The Board’s primary objective remains the acceleration of the transformation strategy, ensuring long-term, sustainable growth for the benefit of the Company’s shareholders and wider stakeholders. This includes an ongoing commitment to the highest standards of corporate governance.

We are pleased to confirm that throughout the year ended 28 March 2020, the Company has complied with all principles and provisions of the UK Corporate Governance Code 2018 (‘the Code’), which applies to all companies with a premium listing on the London Stock Exchange.

This statement outlines the processes the Company has undertaken throughout the year to apply the Code and demonstrates compliance with each provision. The statement supplements the information given on our governance approach and key issues in our 2020 Annual Report.

A copy of the Code is available from the Financial Reporting Council’s website.

**Board Leadership and Company Purpose**

Provision 1. In accordance with the Directors duties in Section 172 of the Companies Act 2006, the Board considers the likely consequences of any decision in the long-term. The Board incorporates the basis on which the Company generates and preserves value in formation of the strategy and strategic decision-making.

Further details of compliance with Provision 1 are contained within the following pages of the Annual Report:

- The Company’s approach to risk management, including long-term viability over three years, can be found on pages 33 to 43.
- The Board also delegates oversight of the effectiveness of the risk management process to the Audit Committee. Further details are laid out in the Audit Report on pages 59 to 65.
- An overview of our business model can be found on page 9, with further details for each business unit on pages 9 to 17.
- Details of risk governance can be found on page 33
- The contribution of governance to the delivery of the Company’s strategy is integrated through the report, with specific details on pages 45 to 46 and 48 to 49
- The Board’s primary objective remains to drive and accelerate our strategy of transformation. This year we have worked to strengthen the link between strategy and governance, with a new Code of Conduct which codifies accountability for the family of businesses model described in the Annual Report.

Provision 2. The Board is responsible for establishing, assessing and monitoring the Company’s purpose, values, strategy, and culture. In doing so, the Board ensures the alignment of the Company’s culture and the transformation programme.

- An overview of the Company’s cultural progress can be found in the People and Culture section on pages 18 to 19 of the Annual Report.
- The Board’s activities for the year can be found on pages 20 to 21 and 48 to 49 of the Annual Report. This includes how the Board considers colleagues interests, strategic ‘deep dives’ on culture, and methods of assessment such as Your Say surveys and engagement with our colleague representative body BIG (Business Involvement Group).
- The Company’s approach to reward, including alignment of senior leadership remuneration with the wide organisation, can be found in the Remuneration Report on pages 66 to 92. Full details of share-based payments are laid out on pages 141 to 143 of the Annual Report.

In addition to competitive reward and benefits, such as employee discount and share schemes, the Company also invests in our colleagues by offering a comprehensive induction programme, individually tailored training and performance coaching and an extensive catalogue of training through the M&S e-Learning Hub. Further details are available on the Company’s careers website.

This year, we have adapted our reward approach to recognise the phenomenal effort by our colleagues in response to the Covid-19 pandemic. Every colleague who has needed to self-isolate, including those required to shield themselves for 12 weeks, has been able to do so on full pay. Store colleagues remaining at work supporting the business have been rewarded with 15% bonus pay for the duration of the lockdown period, and an equity grant equivalent to 5% of their salary to Support Centre colleagues still working. More details on the Company’s response to Covid-19 can be found on pages 50 to 53 of the Annual Report.
Provision 3. The Chair of the Board and Chairs of the respective principal Board Committees ensure there is regular engagement with major shareholders on matters related to their areas of responsibility. In addition to general meetings, there are also investor road shows, written and face-to-face consultations on significant issues and the Board is updated on major investors’ views following these meetings. The Chairs of each Committee also provide an update on its activities at each Board meeting following a Committee meeting. Each year the Board also reviews an independent report into major investors’ views on the Company’s management and performance provided by capital markets advisory firm Makinson Cowell.

- An overview of the principal Committee’s areas of responsibility can be found on pages 55 of the Annual Report and further details are found within their Terms of Reference which are available on our corporate website
- Presentations for major investors are published on our corporate website
- An overview of how the Board engages, considers and responds to shareholders and other stakeholders’ views and interests can be found on pages 20 to 21 of the Annual Report

A key example of the value gained from engagement with shareholders can be found on page 72 of the Annual Report, which details the incorporation of shareholder feedback in the proposed changes to Performance Share Plan measures.

