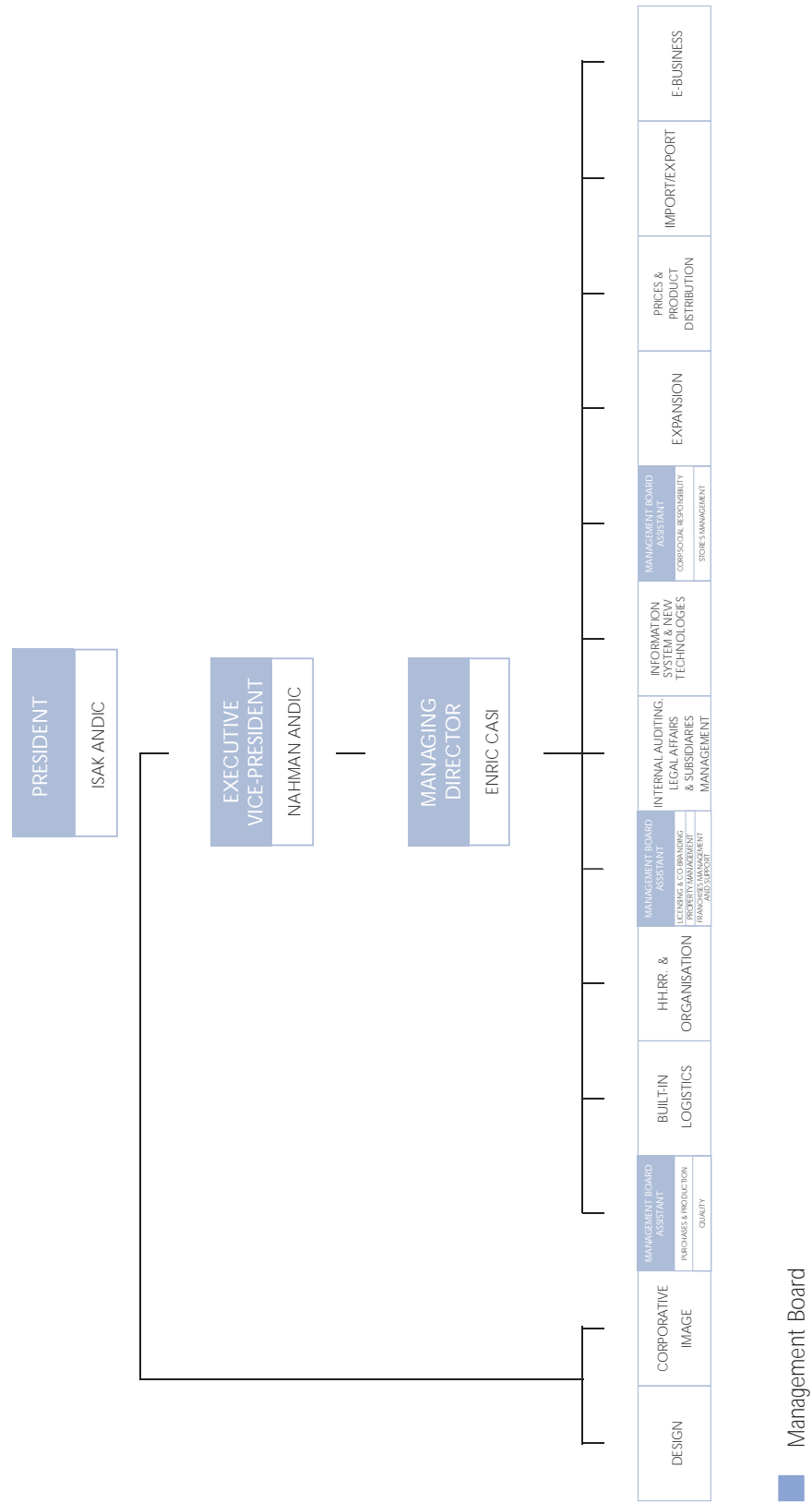
### **our business dream**

“To be present in every city in the world”, aware that we are competing at the highest level and without ever losing the values that are a basic part of Mango: humility, harmony and human warmth.



## ORGANISATION

The following organisational chart describes the organisation's operating structure:



## CHARACTERISTICS OF THE PRODUCT AND PRODUCTION SYSTEM

The main characteristics of our product and our production system are the following:

### **Production system**

There are two different production systems in our organisation:

The first of these consists of designing a product, outsourcing its manufacture and acquiring it when it is complete. In this case, suppliers are in charge of buying all the primary materials for production. Internally, we refer to this type of supplier as manufacturers.

In the second system we also design the garment but, in contrast to the first, our organisation purchases all the primary materials used to make the garment, and later sends it to the supplier to be made up. Internally, we refer to this type of supplier as production workshops.

These names are exclusively for internal use, since the suppliers have exactly the same characteristics. The decision to use one system or the other depends on geographical factors (proximity) and technical factors (specialisation of production).

The production percentages for each of the systems in the 2005 financial year were approximately:

Production by manufacturers: 76%

Production by production workshops: 24%

### **Control and monitoring**

All of the above manufacturers and production workshops follow and sign our Code of Conduct and are subject to quality-control inspections.

### **Ownership and exclusivity**

The Mango organisation does not have direct or indirect shareholdings in any garment or accessory manufacturer, or production workshop. Likewise, none of these works exclusively for our organisation.

### **Characteristics of the product**

All of the garments and accessories are designed around the idea of collections and matching items, so a planning procedure taking into account production and distribution is an essential part of the process, together with high standards of quality at all stages, from controls at source to the final point of sale.

Our garments and accessories are high-to-medium quality and always seek to maintain the same manufacturing standard (a constant level of quality, the same characteristics, etc.), which means that a single model is only ever produced by one manufacturer or one production workshop, except in very specific cases where the legislation limits production due to the source and quotas.

### **Manufacturing time**

For the reasons indicated above, our manufacturing period lasts for an average of three to four months from order placement to receipt of the merchandise.

## **Scheduling**

Before each season, we plan what will be sent to each store and order production based on this criterion. If finally there is a difference with the sales forecast, the regulation of the deliveries or exchanges between stores is carried out from our warehouse and central services. If there are surpluses in stores at the end of a season, these are sold with discounts and promotions.

## **Number of suppliers**

We have a total of 130 garment suppliers around the world.

## **Technology and direct shipments**

We are gradually increasing the number of shipments sent directly from our suppliers to stores: in 2005, these deliveries accounted for approximately 35% of total production. To use this system, close communication and collaboration is required with our suppliers, logistics operators, and stores. Therefore, we have developed a computer platform allowing individual users to send and receive information based on their needs. This also allows us to carry out full monitoring of our supply chain.

## **Subcontracting**

Our control policy and production characteristics ensure that the manufacture of garments is not subcontracted by manufacturers and production workshops.

By subcontracting, we mean a commissioned supplier's use of a third company without Mango's knowledge or certification.

Although our suppliers generally cover the entire production process (cutting, producing, ironing, packaging, etc.), on occasion there are special processes that a supplier may not do, and which are carried out by other specialist companies, such as embroidery. In these cases, Mango is aware of the production and certifies it. When this production begins to take on a certain importance, these suppliers come to form part of our control and monitoring system.



## 4. CORPORATE SOCIAL RESPONSIBILITY (CSR) IN THE MANGO GROUP

---





## 4. CORPORATE SOCIAL RESPONSIBILITY (CSR) IN THE MANGO GROUP

### OUR SUSTAINABILITY MODEL

We strongly believe that the ethical and sustainable behaviour of any organisation is the product of the human qualities of the people forming part of it at every level. This is why the values of our team are very important.

We also want to develop and implement this set of values in all of our fields of influence, both internal and external, because we believe that our responsibility extends to our entire supply chain. Therefore, we have steadily been developing instructions, policies, and action codes related to social, work and environmental aspects, all with the desire to improve and move forward.

Lastly, we also understand that these policies and codes must be verified internally and externally, and that all information about the results and objectives reached must be made available.

### STAGES AND TIMELINE OF THE PROCESS

Our organisation has basically moved through two different stages:

#### **First stage (1984-2000)**

During this initial period, we obtained written commitment from our manufacturers and producers to observe a series of social needs, work and environmental aspects. These aspects were collected in a document that specified some general instructions for compliance. These instructions were broadened in the second step to make up the current Code of Conduct.

During this stage we also began to collaborate on a series of social action projects. These projects consisted, basically, of providing assistance in one-off international crisis situations and working with different organisations to deliver clothes to the underprivileged as well as supporting many different campaigns (health, etc). These actions are still carried out today, along with developmental projects in different areas and countries of the world.

In relation to the environment, during 1999 we set up a good practice program. In 2001 an environmental diagnosis study was carried out in our organisation, which became the starting point for all the later developments in this respect.

#### **Second stage (2001- Present)**

Since 2001, we have been strengthening all aspects of CSR in our organisation.

In November 2001, we negotiated an agreement so that a single top-level European laboratory guarantees that our garments and accessories do not contain substances that are harmful for health.

In 2002, we initiated contact and discussion with the interested parties. In February of the same year, we signed an agreement with the NGO SETEM (which is the coordinator in Spain of the Clean Clothes Campaign), with the aim of establishing a framework of mutual cooperation and openness which has enabled us to advance and consolidate different aspects of CSR.

In March 2002, we created the Department of Corporate Social Responsibility, whose aim is to establish and coordinate CSR policies and actions within our organisation.

In April 2002, we signed the United Nations' Global Compact agreement. This agreement - announced by the Secretary General of the United Nations, Kofi Annan, at the World Economic Forum in Davos (Switzerland) in January 1999 - called on companies to adopt ten universal principles in the fields of human rights, labour laws, the environment and corruption.

The agreement brings together companies, international workers' associations and NGOs with United Nations organisations and other bodies in order to encourage collaboration and create a fairer global framework with room for everybody.

The principles established by the agreement are as follows:

## Human rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.

## Labour standards

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect to employment and occupation.

## Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.

## Corruption

10. Businesses should work against in all forms of corruption, including extortion and bribery.

In June 2002, we created a Code of Ethics to express our organisation's policies and objectives, as well as international law and the principles and philosophy of the Global Compact in relation to aspects of CSR. In this Code, we establish five major commitments in the economic, social, work, environmental, social cooperation, and product quality and safety spheres.

The Code of Ethics was the point of reference used for developing, writing and introducing the Code of Conduct in June 2002, compliance with which is mandatory by our suppliers. This Code includes the applicable agreements and recommendations of the International Labour Organisation (ILO).

In June 2002, internal audits began for checking supplier (manufacturers and production workshops) compliance with the Code of Conduct, and external audits began in December 2003.

During 2004, we began to collaborate with the organisation INTERMON OXFAM. This collaboration consisted mainly in participating in diverse studies and seminars on the textiles sector and in contributing information on the Group's corporate social responsibility policies.

In August 2004, we began our collaboration with People for the Ethical Treatment of Animals (PETA), which consists mainly of explaining our organization's policy, procedures, and commitments in these areas.

In June 2005, we drafted the Group's first sustainability report.

## THE MANGO GROUP'S CODE OF ETHICS

---



## THE MANGO GROUP'S CODE OF ETHICS

As mentioned above, our Group's Code of Ethics is based on a series of essential values and policies set down in our organization, together with other aspects and principles of reference. The contents of the code are set out below:

### Values and policy

In order to achieve our company's objectives, we must combine enthusiasm, creativity and continuous training along with the organisation's established values:

- Harmony (as the opposite of conflict, etc.)
- Humility (as the opposite of high-handedness, arrogance, pride, etc.)
- Human warmth (as the opposite of indifference, bitterness, etc.)

These values are displayed in all our facilities as a reflection of our commitment to them.

In order for our work to be successful at the heart of our organisation, we must also observe the following aspects, which complement the values set out above:

- Honesty and mutual respect.
- Perseverance, responsibility and spirit of cooperation.
- Curiosity to learn and continually improve.
- Innovation and creativity.
- Teamwork and common purpose.
- Enthusiasm and satisfaction for a job well done.
- To see change as opportunity rather than danger.
- To simplify tasks and minimise bureaucracy.
- To practice what one preaches.