Provision 4. Following a general meeting, voting results are published on the Company’s website. If the votes against a resolution exceeded 20%, an explanation would also be published on the website. At the most recent AGM in 2019, there were no resolutions with more than 11.73% of votes cast against the board’s recommendation. The Company engages with shareholders both throughout the year and specifically in respect of new or significantly amended resolutions in order to ensure the Board’s recommendation is aligned with the members views.

Provision 5. In accordance with the Code, pages 20 to 21 of the Annual Report describes how the Board engages, considers and responds to the views and interests of the Company’s key stakeholders set out in section 172 of the Companies Act 2006. The key priorities relating to shareholders, colleagues, suppliers, partners, customers and the wider community are explained and their relation to the Board’s strategic priorities identified.

Further details of engagement with colleagues specifically can be found on pages 18 to 20 of the Annual Report, including the formal workforce advisory panel, National BIG (Business Involvement Group).

Provision 6. The Audit Committee has reviewed the Company’s whistleblowing procedures including the reporting and follow-up of any concerns by employees regarding possible improprieties in matters of financial reporting, other fraud-related matters and bribery. Our Code of Ethics and Behaviours outlines the behaviours that M&S expects of its employees and advises them to report any concerns or suspected wrongdoing by the Company, colleagues or others involved with the Company, by reporting it to a manager, calling a confidential employee helpline, emailing a designated confidential address, or reporting it to the General Counsel, who will inform the Chief Executive and the Audit Committee chairman of any serious issues as a matter of urgency.

During the year, a new Code of Conduct was developed and replaced the Code of Ethics with effect from 1 April 2020. The new code strengthens the governance processes that underpin key Group-level policies, standards and technical procedures that support and protect our colleagues, suppliers and partners. Compliance with the code will be monitored annually by the Audit Committee.

Provision 7. The Company has procedures in place for managing conflicts of interest. Should a director become aware that they, or any of their connected parties, have an interest in an existing or proposed transaction with Marks & Spencer, they should notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving directors, or their connected parties, are conducted on an arm’s length basis. Directors have a continuing duty to update any changes to these conflicts.

Provision 8. Where directors have concerns about the operation of the board or management of the company that cannot be resolved, this would be recorded in the Board minutes by the Company Secretary. On resignation, non-executive directors are required to provide a written statement to the Chairman, for circulation to the Board, if they have any such concerns. This year, no such concerns have been recorded.

Division of Responsibilities

Provision 9. The Chairman, Archie Norman, was deemed independent on appointment in 2017. The role of Chairman is separate to that of Chief Executive Officer, which is exercised by Steve Rowe.

Provision 10. The non-executive directors are identified on pages 46 and 47 of the annual report and a short biography provided. Full biographies are available at marksandspencer.com/thecompany. The Board has determined that each non-executive director is independent in character and judgement; commits sufficient time and energy to the role and continues to make a valuable contribution to
the Board and its Committees. The Board keeps under review whether there are relationships or circumstances which are likely to affect, or could appear to affect, their independence.

**Provision 11.** Independent non-executive directors, excluding the Chairman, constitute the majority of the Board. Additionally, the Chairman was considered independent on his appointment.

**Provision 12.** Andy Halford, Senior Independent Director, provides a communication channel between the Chairman and the non-executive directors. He ensures that the views of each non-executive director are given due consideration. He is an additional contact point for shareholders if they have reason for concern that cannot be addressed through the normal channels of Chairman, Chief Executive or other executive directors or for which such contact is inappropriate. The Senior Independent Director chairs meetings of the non-executive directors without the Chairman present at least annually to review the performance of the Group generally and the Chairman in particular. See page 55 of the Annual Report for more information.

**Provision 13.** The recommendation of new executive appointments is delegated to the Nomination Committee, which comprises the non-executive directors. See page 57 of the Annual Report for more information.

The Board as a whole is responsible for overseeing, guiding and holding management to account against agreed performance objectives. The Chairman meets the non-executive directors without the executives present to make sure they are sufficiently prepared for Board and Committee meetings and to receive further insight into the performance of the Group and management. See page 55 of the Annual Report for more information.

**Provision 14.** The responsibilities of the Chairman, Chief Executive, Senior Independent Director, Board and Committees are set out in the Governance Framework, which is reviewed by the Board and available to view on marksandspencer.com/thecompany.

The number of board and committee meetings held during the year and details of individual attendance by the directors are disclosed in the appropriate sections of the Annual Report:

- Board – see page 54
- Nomination Committee – see page 57
- Audit Committee – see page 59
- Remuneration Committee – see page 92

**Provision 15.** The directors have ensured that they have sufficient time to carry out their duties. The Chairman’s job specification included an assessment of the time commitment expected and an overview of the Chairman’s role is available to view in the Governance Framework on marksandspencer.com/thecompany. The Chairman’s other significant commitments were disclosed to the Board before his appointment and are included on page 46 of the Annual Report and in the full Board biographies on marksandspencer.com/thecompany. Any changes to these commitments will be reported to the Board as they arise and published in the subsequent Annual Report.

The appointment letter for non-executive directors sets out their terms and conditions of appointment, detailed information on the Group and the expected time commitment, including dates of future Board meetings and AGMs. Their other significant commitments are disclosed to the Board before appointment, with a broad indication of the time involved. The Board is informed of any subsequent changes. Their letters of appointment are available for inspection through the Company Secretary and at our AGM.

No full-time executive director has taken on more than one non-executive directorship of a FTSE 100 company, or the chairmanship of such a company.

**Provision 16.** All directors have access to the advice and services of the Company Secretary, who plays a key role in the promotion of good governance and is responsible for ensuring that board procedures are complied with. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Additionally, the Company has in place an established procedure whereby the Board or any of its Committees may take independent professional advice when appropriate. Any individual director, wishing to do so in the furtherance of their duties, may take independent professional advice through the Company Secretary at the Company's expense.

**Composition, Succession and Evaluation**

**Provision 17.** The Nomination Committee, which comprises the Chairman (who also chairs the Committee) and the non-executive directors, reviews the leadership and succession needs of the organisation and ensures that appropriate procedures are in place for nominating, training and evaluating directors. The Chairman of the Board does not chair the Committee when it is discussing matters relating to their succession. Due regard is given to the benefits of diverse senior leadership, including gender, social background and
ethnicity. In addition, the Committee ensures that the Group’s governance facilitates efficient, effective and entrepreneurial management that can deliver shareholder value over the longer term. Appointments are made on merit and against objective criteria to ensure that the Board maintains a balance of skills and experience.

The Committee’s terms of reference are available on marksandspencer.com/thecompany and an overview of its activities during the year is provided on page 57 of the Annual Report.

Provision 18. Under the Company’s Articles of Association, all directors seek election at their first Annual General Meeting (AGM) following appointment and all directors are subject to annual re-election by shareholders at each AGM thereafter.

All directors were subject to election by shareholders at the 2019 AGM, and will again stand for election by shareholders at the 2020 AGM. Directors’ biographies are given on pages 46 and 47 of the Annual Report and can be viewed on our corporate website, enabling shareholders to take an informed decision when determining their (re)-election.

The papers accompanying the resolutions to elect each non-executive director set out to shareholders why the Board believes that they should be elected and that, following a formal evaluation, the Chairman confirmed to shareholders that the individual’s performance continues to be effective and demonstrates commitment to the role.

Provision 19. The current Chairman, Archie Norman, was appointed to the role in September 2017.

Provision 20. During the year, work on succession was supported by The MBS Group and Russell Reynolds, neither of which have any other connection with the Company aside from the provision of recruitment services. Both are identified on page 58 of the Annual Report. The Board supports the provisions of the Voluntary Code of Conduct for Executive Search Firms and only engages executive search firms who are signatories to this code.

Provision 21. The Board is committed to best practice in its governance activities. The annual Board effectiveness review provides a useful opportunity for the directors to take a step back and reflect on their collective and individual effectiveness, consider where improvements can be made and chart progress. The Annual Report sets out how the Board and its Committees have been reviewed and their respective performances during 2019/20, the outputs and the action planning for 2020/21.

The 2019/20 review was externally facilitated by Gurnek Bains and Georgia Samolada of Global Future Partners. An overview of the review process can be found on page 56 of the Annual Report. The Board and Committee reviews were conducted against the principals set out in the UK Corporate Governance Code. Board members were interviewed according to an agenda tailored for our Board and Committees, and all were supportive of our aims. Feedback on the performance of the Chairman was provided to the Senior Independent Director and confirmed that he provides robust leadership for the Board, strengthening the link between the Board and senior leadership and driving the pace of transformation.