### Ethical principles of the Mango Group

1.- The Mango Group makes a commitment to develop all business operations and activities within an ethical framework. We understand business ethics to refer to a moral, correct and reasonable attitude to all business decisions or actions, always within the applicable legal framework.

2.- The Mango Group makes a commitment to carry out all of its working relationship within a framework of fairness, and to defend, at all times, the staff's basic rights and principles. Therefore, the Mango organisation:

- Will not employ anybody who is below the legal working age and will not use any type of forced or compulsory labour.
- Will guarantee that its employees carry out their work in safe, healthy environments.
- The employees will have the right to association and recognition of collective bargaining.
- Will not permit any type of discrimination of its employees for reasons of race, nationality, religion, disability, sex, sexual orientation, political association or affiliation.
- Will not permit any type of physical or psychic disciplinary methods as well as any form of harassment or physical or psychological abuse.
- Will ensure that the salary received by the employees complies with the job carried out and current legislation as well as with the hours worked.

3.- The Mango Group undertakes to respect the environment while it conducts all of its business.

4.- The Mango Group undertakes to offer all its customers a standard of excellence in all its products, and ensure that they do not involve risks for their health or safety.

5.- The Mango Group undertakes to collaborate, promote and work with all social groups, at local, national and international levels, in the societies in which its business is conducted.

### Relationship between franchise holders and the Mango Group's Code of Ethics

- Franchise holders must observe the Code of Ethics of the Mango organisation.
- The Mango organisation undertakes to ensure compulsory compliance of all the franchise holders with the Code of Ethics.

### Relationship between manufacturers and production workshop with the Mango Group's Code of Ethics

- The Mango organisation will draw up a specific Code of Conduct, with which manufacturers and workshops must compulsory comply, based on this Code of Ethics.
- Manufacturers and workshops of the Mango organisation must observe the Code of Conduct.
- The Mango organisation undertakes to ensure the compulsory compliance with this Code of Conduct by all manufacturers and workshops that supply them with garments and accessories.

### Framework of corporate social responsibility

All aspects mentioned in this Code of Ethics, which the Mango Group commits to and acts on, make up the framework of the Group's Corporate Social Responsibility.

### Interest groups

In the Mango Group, we firmly believe that we act responsibly, to the extent that we can meet the expectations of our main interest groups: employees, shareholders, suppliers, clients and society in general. Our wish is to work together with all of them in order to define and fulfil our CSR policies.



## 5. ECONOMIC DIMENSION ASPECTS

---





## 5. ECONOMIC DIMENSION ASPECTS

### PREPARATION OF ANNUAL ACCOUNTS AND EXTERNAL AUDITS

The Annual Accounts of the individual Companies and the Mango Group have been prepared in accordance with the Generally Accepted Accountancy Principles, with the aim of providing a faithful representation of these.

As indicated in Section 3 above, the group had certain companies (SICAV) as at 31st December 2005, which, due to their nature, are subject to listing on the stock exchange. Therefore, the annual accounts for the year 2005 have been prepared in line with International Financial Reporting Standards (IFRS), pursuant to the legislation in force for this year.

All companies that fall within the legal requirements have been checked through an external audit.

The group of companies made up of MANGO MNG HOLDING, S.L. and subsidiary companies has also been co-audited by two independent auditing companies, for greater transparency. The companies that have carried out this co-audit are: PriceWaterhouseCoopers Auditores S.L. and AUREN AUDITORS-CONSULTORS BARCELONA S.A.



## BASIC FIGURES

The main economic figures relating to the development of our group are set out below, together with the main economic performance indicators. This information is taken from the consolidated financial status, other accounting records and the Group's management.

### Results

Description	2005 <sup>(1)</sup>	2004	2003	2002	2001
Net turnover	888,260	831,679	779,814	744,997	671,572
Interannual variation (%)	6.8%	6.65%	4.67%	10.93%	22.53%
EBITDA	140,468	158,967	147,489	124,292	112,316
Interannual variation (%)	(11.64%)	7.78%	18.66%	10.67%	6.12%
EBIT	114,202	124,228	115,897	93,280	81,594
Interannual variation (%)	(8.07%)	7.19%	24.25%	14.32%	(0.69%)
Net profit	103,217	73,129	64,791	60,629	56,408
Interannual variation (%)	41.14%	12.87%	6.86%	7.48%	(4.17%)

### Balance

Description	2005 <sup>(1)</sup>	2004	2003	2002	2001
Equity	560,824	432,877	373,729	336,705	279,426
Interannual variation (%)	29.56%	15.83%	11.00%	20.50%	21.03%
Total balance	1,125,547	906,152	873,152	684,821	669,048
Interannual variation (%)	24.21%	3.78%	27.50%	2.36%	0.76%
Equity/total balance (%)	49.83%	47.77%	42.80%	49.17%	41.76%

### Stores

Description	2005	2004	2003	2002	2001
Total number of stores at the end of the financial year	866	768	704	629	575
Number of own stores	261	246	242	238	245
Number of franchises	605	522	462	391	330
Number of countries with stores open	83	75	72	69	62

### Other information

Description	2005	2004	2003	2002	2001
Percentage of sales in international stores	72.6%	71.44 %	71.58 %	69.43 %	67.85 %
Number of employees on 31/12	5,847	5,566	5,608	4,924	4,868

(1) Elaborated as per IFRS criteria.

The expansion of the Mango Group continued during the 2005 financial year with the opening of 114 new stores throughout the world. Thirteen of these were opened in eight new countries: Albania, Armenia, Bosnia-Herzegovina, Canada, Colombia, Egypt, Finland and Panama. At the end of the 2005 financial year, we were represented in 83 countries.

As at 31st December 2005, the group had 261 own stores and 605 franchises.

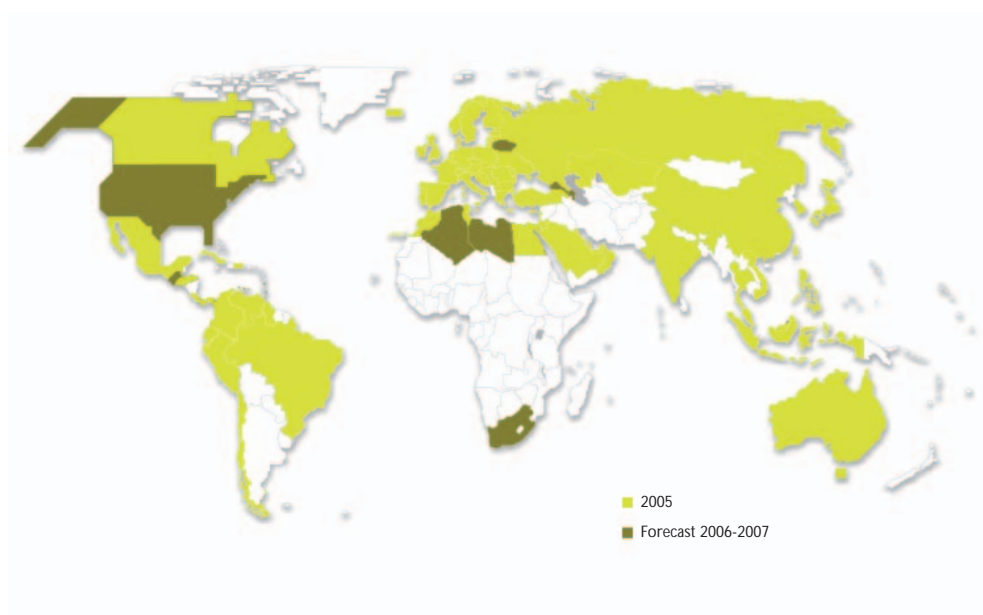
The franchise system is used in countries where the cultural and administrative characteristics are different to ours and it is therefore more appropriate that people in their own country manage the stores. This management system is also used where there is a good location and when the characteristics of the market make it more appropriate.

Own stores currently account for 43% of the chain's sales floor.

Below are shown the most relevant data to our expansion in recent years:

## Mango in the world

The following chart shows the countries where we are currently represented, together with the planned openings in new countries for 2006-2007.



## Countries of exports

The main countries that we have exported to (1) during the 2005 financial year (with their export quotas indicated as a percentage of turnover) are as follows:

No.	COUNTRY	PERCENTAGE
1	FRANCE	8.92%
2	TURKEY	6.47%
3	GERMANY	6.25%
4	UNITED KINGDOM	5.61%
5	PORTUGAL	4.48%
6	RUSSIA	3.12%
7	SAUDI ARABIC	2.29%
8	AUSTRIA	2.16%
9	BELGIUM	2.01%
10	HOLLAND	1.77%
11	SWITZERLAND	1.49%
12	UNITED ARAB EMIRATES	1.48%
13	SINGAPORE	1.33%
14	ITALY	1.25%
15	CANARY ISLAND	1.23%
16	HUNGARY	1.11%
17	REPUBLIC OF CHINA	1.10%
18	MALAYSIA	0.98%
19	MEXICO	0.94%
20	GREECE	0.88%
21	HONG KONG	0.79%
22	TAIWAN	0.78%
23	UKRAINE	0.68%
24	CZECH REPUBLIC	0.66%
25	INDONESIA	0.63%
26	ANDORRA	0.59%
27	CROATIA	0.59%
28	IRELAND	0.58%
29	CANADA	0.58%
30	LEBANON	0.56%
31	ISRAEL	0.55%
32	KUWAIT	0.54%
33	NORWAY	0.53%
34	PHILIPPINES	0.53%
35	BRAZIL	0.50%
36	SWEDEN	0.47%
37	JAPAN	0.45%
38	THAILAND	0.45%
39	AUSTRALIA	0.42%
40	KOREA	0.42%
41	DENMARK	0.41%
42	POLAND	0.38%
43	SERBIA AND MONTENEGRO	0.32%
44	CHILE	0.31%
45	QATAR	0.30%

No.	COUNTRY	PERCENTAGE
46	CYPRUS	0.28%
47	BULGARIA	0.27%
48	EGYPT	0.22%
49	LITHUANIA	0.20%
50	SLOVAKIA	0.20%
51	MOROCCO	0.19%
52	AZERBAIJAN	0.18%
53	KAZAKHSTAN	0.18%
54	BAHRAIN	0.18%
55	MALTA	0.17%
56	LUXEMBOURG	0.17%
57	INDIA	0.17%
58	PERU	0.15%
59	MACEDONIA	0.14%
60	FINLAND	0.14%
61	TUNISIA	0.13%
62	JORDAN	0.13%
63	ECUADOR	0.13%
64	CEUTA/MELILLA	0.11%
65	SLOVENIA	0.11%
66	ARUBA	0.10%
67	COSTA RICA	0.10%
68	VENEZUELA	0.10%
69	BOSNIA	0.09%
70	ARMENIA	0.08%
71	VIETNAM	0.07%
72	LATVIA	0.07%
73	MACAO	0.07%
74	ESTONIA	0.07%
75	ALBANIA	0.07%
76	COLOMBIA	0.06%
77	DOMINIC REPUBLIC	0.06%
78	MOLDAVIA	0.06%
79	OMAN	0.06%
80	HONDURAS	0.05%
81	PANAMA	0.04%
82	ROMANIA	0.03%
83	EL SALVADOR	0.03%
84	CUBA	0.02%
85	SERBIA	0.01%
	TOTAL	72.60%

(1) Canary Island, Ceuta and Melilla are included.

## Time frame and development of exports by country

The Mango Group is currently present in 83 countries, including Spain. The following table shows the development of this presence in the different countries (1) over the last eleven years:

	COUNTRIES	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1	Albania												
2	Germany												
3	Andorra												
4	Argentina												
5	Armenia												
6	Saudi Arabia												
7	Aruba												
8	Australia												
9	Austria												
10	Azerbaijan												
11	Bahrain												
12	Belgium												
13	Bosnia-Herzegovina												
14	Brazil												
15	Bulgaria												
16	Canada												
17	Chile												
18	Cyprus												
19	Colombia												
20	Korea												
21	Costa Rica												
22	Croatia												
23	Cuba												
24	Denmark												
25	Ecuador												
26	Egypt												
27	United Arab Emirates												
28	Slovakia												
29	Slovenia												
30	Estonia												
31	Philippines												
32	Finland												
33	France												
34	Greece												
35	Holland												
36	Honduras												
37	Hong Kong												
38	Hungary												
39	India												
40	Indonesia												
41	Ireland												
42	Iceland												
43	Israel												
44	Italy												
45	Japan												

	COUNTRIES	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
46	Jordan												
47	Kazakhstan												
48	Kuwait												
49	Latvia												
50	Lebanon												
51	Lithuania												
52	Luxembourg												
53	Macao												
54	Macedonia												
55	Malaysia												
56	Malta												
57	Morocco												
58	Mexico												
59	Moldavia												
60	Norway												
61	Oman												
62	Panama												
63	Peru												
64	Poland												
65	Portugal												
66	Qatar												
67	United Kingdom												
68	Czech Republic												
69	Republic of China												
70	Dominican Republic												
71	Romania												
72	Russia												
73	El Salvador												
74	Serbia and Montenegro												
75	Singapore												
76	Sweden												
77	Switzerland												
78	Thailand												
79	Taiwan												
80	Tunisia												
81	Turkey												
82	Ukraine												
83	Venezuela												
84	Vietnam												

(1) Spain is not included.

## Information about subsidiary companies and offices abroad

There are currently subsidiary companies in 20 countries, of which only four have offices abroad (Brazil, Turkey, Germany and France). The administration of the rest is carried out from the central offices in Palau-solità i Plegamans (Barcelona).

The company structure (foreign subsidiary companies), as at 31st December 2005, which supports the Mango Group's sales network is described below:

Subsidiary company	Date established/ acquired	Business activity	Country	% Share
MANGO FRANCE S.A.R.L.	15/11/1995	Garments sales	FRANCE	99.99
MANGO DEUTSCHLAND GMBH	13/09/1996	Garments sales	GERMANY	100
MNG MANGO UK LTD	22/04/1997	Garments sales	UNITED KINGDOM	100
MANGO TR.TEKSTILTIC LTD.STI.	21/07/1997	Garments sales	TURKEY	99.83
MANGO NEDERLAND B.V.	13/11/1997	Garments sales	HOLLAND	100
MANGO BRASIL COMERCIAL LTD.	16/12/1997	Garments sales	BRAZIL	99.99
MANGO MERITXELL S.A.	19/06/1998	Garments sales	ANDORRA	32
MNG MANGO BELGIQUE SPRL	29/01/1999	Garments sales	BELGIUM	99
MANGO SUISSE S.A.	10/06/1999	Garments sales	SWITZERLAND	100
MANGO HANDELS GMBH	31/08/1999	Garments sales	AUSTRIA	100
MANGO HUNGARY KFT	11/10/1999	Garments sales	HUNGARY	100
MANGO POLSKA Sp.z.o.o.	08/11/1999	Garments sales	POLAND	100
MANGO (CZ) S.R.O.	29/12/1999	Garments sales	CZECH REPUBLIC	99.91
MANGO DANMARK APS	28/02/2000	Garments sales	DENMARK	100
MANGO NORGE	11/05/2000	Garments sales	NORWAY	100
PUNTO FA COMERCIO VESTUARIO LTD	2/07/2001	Garments sales	PORTUGAL	99.99
MANGO JAPAN CO LTD	25/12/2002	Garments sales	JAPAN	3
MANGO HONG KONG LIMITED	29/10/2003	Logistics	HONG KONG	100
MANGO SVERIGE AB	02/07/2004	Garments sales	SWEDEN	100
SHARPE KNIGHT (MANCHESTER) LTD.	19/11/2004	Garments sales	UNITED KINGDOM	100



## Foreign sales network (by country)

The foreign sales network consists of our own stores (through the branches) and franchises. As at 31 December 2005, the Mango Group had 866 stores, 626 of which were located abroad.

The growth of the number of stores by country over the last 12 years, broken down into Mango's own stores and franchises, is set out in the following tables:

	Own shops	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1	Germany			1	2	6	13	17	19	18	18	17	18
2	Andorra						2	2	2	1	1	1	1
3	Argentina						6	8	6	4			
4	Austria						1	4	5	5	7	7	7
5	Belgium						5	6	9	9	9	8	8
6	Brazil					2	5	5	5	4	4	3	3
7	Chile					1	1	4	4	4	4		
8	Denmark							1	1	1	1	2	2
9	Spain	38	49	59	68	84	98	113	120	116	117	120	127
10	France			4	5	9	11	19	21	23	25	26	30
11	Holland					1	4	4	6	6	6	6	10
12	Hungary							4	4	4	4	4	5
13	Israel					5	9	10	10	9	9	9	1
14	Norway							3	3	3	3	3	3
15	Poland							1	1	1	1	1	1
16	Portugal								1	1	2	4	5
17	United Kingdom					1	5	9	12	11	13	15	17
18	Czech Republic								1	2	3	3	3
19	Sweden											1	2
20	Switzerland						1	1	1	1	1	1	1
21	Turkey				2	10	14	14	14	14	14	15	17
	TOTAL OWN	38	49	64	77	119	175	225	245	237	242	246	261

FRANCHISES		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1	Albania												1
2	Germany			1	2	4	4	4	4	10	22	28	31
3	Andorra	1	1	1	1	1	1	1	2	2	2	2	2
4	Armenia												1
5	Saudi Arabia					2	4	9	11	14	15	18	24
6	Aruba	1	1	1	1	1	1	1	1	1	1	1	1
7	Australia									2	4	9	9
8	Austria					2	4	4	5	6	6	5	5
9	Azerbaijan											1	1
10	Bahrein				1	1	1	1	1	1	1	1	1
11	Belgium		4	6	5	5			1	2	4	4	5
12	Bosnia-Herzegovina												1
13	Brasil					2	2	2					
14	Bulgaria									1	1	2	2
15	Canada												6
16	Chile				1							5	6
17	Cyprus			1	2	3	3	4	4	4	4	4	4
18	Colombia												1
19	Korea		3	10					2	4	7	10	12
20	Costa Rica								1	1	2	2	2
21	Croatia									1	3	4	5
22	Cuba			2	2	2	2	2	2	2	2	2	2
23	Denmark									1	1		
24	Ecuador									1	2	2	2
25	Egypt												1
26	United Arab Emirates				1	2	3	4	6	7	7	6	6
27	Slovakia								1	1	3	3	3
28	Slovenia						1	1	2	2	1	1	1
29	Spain	89	89	88	105	107	108	104	101	96	98	108	113
30	Estonia											1	1
31	Philippines						1	2	3	4	4	4	5
32	Finlandia												1
33	France	4	7	22	20	22	22	20	21	25	29	36	40
34	Greece		1	2	4	5	7	7	8	9	9	8	9
35	Holland			3	5	5	2	2	4	9	9	8	4
36	Honduras										1	1	1
37	Hong Kong							2	3	4	7	7	8
38	Hungary					2	2					1	1
39	India								1	1	2	2	3
40	Indonesia							1	3	4	4	5	7
41	Ireland					2	2	2	3	4	4	5	7
42	Iceland								1	1			
43	Israel		3	9	9	7	5	3	5	5	1	1	9
44	Italy								1	2	9	11	12
45	Japan			8	17	25	19	16	15	18	20	22	19
46	Jordan								1	1	2	2	2
47	Kazakhstan										1	1	2

TIENDAS FRANQUICIADAS		1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
48	Kuwait				1	2	2	3	4	4	4	4	4
49	Latvia								1	1	1	1	1
50	Lebanon				1	2	2	3	4	4	4	4	5
51	Lithuania							1	1	2	2	3	3
52	Luxemburg				1	1	1	1	1	2	2	2	2
53	Macao											1	1
54	Macedonia								1	1	1	1	1
55	Malaysia			1	1	2	2	4	4	6	6	7	12
56	Malta	1	1	2	2	2	2	2	2	3	3	3	3
57	Morocco								1	1	2	2	2
58	Mexico	4	5	5	6	7	8	8	9	11	11	11	17
59	Moldavia									1	1	1	1
60	Norway					1	3						
61	Oman								1	1	1	1	1
62	Panama												1
63	Peru				1	1	1	2	2	2	2	2	3
64	Poland								1	1	1	3	5
65	Portugal	5	6	12	28	38	43	45	49	48	48	46	51
66	Qatar				1	1	1	2	2	2	2	2	2
67	United Kingdom									2	8	5	6
68	Czech Republic									1	1	1	2
69	Republic of China									3	10	17	19
70	Dominican Republic								1	1	1	1	1
71	Romania						1	1	1	1	1	2	3
72	Russia						1	1	2	9	16	20	28
73	El Salvador											1	1
74	Serbia and Montenegro										1	2	3
75	Singapore			2	4	4	5	6	8	9	9	9	9
76	Sweden				1	1	1	1	1	1	2	1	
77	Switzerland	1	2	2	3	2	2	3	5	6	10	10	10
78	Thailand			1	1	1	1	1	3	4	4	5	5
79	Taiwan		3	8	12	14	14	7	6	10	12	12	14
80	Tunisia									1	1	1	2
81	Turkey			1	1	3	3	3	1	1			
82	Ukraine							2	3	4	5	5	5
83	Venezuela					1	1	2	3	3	2	2	2
84	Vietnam											1	1
TOTAL FRANCHISES		106	126	188	240	283	288	290	330	392	462	522	605
TOTAL SHOPS (Own + franchises)		144	175	252	317	402	463	515	575	629	704	768	866

## Agreements with foreign companies

As a policy, we have always tried to keep our decision with independence, for this reason, we do not have any local partner in any of the countries we do our production.

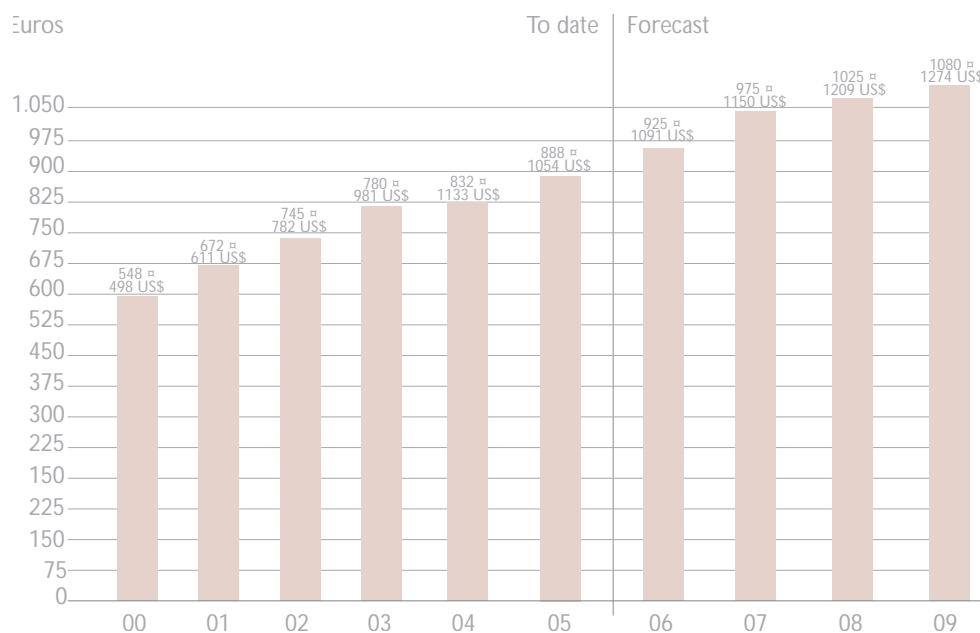
## ECONOMIC PERFORMANCE INDICATORS

The main economic performance indicators for the last financial years are set out below:

### Consolidated group MANGO MNG HOLDING, S.L. and subsidiary companies

#### Net turnover (1) (2)

The sales turnover for the MANGO MNG HOLDING, S.L. consolidated group and subsidiary companies, and the forecast for the coming financial years is as follows:



(1) Figures in millions of euros and millions of U.S. dollars.

(2) The figures correspond to retail sales minus VAT for Mango's own stores, plus the wholesale sales to franchises.

#### Sales by geographic area

The breakdown of sales by geographical area over the last financial years is as follows:

Geographic area	2005	2004	2003	2002	2001
Spain	254,681	250,155	233,176	237,797	229,222
Rest of the EU	349,297	321,047	291,411	284,885	241,395
Rest of the world	284,282	260,477	255,227	222,315	200,955
Net turnover	888,260	831,679	779,814	744,997	671,572

## Sales by business type

The detail of sales by business type for the last financial years is shown below:

Sales by business type	2005	2004	2003	2002	2001
Own store sales	459,167	459,298	432,836	449,620	421,590
Franchise sales	429,093	372,381	346,978	295,377	249,982
Net turnover	888,260	831,679	779,814	744,997	671,572

## Cost of sales and gross margin

The gross margin for the last financial years is shown as follows:

Description	2005	2004	2003	2002	2001
Gross margin (%)	54.2%	53.2%	47.6%	46.7%	49.1%

The percentage of purchases made on the local Spanish market has accounted for approximately 15% of all purchases, including production.

## Staff costs

The staff costs for the last financial years are shown below:

Description	2005	2004	2003	2002	2001
Salaries	104,047	100,421	86,084	83,040	82,568
Social security	29,478	27,302	23,400	19,648	18,991
Total	133,525	127,723	109,484	102,688	101,559

## Geographical distribution of staff costs

The geographical distribution of staff costs for the financial years is shown below:

Geographical area	2005	2004	2003	2002	2001
Spain	80,383	73,102	60,394	54,858	53,445
Rest of EU	44,946	42,709	37,895	36,302	34,686
Rest of the world	8,196	11,912	11,195	11,528	13,428
Total	133,525	127,723	109,484	102,688	101,559

## Equity providers

The evolution of debts acquired with outside equity providers over the last few financial years and their relation to the total balance is as follows:

Concept	2005	2004	2003	2002	2001
Short-term debt with financial institutions	30,790	61,517	64,009	45,523	53,715
Long-term debt with financial institutions	381,750	283,367	314,522	212,293	236,600
Total debt	412,540	344,884	378,531	257,816	290,315
Cash and banks and short-term financial investments	524,718	314,851	277,257	113,034	68,536
Total net debt	(112,178)	30,033	101,274	144,782	221,779
Total balance	1,125,547	906,152	873,152	684,821	669,048
Net debt / balance (%)	(9.97%)	3.31%	11.60%	21.14%	33.15%

## Variations in reserves

The variation in reserves produced in the 2005 financial year is as follows:

Statement of movements in equity	Share capital	Premium share	Parent company reserves	Reserves in companies in consolid.	Conversion differences	Year results	Total
Opening balance 2005	25,853	140,218	2,668	247,012	(14,257)	79,731	481,225
Distribution 2004	0	28	2,039	47,664	0	(79,731)	(30,000) (*)
Result year 2005	0	0	0	0	0	103,217	103,217
Variation due to changes in the consolidation perimeter	0	0	0	(2,135)	0	0	(2,135)
Increase of shareholders' stake	0	0	0	10	0	0	10
Other	0	0	0	0	8,037	0	8,037
Recognised revenue for the tax year	0	0	0	470	0	0	470
Closing balance 2005	25,853	140,246	4,707	293,021	(6,220)	103,217	560,824

\* Dividends

## Tax on profits

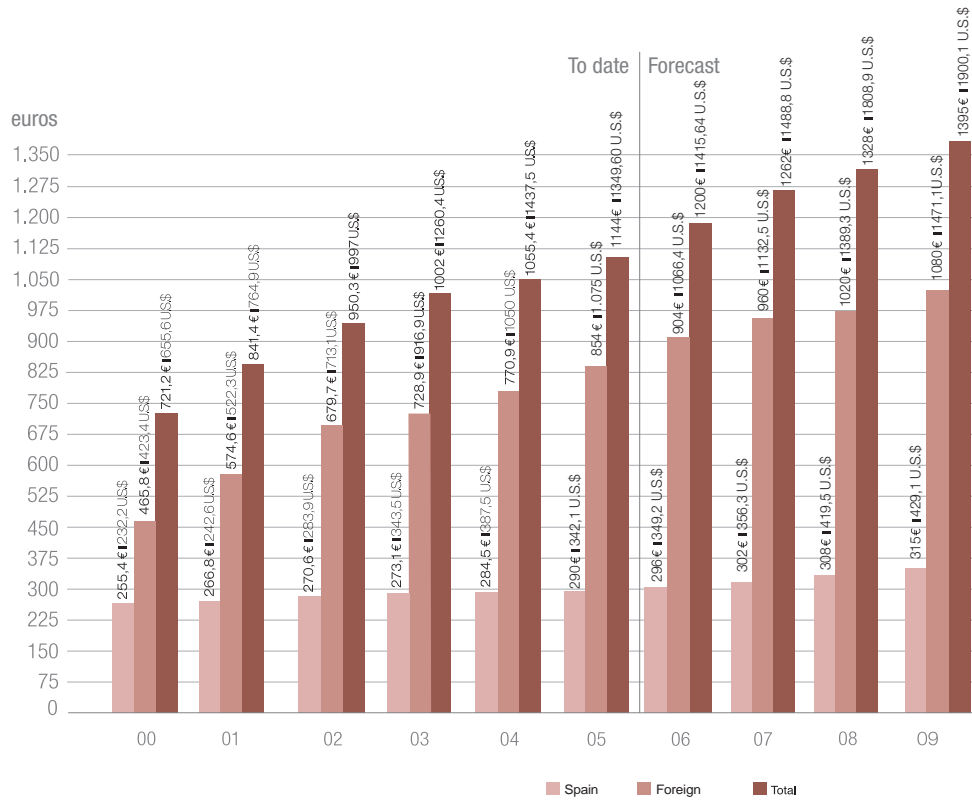
The breakdown of tax on profits over the last financial years is as follows:

Geographical area	2005	2004	2003	2002	2001
Spain	14,603	24,914	22,006	8,639	2,951
Rest of EU	2,529	3,199	1,350	964	553
Rest of the world	334	344	539	112	19
Total	17,466	28,457	23,895	9,715	3,523

## Mango chain

### Turnover (1) (2)

The turnover for Mango chain stores together with the forecast for the coming financial years is as follows:



(1) Figure in millions of euros and millions of dollars.

(2) The figures correspond to retail sales minus VAT for Mango's own stores and in franchises.

## Chain export figure

The chain's export figure and the percentage of sales over the latest financial years is as follows:

Description	2005	2004	2003	2002	2001
Net turnover	1,143,762	1,055,400	1,002,000	950,300	841,400
Export amount	853,818	770,900	728,900	679,700	574,600
Exports (%)	74.65%	73.04 %	72.74 %	71.52 %	68.29 %









## 6. SOCIAL AND LABORAL DIMENSION ASPECTS

---



## 6. SOCIAL AND LABORAL DIMENSION ASPECTS

### MANAGEMENT AREAS AND ACTIVITIES

As specified in our sustainability model, we understand that our responsibility goes beyond just our relationship with our employees, and includes our whole supply chain. For this reason, we make a clear distinction between two areas of responsibility: an internal and an external sphere.

### INTERNAL AREA

Mango's good working environment is partly due to the opportunities generated by the company's considerable growth and partly to a team made up of employees with human qualities, who are motivated, flexible, and capable of adapting to changes and making the most of them.

The main social and work aspects carried out inside our organisation that also help to create this atmosphere are as follows:

#### ONGOING DIALOGUE

Ongoing dialogue is maintained between our employees and the shareholders and administrators, along with the organisation's management, through meetings called "If I were President".

These work like so:

- Employees from each department elect a representative by secret ballot. This representative cannot be a team leader or manager of the same department.
- The elected person calls all the employees of the department to a meeting in which he or she collects all the ideas, suggestions, changes or improvements, in order to present them at the meeting.
- Finally, these representatives meet with the management, shareholders and administrators to present and discuss the different proposals.

The conclusions, changes and improvements that are agreed on are published and communicated to all employees through the company's internal newsletters.

It is worth noting that 95% of the proposals discussed in these meetings become actual changes (timetable changes, holiday calculations, broadening and improvement of services, safety improvements, ergonomics, and comfort at the workplace, etc.).

#### ONGOING CONTRIBUTION OF IDEAS AND SUGGESTIONS

Initiatives called "brainstorming" and "the suggestion box" are in place to enable all employees to contribute their ideas and proposals in order to generate a more efficient organisation.

#### POLICY OF REMUNERATION ACCORDING TO SITUATION

In the case of structural staff (approximately 1,500 employees), salaries are evaluated, adapted and incentivised according to the circumstances of each employee at least twice a year. The system for the sales team in stores is based on a fixed wage plus a variable depending on the store turnover.

## PROMOTING AND SIMPLIFYING THE RECONCILING OF FAMILY LIFE WITH WORK

There is a strong focus on this area and a series of added advantages:

### Maternity

- After maternity leave and for one year, the company allows parents to change their working hours without having to request a reduction in working hours.
- Maternity benefit during leave of absence is also complemented to ensure that employees continue to earn 100% of their wage. The company also pays out supplementary wages in full while the employee is on maternity leave.
- For structural staff, the mother can choose between reducing her working day by one hour during the lactation period or save these hours and use them after maternity leave, giving her an additional 19 days' leave.
- The organisation applies reductions of working hours and leaves of absence as per the legislation.

### Working flexibility

- Flexibility of working hours is allowed for employee personal reasons, as are temporary suspensions of contract for these same reasons. The employee's position is maintained in all of these cases. The organisation also extends the time allowed for necessary doctor's visits.
- By mutual agreement with structural staff, these employees work half an hour extra each day so that they can finish at midday on Friday and have a longer weekend.
- Employees also work continuous shifts on the day before certain public holidays. In departments or sections where operations allow, continuous shifts are worked the whole year round.

### Financial contributions

- The company gives out a personal special occasion card and financial gift to all employees who marry, become a common-law couple, or have a child.

## FREE GROUP TRANSPORT

A transport system is in place covering the main cities and routes from which our staff travel to work. This system covers different arrival and departure times, with the added advantage of avoiding the need for personal vehicles.

## SUBSIDISING OF DINING ROOMS

The organisation central offices has several dining rooms with all the services to cover different options: bringing in food prepared at home or using the catering service provided by the company. This is a quality service prepared in our own kitchens. Employees pay 30% of the cost. Approximately 450 meals are served every day. Employees can also purchase food in the dining rooms and take it home with them, in which case, it is supplied in appropriate plastic packaging.

## WORK STABILITY

At the end of the 2005 financial year, 66.12% of the organisation's total employees (on average) were on permanent contracts, as broken down below:

Concept	Structural staff	Stores' staff
Casual	22.75%	37.72%
Permanent	77.25%	62.28%

## EQUALITY OF OPPORTUNITIES

This is promoted because of our strong belief in the abilities of our employees. There are two relevant aspects in the profile of our team:

- 68.25% of management positions in our organisation are held by women. The percentage of employees by sex is as follows:

	Structural staff	Stores' staff
Males	37.25%	8.83%
Females	62.75%	91.17%

- The average age of our employees is as follows (1):

Structural staff	Stores' staff	Organisation total
32.93	26.27	29.43

(1) Data for Spain

## CULTURAL DIVERSITY

Our organisation is characterised by cultural diversity due to the globalisation of our business. People of different nationalities work together at our central offices and in the stores and offices of different countries. The nationalities of the employees at our central offices are as follows (36):

Germany, Andorra, Argentina, Australia, Belgium, Bosnia-Herzegovina, Brazil, Canada, Chile, China, Colombia, Cuba, Ecuador, USA, Spain, France, The Gambia, Greece, Hungary, Iceland, Italy, Malaysia, Morocco, Mexico, Norway, Netherlands, Pakistan, Peru, Portugal, United Kingdom, Dominican Republic, Russia, Sweden, Turkey, Uruguay and Venezuela.

## WORKPLACE MOBILITY

The international nature of our organisation also allows for the geographical mobility of employees who request this. In addition, when new internal positions arise, staff are offered the possibility of requesting a change of department.

## INTERNAL PROMOTION

Almost all of its managers and team leaders have been promoted internally as part of a firm commitment in this direction and as a result of a motivated and flexible team that is able to take on new responsibilities.

It should be pointed out that 3.40% of the employees at the central offices have opted for a position in a higher category during the past year. The figure for internal promotions of store staff is 11.64%.

## MEDICAL SERVICE

A medical service has been set up at the central offices to cover the needs of all our staff. The service currently consists of two doctors and a nurse. In 2005, this team received a total of 4,619 visits. The main services provided were:

Blood tests	851
Common illnesses	1.731
Pharmaceutical dispensing	165
Flu campaign	226
Tetanus campaign	155
Medical kit for trips abroad	15

## ACTIVE POLICY AND ONGOING DIALOGUE ON THE SUBJECT OF INDUSTRIAL RISKS

A team consisting of one engineer specialising in industrial risks and two assistant technicians is in permanent communication with all employees (receiving suggestions, proposing improvements, etc.) to advise on and maintain an active training policy.

It is worth noting that our policy of risk prevention seeks to integrate these subjects in all the company processes. The aim of these efforts is not just to reduce risks but also to improve the comfort of each workplace, for which reason ergonomic and psychosocial principles are applied.

Training programs in this field include content that is designed in accordance with the needs of the specific workplace. During 2005, 728 employees were trained in these aspects.

Management tools are also used to encourage employee participation and involvement. These include the collaboration of the medical service, which monitors the health of employees and their relationship with the work performed. The breakdown of check-ups carried out is as follows:

Protocol used	N° check-ups	Return to work	TYPE OF CHECK-UP	
			Initial	Specific period
Visual display unit	284	0	25	259
Forced postures and bipedestation	24	0	0	24
Forced postures	1	0	0	1
Manipulation of loads and basic	14	0	0	14
Manipulation of loads	103	1	19	83
Basic	3	0	0	3
Total check-ups 2005	429	1	44	384



Absences of structural and store staff in Spain for common illness, accident, maternity, marriage, and other reasons (medical visits, personal matters, etc.) in 2004 and 2005 are as follows:

#### Structural staff

Type	2004	2005
Sick leave	2.73%	3.42%
Absent due to IA	0.40%	0.25%
Maternity leave	0.77%	1%
Leave authorisations for marriage	0.07%	0.11%
Other reasons	0.91%	1.01%
TOTAL	4.88%	5.79%

#### Store staff in Spain

Type	Año 2004	Año 2005
Sick leave	2.85%	3.08%
Absent due to IA	0.30%	0.29%
Maternity leave	0.40%	0.84%
Leave authorisations for marriage	0.03%	0.09%
Other reasons	0.50%	0.5%
TOTAL	4.08%	4.79%

Of the total absences for common illnesses, those related to maternity accounted for 12.65% in structural staff and 23.50% in store staff.

The total absences for 2005 in own stores abroad amounted to 3.75%.

### ONGOING TRAINING

We have established a broad-ranging policy of ongoing training in our organisation. To achieve this, we have a training department that promotes the aspects needed to ensure the smooth running of the organisation, covering both technical needs (language, office automation, merchandising, etc.) and human needs (personal growth, values, team management, etc.). Most of this training is carried out in classrooms at the central offices. This team collaborates with the various heads of department to deal with and encourage requests to undertake professional, university, and similar studies.

A total of 68,911 hours' training was carried out in 2005 and attended by 2,668 individuals.

### ADDITIONAL ADVANTAGES FOR OUR EMPLOYEES

The most important aspects of these are:

- A discounts policy in our stores and through agreements with a range of companies for all our employees (sales of cars, trips, gyms, etc.).
- The organisation of various markets for our employees where garments, accessories, furniture, and home decor objects are sold at symbolic prices once the season has ended.

- Through the granting of interest-free loans in certain personal circumstances.
- By allowing the use of installations for diverse activities, such as courses to obtain driving licenses, etc.

## THE PRACTICE OF THE CULTURE OF MISTAKES

Our organisation encourages a climate of trust and communication, working in teams, and learning from our mistakes.

This, combined with an informal relationship (at our central offices, nobody uses formal address) and lack of hierarchical treatment, has allowed us to obtain high levels of satisfaction in the workplace. Together with the human qualities of our employees, this has made Mango's staff one of the three basic pillars of the success and growth of our organisation.

## EXTERNAL SPHERE

### Characteristics of our suppliers (manufacturers and production workshops)

As explained above, the nature of our products and our production system largely determine the characteristics of our manufacturers and production workshops, and the relationship we have with these in certain aspects, such as: manufacturing time, price of garments, technology, capacity, quality, organisation, professionalism, international experience, etc.

New suppliers are incorporated every new season to cover the new technical needs and increases in production: number of items and amounts per item.

We have established a long-term collaboration with our suppliers (we have suppliers who been working with us for over sixteen years), and there is ongoing communication, analysis and joint planning of all aspects of production as well as quality control, carried out by our technicians on-site at the factory or production workshop.

### Geographical distribution

As at 31st December 2005, we have 130 garment suppliers. The purchase quota by country is as follows:

Country	Purchase rate
CHINA	58.42%
MOROCCO	21.75%
INDIA	8.53%
TURKEY	2.15%
SPAIN	2.50%
BULGARIA	1.72%
PAKISTAN	0.77%
VIETNAM	0.35%
BANGLA-DESH	1.44%
SRI LANKA	0.23%
CAMBODIA	1.91%
OTHERS	0.23%
TOTAL	100%

### Labelling

All our garments and accessories, without exception, are labelled indicating the country in which they have been made.





## Code of Conduct for manufacturers and production workshops

To ensure that all our manufacturers and production workshops fully comply with labour and social standards, the Mango Group has established a compulsory Code of Conduct for them.

A copy of this code, signed by each supplier, is available at our offices.

The Code is based on the guidelines and recommendations of the OIT and is set out below:

### **CODE OF SOCIAL AND WORK CONDUCT FOR MANUFACTURERS (SUPPLIERS OF FINISHED ITEMS: GARMENTS AND ACCESSORIES. HEREAFTER MANUFACTURERS) AND PRODUCTION WORKSHOPS (HEREAFTER WORKSHOPS) OF GARMENTS AND ACCESSORIES FOR THE MANGO GROUP**

#### 0.- INTRODUCTION

This code of working practices is based on the fundamental guidelines of the agreements of the OIT, as well as on other values and principles of the MANGO GROUP itself.

#### 1.- CHILD LABOUR

The manufacturers and producers will neither use nor support the use of child labour, according to the definition set out in OIT agreements.

#### 2.- FORCED AND COMPULSORY LABOUR

The manufacturers and producers will not use any type of forced or compulsory labour.

#### 3.- HEALTH AND SAFETY IN THE WORKPLACE

The manufacturers and workshops, keeping in mind the current knowledge on the general risks in their industry as well as any other risk specific to their business, will establish a safe and healthy working environment, and will take appropriate measures to prevent risks, accidents and injuries from occurring during business or associated with it by limiting as far as is reasonably practical the causes of risks inherent in the said working environment.

#### 4.- FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

Manufacturers and workshops will respect the rights of employees to associate, organize or negotiate collectively in a lawful and peaceful manner, without penalty or interference.

#### 5.- NON-DISCRIMINATION

Manufacturers and workshops will not discriminate in their hiring or recruitment processes, including salary, benefits, training, advancement, termination or retirement, on the basis of race, nationality, religion, disability, gender, sexual orientation, political association or opinion.

#### 6.- DISCIPLINARY MEASURES, COERCION AND HARRASSMENT

Manufacturers and workshops will not use or support corporal punishment, mental or physical coercion, or other forms of physical or psychological abuse or any other type of harassment.

#### 7.- WORKING HOURS

Manufacturers and workshops will comply with the applicable laws as well as with the specific industry guidelines in relation to working hours.

#### 8.- COMPENSATION

Manufacturers and workshops will guarantee that the wages paid to employees strictly comply with all applicable laws.

#### 9.- ENVIRONMENT

Manufacturers and workshops will carry out all their activities in the most environmentally friendly way possible.

## 10. - COMPLIANCE WITH APPLICABLE LAWS

Manufacturers and workshops will comply with current legislation applicable to the different areas of activity.

## 11. - AREAS OF APPLICABILITY OF THE CODE

Manufacturers and workshops working with the MANGO GROUP are obliged to comply with all the provisions stated herewith. In order to achieve this objective, the manufacturers and workshops authorize the MANGO GROUP to carry out audits, by itself or through a third party, for the purposes of monitoring the implementation of this code. In addition, they will facilitate the auditors' access to any documentation or means they require to ensure the viability of this process.

## 12. - IMPLEMENTATION AND ENFORCEMENT OF THE CODE

The MANGO GROUP agrees to take any positive steps required to implement the Code, as well as incorporating it into all its operations, with the goal of making it an integral part of its global philosophy and general policies.

The MANGO GROUP will adapt the agreements reached with manufacturers and workshops in accordance with said code.

## 13. - ACCEPTANCE AND COMMITMENT ON THE PART OF THE MANUFACTURERS AND WORKSHOPS

All the manufacturers and workshops accept and commit themselves to comply with all the provisions set out in this code via their signature and company code on each page of said document. A signed original will always be available at the MANGO organisation offices.

## 14. - AMENDMENTS AND FUTURE UPDATES

Any amendment or update to this code of practice will take place on documents attached to the same, in accordance with the procedure set out in the above point.

## 15. - MONITORING THE IMPLEMENTATION OF THE CODE

The Department of Corporate Social Responsibility will, in conjunction with the departments involved in contracting and managing manufacturers and workshops, carry out regular monitoring visits on the basis of an annual schedule and following previously established criteria.

A successful monitoring process requires the manufacturers (considering their production characteristics) to release information, at any time, about the factories where the garments or accessories are manufactured in order to enable the MANGO organisation to verify compliance with this code as established in this point. Equally, these entities (manufacturers) are required to communicate to the different factories, at the start of their activities, the need to observe this code of practice and to adhere to it, and confirm this by signing it.

## 16. - COLLABORATION WITH NON-GOVERNMENTAL ORGANISATIONS (NGO'S) AND OTHER BODIES:

The MANGO GROUP will reach mutual collaboration agreements with different NGO's with the aim of consolidating and making progress in these areas. With this goal in mind, joint visits to the manufacturers' and suppliers' installations will be carried out with the NGO's in order to collaborate in those areas, which, as far as possible and in accordance with each country's applicable legislation, are accessible within the framework of mutual collaboration. Said visits may coincide with the supervision and monitoring visits. On the other hand, these visits also have the objective of providing transparency and information about our corporate responsibility policies in the different manufacturers and workshops.

## 17. - CORRECTIVE ACTIONS

Any situation that does not comply with the above mentioned provisions will require immediate correction by the manufacturer or workshop. In the event that these corrective actions need to be implemented and monitored, they will be specified and a schedule agreed in conjunction with the manufacturers and workshops (1).

If a case of serious social emergency (child labour, forced labour, etc.) or other significant aspect related to the manufacturers and workshop were to arise, and no necessary measures are taken for their immediate correction, the MANGO GROUP will cancel all relations with the relevant manufacturer or workshop.

(1) Clarification: Mango will participate by offering its technical support.

## Monitoring the code

To monitor our Code of Conduct, we carry out a series of actions and controls at different times in the factories and garment production workshops to ensure full compliance:

### Prior selection of suppliers, taking into account different aspects of CSR

Before we begin business with the suppliers, an initial analysis and check are carried out to ensure that they meet all of the points on our Code of Conduct in all their workplaces.

## Quality control

Additionally, because of the characteristics of our production system, we have quality-control teams (technical specialists hired by Mango on a full-time basis), who live in the production areas themselves. Each day, these teams visit different factories and workshops (the system is already operating in Morocco and South-East Asia, and is being introduced and adapted in the other countries).

The main task of these teams is to carry out controls not only on the quality and number of items produced, but also on any other production-related aspect. While they are monitoring production, since 100% of their time is spent with the suppliers, the teams can also continuously observe that our Code of Conduct is being met.

## Internal audit

The Internal Control Department (Social audits) also carries out controls and audits to verify supplier compliance with the Code of Conduct. These audits include the following steps:

- Meeting with factory owners and managers, completing an extensive questionnaire that collects the supplier's measures and policies in regards to labour, social and environmental aspects.
- A comprehensive review including a photographic and film record of the factory's installations.
- Selection of a sample group of employees from the supplier's personnel lists and/or directly from the production line, and subsequent interview covering all aspects of our Code of Conduct and procedures, particularly those affecting the review of wages (minimum wages, payment of extra hours, etc.).
- If there are any unions, the abovementioned procedures will be carried out in conjunction with the respective representatives.
- The process ends with a report on compliance with our Code of Conduct and a document specifying recommendations for any applicable measures. If the audit results in the specification of any corrective measures, a schedule for their implementation will be drafted.

## External audit

The external auditing of our suppliers are carried out by AUREN AUDITORS-CONSULTORS BARCELONA, S.A., a company recommended to us by the non-governmental organization SETEM. The external audit uses the procedure set out below:

- Meeting with factory owners and managers to obtain the necessary information in regard to labour, social and environmental aspects as well as their procedures.
- A comprehensive review including a photographic and film record of the factory's installations.
- Selection of a sample group of employees from the supplier's personnel lists and/or directly from the production line, and subsequent interview covering all aspects of our Code of Conduct and procedures, particularly those affecting the review of wages (minimum wages, payment of extra hours, etc.).

- If there are any unions, the abovementioned procedures will be carried out in conjunction with the respective representatives.
- The process concludes with issue by the external auditor of a certificate of compliance with our Code of Conduct on the part of the supplier, as well as a document specifying recommendations for any applicable measures. If the audit results in the specification of any corrective measures, a schedule for their implementation will be drafted.

## Location of internal and external audits

As of 31 December 2005, the situation of audits, is as follows:

COUNTRY	On-site quality control	Internal audits	External audits
China	✓	✓	✓
Morocco	✓	✓	✓
India	✓	✓	2nd semester 2006
Turkey	✓	1st semester 2007	1st semester 2007
Spain	✓	1st semester 2007	1st semester 2007
Bulgaria	✓	1st semester 2007	1st semester 2007
Pakistan	✓	2nd semester 2006	2nd semester 2006
Vietnam	✓	✓	2nd semester 2006
Bangladesh	✓	2nd semester 2006	2nd semester 2006
Sri-Lanka	✓	2nd semester 2006	2nd semester 2006
Cambodia	✓	✓	2nd semester 2006
Others	✓	2nd semester 2006	2nd semester 2006

## Accessories

From 2006, audit controls will be progressively extended to accessories.





## 7. ENVIRONMENTAL DIMENSION ASPECTS

---



## 7. ENVIRONMENTAL DIMENSION ASPECTS

### ENVIRONMENTAL IMPACT

The starting point of our organisation's development in this area was in 1999, when we installed a programme of best environmental practice.

During the 2001 financial year, a complete environmental diagnostic study was carried out as part of this program. This study was carried out by PriceWaterhouseCoopers and was used to ratify compliance with the appropriate legislation and to reinforce the organisation's sustainability strategy.

### MANAGEMENT AREAS AND ACTIVITIES

The nature of our business activity implies two clearly differentiated areas in relation to environmental management: an internal and an external sphere.

From the point of view of the internal sphere, essentially this activity is carried out at our installations, in the products and in the stores; from the point of view of the external sphere, the activity is carried out by our manufacturers and in the areas of distribution and supply, since our production and logistics are handled by third party companies.

We consider stores to be part of internal management, whether they be Mango own stores or franchises, because the systems, materials and operating procedures are the same.

### INTERNAL SPHERE

Due to its nature, the environmental impact of our internal activities is almost insignificant. Notwithstanding the above, we have put in place a series of best environmental practices in accordance with our programme. The most significant of these are as follows:

#### **Product, containers and packaging**

Our organisation has a container and packaging waste prevention plan in place, which has been approved by the company administration. The following actions have taken place so far within the framework of this plan:

We have minimised the thickness of the boxes down to the technical limit that prevents breakage and crushing.

We have also minimised the individual packages for garments and accessories in terms of dimensions and density, while retaining their capacity to avoid breakage and to be processed by the distribution machinery.

We have minimized the size of the labels, to just the size that allows them to be read correctly.

It is worth noting that all internal shipments are made using reused boxes.

It is also worth pointing out that all the boxes used are made with 100% recycled material. To facilitate recycling, all the seals are paper-based, eliminating any metallic elements (staples, etc.).

Finally, our organization adheres to the waste and packaging management systems established in the different countries in which we operate (green dot systems and others).

- **Direct shipments and reduction of containers and packaging**

We are currently achieving an important reduction in packaging in respect to previous years, as a result of direct shipment in the distribution of our garments. At present, they mean around the 35% of the whole production.

In this direct shipment system, suppliers prepare and pack a specific range of garments and accessories according to our instructions. These product ranges are delivered from the suppliers directly to our stores all over the globe. This eliminates the need to send the merchandise to our central stores prior to its shipment to the respective stores. This system provides a number of indirect advantages:

- This method results in a reduction in packaging for these direct shipments practically to half.
- A bigger impact is achieved by the decrease in the number of journeys and, directly related to it, the reduction of pollutants generated as a result of the transportation of merchandise back and forth from the different areas/countries.

It is worth noting that this method is only applicable to first deliveries to the stores, as restocking has to take place from the central warehouses. For technical reasons it is only possible to apply this type of distribution to folded garments, which represent approximately 80% of the collection.

The projected application of this system for the coming seasons is to cover the first deliveries of the season to the stores, amounting to approximately 40% of the collection.

## **Own installations**

- **Business activity**

The organisation of the business activity is done at a number of in-house installations, located at the head office at Palau-solità i Plegamans in the province of Barcelona (warehouse and offices) and in two warehouses located near the head office: Montcada i Reixac and Terrassa, as well as via Mango's own stores and franchises.

Currently work is being carried out on a new logistics centre in the Parets del Vallès area (Barcelona), which is planned to come into operation in 2006. The design of the installation has been adapted to the surrounding environment with the aim of minimising its visual impact.

The roof of the installation will also be covered with photo-voltaic solar panels connected to a network, with the aim of producing renewable energy.

A 12,000 m<sup>2</sup> design centre called "HANGAR" is also being developed near to the current central installations. This building will be operational in 2006 and has been designed according to eco-efficiency criteria, including the following: electronic temperature control, closed refrigeration circuit, optimisation of natural light.

Since we meet all necessary compliance conditions, we are currently in the process of obtaining ISO 14001 certification for all our central locations (offices and warehouses). We forecast that this will be approved at the end of 2006 or beginning of 2007.

All our installations have a selection and collection system, via authorised managers, of different materials: paper, cardboard, batteries, toners, organic materials, fluorescents etc. Campaigns are periodically developed with the training department on the correct use of these materials.

- **Classification, packaging and distribution**

Our picking and packing system uses a software system that enables us to optimise the contents of the boxes that are sent to the shops from the distribution centres, so that they are sent as full as possible.

No boxes are used to transport garments on clothes hangers between the supplier and our centres. This practice applies to all the means of transport used. The same technique is used for road transport between our distribution centres and the nearest stores.

## Stores

This is a sector where the characteristics of the point of sale and product presentation are crucial. Aspects such as illumination, space, climate control, etc. are basic elements involved in the adequate management of our business.

Our organization commits itself to managing this area with the highest possible balance with the least possible environmental impact. To achieve this, we have carried out a series of steps aimed fundamentally at reducing consumption and the sustainable use of materials in stores, as well as store maintenance. The main measures introduced in the various areas include:

- **Lighting**

We continue to put special emphasis on reducing electricity consumption, and on the durability of materials and their impact, both during their stage of usage and when they are withdrawn from the stores.

Since 2004, we have been replacing lighting based on halogen spot lights with brighter and more energy-efficient metal halide lamps. During 2005, 164 projects of this type were carried out in stores. The variation in consumption associated with this change of system was estimated to be a reduction of approximately 30% between 2003 and 2005.

The change to less powerful lighting has had led to a direct and linear reduction in the heat accumulated in stores. As a consequence, the cooling requirements have decreased by the same proportion.

Equally, the estimated life of this material is four times greater than with the previous system and offers a similar proportion in the reduction of waste.

- **Materials used in the construction of the stores**

We continue to insist on the use of natural materials.

The floors of our stores are made mainly out of natural stone, currently basalt. It is not necessary to use any aggressive treatment to clean this stone, which can be cleaned simply using water with a minimum concentration of neutral soap.

Maintaining them gives a further advantage, as the designs and ridges on the surface hides possible stains, such that they naturally blur with time.

Finally, it is worth noting that the "anti-graffiti" liquid protection used on the store facades is made of 100% natural wax.

- **Construction details and adaptations to specific features of the stores**

Electrified rails are no longer used in the stores due to the elimination of the halogen lamps. These rails necessitated creating construction details (cavities) which themselves implied an increase in cooling power. Since April 2004, this system has not been used, resulting in an additional reduction in the heating and cooling power required.

- **Adaptation to the local regulations**

Until 2004, the technical specifications of materials used in our stores had to be the same everywhere, which created problems with adapting to local conditions. Specifically, lighting to be used had to be 220v-50Hz voltage (Europe), which forced shops in certain countries or areas to have electricity stations to adapt local voltage where necessary, doubling the consumption.

During 2004, this policy was changed, and all lighting is now adapted according to local voltages. For the year 2005, this represented a saving in consumption of 10% in affected stores. We estimate that for 2006 this adaptation could lead to 15-20% lower consumption.

- **Re-use**

In respect to re-using materials it is worth noting that the end-of-season returns of garments and accessories from the stores to our warehouses take place in re-used boxes. This same practice is applied to all the shipments of seasonal textiles between the different stores.

All our stores located in Spain and Portugal collect the coat hangers which they receive. These are subsequently sent to an operator to be re-used in production.

Similarly, approximately 60% of furniture used in stores that sell stock from previous seasons (outlets) comes from other stores and installations.

- **Selective collection**

In all our stores, selective collection of materials is carried out, and they are subsequently placed in the corresponding containers. As previously specified, we adhere to waste and packaging management systems in the different countries where we operate (Green Dot and other systems).

## EXTERNAL SPHERE

The greatest environmental impact can be achieved in the external sphere.

### **Distribution and supply**

Our organisation does not have a transport fleet for distribution; all logistics activities are contracted out to third parties.

Currently, we are working together with our transportation partners to achieve better transport co-ordination and efficiency, with the goal of optimising freight and means of transportation so that pollution is reduced.

As mentioned previously, direct shipments result in a significant reduction in environmental impact.

### **Manufacturers, suppliers and product**

All clothes-making activity is done via third parties, which are not owned by the organisation, and which are located in different countries.

One priority in this area is the implementation of environmentally friendly practices in all our areas of influence. These practices are related to two fundamental aspects of the manufacturers and factories:

- Directly checking the correctness of their different production phases when the internal and external inspections of suppliers are carried out (treatment of water used in their processes, textile remainders, boxes, etc.).
- The verification, likewise, of the using of some products and substances in the manufacturing of primary materials in accordance with our written instructions based on the international regulations mentioned in the section 9 of this report.

## ENVIRONMENTAL PERFORMANCE INDICATORS

The main environmental performance indicators are described below:

### Greenhouse gas emissions

- **Boilers**

Due to the nature of our business activity, we generate practically no greenhouse effect gases. The only emissions of this kind are limited to the gases produced in the combustion of natural gas in heating boilers.

We currently have seven boilers in our installations at Palau and Montcada. Their emissions are constantly checked in order to always maintain them within the legally established limits. The consumption of gas increased in 2005 to 3.13 GWh/year.

- **Transport**

Externally our biggest impact is centred on employee journeys to and from our premises and on the transport of goods by road, air and water.

As regards our staff commuting to the different installations, we have a free shared transport system from the main nearby cities, covering the different workday start and finish times.

The introduction of direct shipments (see distribution) has allowed us to reduce the number of transport journeys required and, with it, the emissions in the proportions detailed above. The main transport system used consists of shipping large concentrations of products by sea.

### Waste indicators

- **Paper**

The type of waste product of which we generate most is paper and cardboard, which is used mainly for transport packaging of our clothing. In 2005, consumption and recycling in our head office and in the other distribution centres rose to 1,320.63 tonnes.

- **Other waste**

Due to the nature of our business we practically don't generate special waste. The most significant is: toners, batteries and fluorescents. They all follow established checks and monitoring procedures, managed by authorized organizations.

For the financial year 2005, in our head office and other distribution centres, the volumes of waste of these products rose to:

Toners	Batteries	Fluorescent tubes
825 kg	75 kg	180 kg

## Energy consumption indicators

Below, we detail the consumption of electricity and water at our head office and other distribution centres. The increase that can be seen in the table corresponds to the increase in the activity with respect to the previous year, as well as the steady expansion of the areas of work.

- Electricity

	2004	2005
Electricity Consumption (GWh/year)	6.98	7.94

Electricity consumption for 2005 in our own stores in Spain rose to 23.61 GWh. Similarly, consumption in our stores outside Spain rose to 26.44 GWh.

Estimated consumption in 2005 for franchised stores in Spain and outside Spain rose to 10.26 GWh and 54.58 GWh respectively.

- Water

	2004	2005
Water consumption (m3)	13,124	15,158







## 8. SOCIAL COOPERATION ASPECTS

---



## 8. SOCIAL COOPERATION ASPECTS

One of our fundamental commitments is to provide a service to society as a whole, in the following areas:

### CUSTOMER SERVICE

#### Stores

One of our organisation's priorities is service to our customers, including advice, suggestions, complaints etc and also obtaining customers' opinions on our offer so that we can adapt to their tastes and requirements.

Customer service is provided in the stores directly through our specially trained personnel. This training (theoretical-practical) is focused on the areas of customer service policy, the offer, merchandising, trends, the company's philosophy etc. The training is always adapted to the employee's role.

We are very aware of the fact that our store personnel have to face the daily challenge of offering an excellent service to our clients and to find a solution to their needs.

#### Central offices

Our central offices include a specialized customer service department to respond to any enquiry, problem or suggestion. Requests are dealt within Mango's five official languages: Spanish, English, French, German and Catalan.

In 2004, a total of 52,229 requests were handled. The main means of communication used were as follows:

Fax / letters	Chat	Phone calls	E-mails
1%	17%	37%	45%

The source of these enquiries varied: direct from customers, from stores, from head office staff, etc. The main themes were as follows:

Suggestions	Congratulations	Complaints	Information requests
1%	3%	30%	66%

In addition, numerous calls were received from students: 382 in the year 2005, requesting information about Mango for research projects. Mainly these were design, marketing, advertising, economic science and business students.

#### Store design

Our stores are designed with comfort and enjoyment in mind. Mango stores project the spirit of our people and our clients: a dynamic environment resulting in a harmonious space. A selected product, displayed in small collections so that they can be easily appreciated, selected and tried. Comfortable stores, spacious and luminous, with a spirit of boutique rather than that of a chain, to make shopping a real experience.

## HUMAN RESOURCES

Conscious that Mango's greatest wealth is its people, we promote continuous improvement as the basis of daily management. We want our professionals to develop within the company and to take on increasing responsibility with time. By doing this, we achieve greater professional and personal satisfaction as well as greater motivation in day-to-day work.

The growth of the Mango organisation has made it possible to create a large number of positions across the world in recent years.

The job applications were received through the following channels:

Mango's Web	Other webs	Post
30%	62%	8%

We also support students from different centres and universities, completing their training via work experience in the different departments of our organisation.

## COMMUNICATION

### Publicity

The Communications Department renews our image every season, as well as planning our media globally, adapting the global strategy to the characteristics of each country and with a focus on building the loyalty of our clients.

In our publicity, we communicate the values that differentiate our brand: the latest trends, quality and style.

### Communication through different media

Our press office maintains a constant flow of communication with different media, supplying any information that they need. In the financial year 2005, a total of 40 press communications were carried out, and around 60 media interviews.

Also, during that same financial year, a total of 80 institutions and schools visited our installations.

### Seminars and conferences

Our involvement with society is also carried out through the communication of our business philosophy and our experience. We participate in different conferences and seminars (32 in 2005), organised at the various universities and institutions that request our presence. The topics covered are varied, but the most frequent are those related to our corporate social responsibility policies, our logistics system, etc.

### Hits at our websites

We have three websites presenting different company information:

[www.company.mango.com](http://www.company.mango.com), where information is offered mainly for franchisees, students and journalists. There were 452,250 visits in 2005.

[www.mango.com](http://www.mango.com), aimed at the end customers, where they can see the catalogue with the full collection and photos. There were 7,677,622 visits in 2005.

[www.mangostore.com](http://www.mangostore.com), relating to our virtual store, covering all European Union countries. The number of visits in 2005 was 5,238,362.

## FUR FREE POLICY

All animal skins used in Mango clothes and accessories come from animals addressed to the chain of human feeding.

In the 2006 financial year, our organisation will not use rabbit skin under no circumstances, bearing in mind our sensitive to this regard in some countries or areas.

During the 2005 financial year, 22 queries from different countries were received about our policy in this area.

## SOCIAL ACTION

Our commitment to society means that we actively participate in different social projects, directly, or via specialist organisations.

We have funded projects in underdeveloped and other countries through non-economic initiatives such as garments donations and collaborations with central offices staff etc.

In the financial year 2004, we specified our policy for future collaboration. In this area, our activity is aimed mainly at supporting basic training in underdeveloped countries, because we believe that progress in these countries must necessarily be founded on this. We will also continue to work on projects with which we identify or which have a special sensibility within our organisation.

Below, we highlight the most important projects in which we collaborated in the financial year 2005:

### **Economic collaboration**

- **Fundación VICENTE FERRER**

Through this foundation, MANGO is constructing 107 homes in Samudran, one of the neediest areas in India. It is forecast to be completed in 2006. This initiative completes the project approved in 2004 and developed in 2005, with the construction of 147 homes, 4 schools and 2 homes for disabled people.

- **SSIM (Service and Missionary of the Capuchin of Catalonia and the Balearics)**

MANGO is participating in the building of a shelter centre for children at risk of social exclusion in Cartago, Valle del Cauca, Colombia. The aim of this centre is to provide nutritional, health and education assistance to children affected by violence or those displaced by armed conflict between guerrillas and the Colombian army.

- **Fundación NATURA**

MANGO continues its collaboration in the renewal and expansion of a health centre in Munbuluma (Zambia), started in 2004. In 2005, the second and final stage was finished, consisting of providing the centre with basic primary health and maternity equipment and materials.

- **INTEGRA MOSKITIA**

MANGO is financing a library-playroom for the natives of the municipality of Kraosirpi in the Honduran Moskitia. This jungle area located in the west of Honduras has numerous economic and infrastructure problems which cause its inhabitants to live practically isolated.

- **PROACIS ACCIÓN/SALESIAN PROJECT**

Through this organisation, Mango finances the IT equipment of the Hospedería Campesina belonging to Fundación Niños de la Calle in the Chicogallo district of Ecuador. This initiative is promoted by the Salesian community.

- **Fundación AGH**

Mango finances a mobile clinic, an all-terrain health vehicle, that operates in one of the most depressed areas in the north of Tanzania, the Mang'ola Chini valley.

- **Fundación LA RODA**

MANGO has financed 30 workshops via this foundation, directed at 14 different entities, and aimed at children from underprivileged groups in areas with significant social problems.

- **Fundación Internacional JOSEP CARRERAS**

MANGO has helped REDMO finance programmes – the Spanish Register of Bone Marrow Donors.

- **Fundación INTEGRA**

MANGO has contributed to the financing of integration programmes. The objective of Fundación Integra is to find work for excluded groups, or those at risk of exclusion, and then accompany them through a process of "professional normalisation".

- **ASOCIACIÓN ESPAÑOLA CONTRA EL CÁNCER – SPANISH ASSOCIATION AGAINST CANCER**

In 2005, Mango, Glamour magazine and this association started a national campaign to help in the fight against cancer. This consisted of designing and selling a T-shirt through its stores in Spain, with all profits going to research.

## Non-economic collaboration projects

- **Garments donations**

In the financial year 2005, MANGO donated clothing to different organisations with common objectives. During the financial year, the total number of units reached approximately 1,250,000.

- **Delivery of computer and other materials**

In the financial year 2005, computers and IT materials were donated to different organisations, as well as other goods and materials (furniture, etc).

Distribution of the different projects according to type of project and sphere is as follows:

### GEOGRAPHICAL DISTRIBUTION

LATIN AMERICA	EUROPE	AFRICA	ASIA
21%	23%	17%	39%

### KIND OF PROJECT

EMERGENCY	INTEGRATION	PUBLIC HEALTH SYSTEM	EDUCATION	HOUSING
1%	4%	29%	28%	38%







## 9. GARMENTS AND ACCESSORIES QUALITY AND SAFETY ASPECTS

---



## 9. GARMENTS AND ACCESSORIES QUALITY AND SAFETY ASPECTS

### QUALITY CONTROL SYSTEMS

In 2001, we installed a quality system following the International ISO 9001 Standard that affects all departments that have direct contact with our products at any stage.

Fundamental to the installation of a continual improvement system are the involvement and training of people, together with the efficiency of processes.

### CONTROL OF DANGEROUS AND NOXIOUS SUBSTANCES

#### **Application of current legislation**

On the subject of noxious substances, Mango has always ensured compliance with all applicable legislation in the different countries where we market our products.

Nevertheless, beyond these regulations, preserving the environment and people's health are commitments with which we have always identified and been involved in. For this reason, since the start of this project, we have carried out other actions that go beyond the strict application of legislation.

#### **Production systems**

In accordance with what is set out in the present group's sustainability report, there are two distinct production systems, which involve systems for the management and control of analysing different substances:

##### **Manufactures**

Here, it is the same supplier that acquires all the raw materials to be used in manufacturing. These suppliers are mainly from countries in South-East Asia and the Indian region. These, in turn, are countries in which suppliers directly buy the raw materials (thread, suppliers, etc.).

##### **Production factories**

These supplies are mainly from North African and Eastern European countries. Unlike the previous system, the raw materials do not originate in those countries; they come mainly from Europe, because our organisation buys direct from markets near to the countries / areas of manufacturer.

#### **Control and tracking of substances in the different production systems**

##### **Manufacturers raw materials**

All suppliers of finished products receive instructions written by Mango relating to the use of products and substances in raw materials that they themselves acquire. Once production has started, we control these substances through an exhaustive analysis of all our products.

This verification process is done by selecting certain items of clothing and/or accessories from each reference by our organisation, according to set statistical criteria and sending them to the laboratory for full analysis. The laboratory issues a certificate for all our products (1).

In this system, the selection of random products for analysis is always done on finished clothing and accessories. This is because, during the process of design and first production samples, changes can occur in fabrics and components acquired by the supplier.

The instructions for suppliers mentioned above include substances both regulated by law in different countries and non-regulated substances. The latter are included as recommendations, since specialist reports and studies have qualified them as potentially dangerous in certain conditions. Tracking and control of these substances is carried out just as with the regulated substances, in accordance with specific statistic criteria.

In 2005, of the total of the produced clothing and accessories collections, the following incidences were detected:

(1) AITEX (the only laboratory in Spain certified by the prestigious Swiss organisation ÖKO-TEX).

Arylamines ( > 30 ppm ) – 4 cases
Mercury ( > 0,02 ppm ) – 1 case
Nickel ( > 0.5 µg/cm2/week ) – 4 cases

In 100% of the cases, the clothing or accessory was withdrawn from the collection and no longer marketed.

**Raw materials in production factories**

Unlike the previous system and as in this case, we source the raw materials direct ourselves, we ask our suppliers for ÖKO-TEX certification for all textiles. This certification is issued by authorised laboratories in each country by Swiss organisation ÖKO-TEX. Once this certificate is subsequently obtained, we send the raw materials to the suppliers for them to make up the clothes.

It should be pointed out that ÖKO-TEX certification implies a much wider control than that expected in the legislation in different countries, both because tracking is done on a greater number of substances identified by the organisation, and because of the application, in some cases, of tolerance limits lower than those expected under the law. It should also be noted that ÖKO-TEX is the prestigious international reference organisation for the investigation, identification, evaluation of tolerances and control of noxious substances in textiles (more information available at [www.oeko-tex.org](http://www.oeko-tex.org)).

Using this system, no incidence was found in 2005, as we do not accept raw materials without this certificate.

**Commitment for the future**

MANGO will continue working as previously described in the sphere of control and tracking of noxious substances and in improving conditions of security as well as on environmental impact. We will continue making advances in all areas we can and will always be transparent with regards to results obtained started.



## 10. CORPORATE GOVERNANCE

---





## 10. CORPORATE GOVERNANCE

### SHAREHOLDERS AND GOVERNING BODIES

MANGO Group's activities consist in the design and distribution of women's garments and accessories for said garments. This activity is realized directly through a series of companies, working with joint ventures which provide support in other areas of management: property, logistics, etc.

This group of companies is exclusive property, direct or indirect, of two individual partners: Isak Andic Ermay and Nahman Andic Ermay.

Said individual partners, apart from being the group owners, are directly and personally involved in its daily management. We can therefore say that the Mango organisation is a multinational group but that it has characteristics of a family-owned and managed business.

Due to the capital and management structure, there is a system of joint administration with both partners having equal responsibility, on which the highest responsibility falls and which is held by the two partners.

These shareholders and managers direct and manage the Group companies together with the Managing Director, Enric Casi.

### EXECUTIVE COMMITTEE

There is an executive committee consisting of the President, Vice-President, Managing Director and three members of the management team: Nicolás Olivé (corporate social responsibility and store management), Salvador Vallés (purchasing and quality) and Daniel López (licences & co-branding, property management, and franchise management and service).

This executive committee meets periodically. All members of the Executive Committee are individuals with responsibilities within the structure of the organisation, as reflected by the organisational chart found in the Organisation section of this report.

### INTERNAL AUDIT

Mango Group has an Internal Audit Department which carries out continual evaluation of all areas of the organisation. Said department reports directly to the Executive Director and the Partners.



## 11. CONTACT DETAILS

---



## 11. CONTACT DETAILS

We believe that the information collected and presented in this report will meet the expectations of our organisation's different stakeholders.

The current Sustainability Report is available at the Mango website ([www.mango.com](http://www.mango.com)).

Any suggestion, contributions or comments on the contents of this report can be sent using the appropriate section of the website or directly in our headquarters:

MANGO MNG HOLDING, S.L.  
c/ Mercaders 9-11,  
Polígono Industrial Riera de Caldes  
Apartado de correos 280  
E- 08184 Palau-solità i Plegamans  
Barcelona, Spain









## 12. INDEX OF GRI INDICATORS

GRI CHAPTER / GRI INDICATOR	PAGE
-----------------------------	------

### 1. VISION AND STRATEGY

1.1	Statement of the organisation's vision and strategy regarding its contribution to sustainable development.	25
1.2	President's declaration.	9

### 2. PROFILE

#### ORGANISATIONAL PROFILE

2.1.	Name of reporting organisation.	17
2.2.	Major products and/or services, including brands if appropriate.	17
2.3.	Operational structure of the organisation.	19
2.4.	Description of major divisions, operating companies, subsidiaries, and joint ventures.	19, 40
2.5.	Countries in which the organisation's operations are located.	36-43
2.6.	Nature of ownership; legal form.	17
2.7.	Nature of markets served.	17
2.8.	Scale of the reporting organisation.	33-34
2.9.	List of stakeholders, key attributes of each, and relationship to the reporting organisation.	25-26, 30

#### REPORT SCOPE

2.10.	Contact person(s) for the report.	93
2.11.	Reporting period for information provided.	13
2.12.	Date of most recent previous report.	26
2.13.	Boundaries of report and any specific limitations on the scope.	13
2.14.	Significant changes in size, structure, ownership, or products/services that have occurred since the previous report.	N/A
2.15.	Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organisations.	N/A
2.16.	Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	N/A

#### REPORT PROFILE

2.17.	Decisions not to apply GRI principles or protocols in the preparation of the report.	N/A
2.18.	Criteria/definitions used in any accounting for economic, environmental, and social costs and benefits.	33
2.19.	Significant changes from previous years in the measurement methods applied to key economic, environmental, and social information.	17, 33-34
2.20.	Policies and internal practices to enhance and provide assurance about the accuracy, completeness, and reliability that can be placed on the sustainability report.	89
2.21.	Policy and current practice with regard to providing independent assurance for the full report.	63-64
2.22.	Means by which report users can obtain additional information.	93

### 3. GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS

#### STRUCTURE AND GOVERNANCE

3.1.	Governance structure of the organisation.	19, 89
3.2.	Percentage of the board of directors that are independent, non-executive directors.	N/A
3.3.	Process for determining the expertise board members need to guide the strategic direction of the organisation, including issues related to environmental and social risks and opportunities.	19, 89
3.4.	Board-level processes for overseeing the organisation's identification and management of economic, environmental, and social risks and opportunities.	19, 89
3.5.	Linkage between executive compensation and achievement of the organisation's financial and non-financial goals.	N/A

3.6.	Organisational structure and key individuals responsible for oversight, implementation, and audit of economic, environmental, social, and related policies.	19, 89
3.7.	Mission and values statements, internally developed codes of conduct or principles, and policies relevant to economic, environmental, and social performance and the status of implementation.	25, 27-30, 59-64
3.8.	Mechanisms for shareholders to provide recommendations or direction to the board of directors.	19, 89

## STAKEHOLDER ENGAGEMENT

3.9.	Basis for identification and selection of major stakeholders.	25-26, 30
3.10.	Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group.	25-26, 30
3.11.	Type of information generated by stakeholder consultations.	25-26, 30
3.12.	Use of information resulting from stakeholder engagements.	25-26, 30

## GLOBAL POLICIES AND MANAGEMENT SYSTEMS

3.13.	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	26, 89
3.14.	Externally developed, voluntary economic, environmental, and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses.	25-26
3.15.	Principal memberships in industry and business associations, and/or national/international advocacy organisations.	N/A
3.16.	Policies and/or systems for managing upstream and downstream impacts.	N/A
3.17.	Reporting organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities.	25-26, 29-30, 61-62
3.18.	Major decisions during the reporting period regarding the location of, or changes in, operations.	N/A
3.19.	Programmes and procedures pertaining to economic, environmental, and social performance.	29-30, 61-64
3.20.	Status of certification pertaining to economic, environmental, and social management systems.	33, 63-64, 68

# 4. ECONOMIC PERFORMANCE INDICATORS

## CUSTOMERS

EC.1	Net sales.	17, 44-45, 47
EC.2	Geographic breakdown of markets.	35-39, 41-43

## SUPPLIERS

EC.3	Cost of all goods, materials, and services purchased.	45
EC.4	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements.	N/A

## EMPLOYEES

EC.5	Total payroll and benefits broken down by country or region.	45
------	--------------------------------------------------------------	----

## PROVIDORS OF CAPITAL

EC.6	Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares.	46
EC.7	Increase/decrease in retained earnings at end of period.	46

## PUBLIC SECTOR

EC8.	Total sum of taxes of all types paid broken down by country.	46
EC9.	Subsidies received broken down by country or region.	N/A
E10.	Donations to community, civil society, and other groups broken down in terms of cash and in-kind donations per type of group.	79-80

## 5. ENVIRONMENTAL PERFORMANCE INDICATORS

### MATERIALS

EN1. Total materials use other than water, by type.	N/A
EN2. Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organisation.	N/A

### ENERGY

EN3. Direct energy use segmented by primary source.	71
EN4. Indirect energy use.	70-71

### WATER

EN5. Total water use.	72
-----------------------	----

### BIODIVERSITY

EN6. Location and size of land owned, leased, or managed.	N/A
EN7. Description of the major impacts on biodiversity associated with activities and/or products and services.	N/A

### EMISSIONS, DISCHARGES AND WASTE

EN8. Greenhouse gas emissions.	71
EN9. Use and emissions of ozone-depleting substances.	N/A
EN10. NOx, SOx, and other significant air emissions by type.	71
EN11. Total amount of waste by type and destination.	70-75
EN12. Significant discharges to water by type.	N/A
EN13. Significant spills of chemicals, oils, and fuels in terms of total number and total volume.	N/A

### SUPPLIERS

### PRODUCTS AND SERVICES

EN14. Significant environmental impacts of principal products and services.	67-72
EN15. Percentage of the weight of products sold that is reclaimable at the end of the products' useful life and percentage that is actually reclaimed.	N/A

### COMPLIANCE

EN16. Incidents of and fines for non-compliance with all applicable declarations/ conventions/treaties.	N/A
---------------------------------------------------------------------------------------------------------	-----

## 6. SOCIAL PERFORMANCE INDICATORS

### LABOUR PRACTICES AND DECENT WORK

#### EMPLOYMENT

LA1. Breakdown of workforce including workforce retained in conjunction with other employers.	17, 34, 55
LA2. Net employment creation and average turnover.	78

#### EMPLOYEE/ WORKER RELATIONSHIPS

LA3. Percentage of employees represented by independent trade union organisations or other bona fide employee representatives or percentage of employees covered by collective bargaining agreements.	N/A
LA4. Policy and procedures involving information, consultation, and negotiation with employees.	53-58

#### HEALTH AND SAFETY

LA5. Practices on recording and notification of occupational accidents and diseases.	56-57
LA6. Description of formal joint health and safety committees comprising management and worker representatives.	56-57
LA7. Rates of injury, lost day, and absentee rates and number of work-related fatalities.	56-57
LA8. Description of policies or programmes on HIV/AIDS.	N/A

## TRAINING AND EDUCATION

LA9. Average hours of training per year per employee by category of employee.	57
-------------------------------------------------------------------------------	----

## DIVERSITY AND OPPORTUNITY

LA10. Description of equal opportunity policies or programmes.	55
LA11. Composition of senior management and corporate governance bodies.	19, 89

## HUMAN RIGHTS

### STRATEGY AND MANAGEMENT

HR1. Description of policies, guidelines, corporate structure, and procedures to deal with human rights.	29-30, 61-64
HR2. Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors.	29-30, 61-64
HR3. Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring.	29-30, 61-64

### ANTI-DISCRIMINATION

HR4. Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring.	29-30, 61-64
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------

### FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

HR5. Description of freedom of association policy and extent to which this policy is universally applied.	29-30, 61-64
-----------------------------------------------------------------------------------------------------------	--------------

### CHILD LABOUR

HR6. Description of policy excluding child labour.	27-29, 61-64
----------------------------------------------------	--------------

### FORCED LABOUR

HR7. Description of policy to prevent forced and compulsory labour.	27-29, 61-64
---------------------------------------------------------------------	--------------

### DISCIPLINARY PRACTICES

(Description of appeal practices and non-retaliation policy)	27-29, 61-64
--------------------------------------------------------------	--------------

### SECURITY PRACTICES

(Human rights training for security personnel.)	N/A
-------------------------------------------------	-----

## SOCIETY

### COMMUNITY

SO1. Description of policies to manage impacts on communities in areas affected by activities.	N/A
------------------------------------------------------------------------------------------------	-----

### BRIBERY AND CORRUPTION

SO2. Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption.	26
-------------------------------------------------------------------------------------------------------------------------------------------------------------	----

### POLITICAL CONTRIBUTIONS

SO3. Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions.	29-30
-----------------------------------------------------------------------------------------------------------------------------------------	-------

## PRODUCT RESPONSIBILITY

### CUSTOMER HEALTH AND SAFETY

PR1. Description of policy for preserving customer health and safety during use of products and services, and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	27-29, 85-86
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------

### PRODUCTS AND SERVICES

PR2. Description of policy, procedures/management systems, and compliance mechanisms related to product information and labelling.	58
------------------------------------------------------------------------------------------------------------------------------------	----

### RESPECT FOR PRIVACY

PR3. Description of policy, procedures/management systems, and compliance mechanisms for consumer privacy.	89
------------------------------------------------------------------------------------------------------------	----