Both Gurnek Bains and Georgia Samolada are identified in the Annual Report, which also confirms that neither has any other connection with the Company. Externally facilitated Board reviews are held every three years, with the last external review held prior to the 2019/20 review taking place in 2017.

Provision 22. The 2020 Board Review concluded with the agreement of an action plan to address the areas of improvement highlighted during the review process. The Board action plan for 2020/21, with which all Board members are fully engaged, is set out on page 56 of the Annual Report.

Provision 23. During the year, the Committee recommended the appointments of David Surdeau as Interim Chief Finance Officer, Katie Bickerstaffe as Chief Strategy and Transformation Director and Eoin Tonge as Chief Financial Officer. It also engaged in the ongoing search for new non-executive talent, culminating in appointment recommendations following the year end, in addition to supporting the search for, and development of, senior talent.

The Committee’s performance was reviewed as part of the 2019/20 externally facilitated Board Review, which is covered below and on page 56 of the Annual Report. The review established that the Committee functions well in terms of planning succession to Board roles and other senior positions. Developmental feedback and support has been provided as part of the evaluation process.

Board Review:

The 2020 external Board Effectiveness and Developmental Review was conducted according to the principles of the UK Corporate Governance Code 2018 (the “Code”) and the supporting Guidance on Board Effectiveness, and was facilitated by Global Future Partners. A detailed overview of the four-stage review process can be found on page 56 of the Annual Report.

Review Insights
The 2020 Board review found that the Board benchmarks well in terms of its overall composition, its ways of working and the value it adds to the business. It was deemed to be well constituted to meet the transformational challenges ahead and to address the key strategic decisions that need to be made about the business.

From a development perspective, the review highlighted certain areas of focus that would further lift the performance and effectiveness of the Board to higher levels. These were discussed with the Board and an appropriate action plan agreed. Additionally, external feedback was provided to each Board member in relation to their individual performance. It was agreed that developmental support would be provided to the Board, the principal committees and individual Board members.

**Diversity Policy:**

The Board’s Diversity Policy was first published in 2012 and is kept under review by the Board to ensure that it remains an effective driver of diversity in its broadest sense, having due regard to gender, ethnicity, social background, skillset and breadth of experience. The Policy underpins our objective of driving the benefits of a diverse board, senior management team and wider workforce. A full evaluation of performance against the updated Board Diversity Policy can be found on page 58 of the Annual Report.

Our principles and targets for Board diversity also apply to our Operating Committee, and currently three members of our Operating Committee are women from a total membership of ten (30%). The Board continues to strengthen the pipeline of senior female executive talent within the business, and to ensure that there are no barriers to women succeeding at the highest levels within M&S. Information on the gender balance of our senior management can be found on page 19 of the Annual Report.

Diversity and inclusion have continued to be promoted across the business with a number of initiatives, including:

- Employee-led networks on gender, ethnicity (BAME), sexual orientation (LGBT+), and disabilities and health conditions. This year, we held our fourth Diversity & Inclusion festival, engaging thousands of colleagues across M&S.
- Continued involvement in the 30% Club, an organisation committed to increasing female representation on UK boards.
- Launch of the Breakthrough Leaders programme aimed at developing and accelerating the progression of diverse talent in the business.
- Active involvement in key campaigns including LGBT+ Pride celebrations, International Women’s Day, Black History Month, National Inclusion Week, Mental Health Awareness Week and World International Day of Disability, raising awareness and our profile as an inclusive place to work.
- Marks & Start and Marks & Start International programmes continue to support young people, the homeless, lone parents and those with disabilities in finding work in our stores and distribution centres.

**Audit, Risk and Internal Control**

**Provision 24.** As at 28 March 2020, and at the date of publication (3 June 2020), the Audit Committee comprises four independent non-executive directors: Andy Halford (Chairman), Alison Brittain, Pip McCrostie and Justin King. The Board has satisfied itself that Andy Halford has recent and relevant financial experience and that the Audit Committee as a whole has competence relevant to the sectors in which the Company operates. Detailed information on the experience, qualification and skillsets of all Committee members can be found on pages 46 and 47 of the Annual Report. The Committee also has access to the financial expertise of the Group and its external and internal auditors and can seek further professional advice at the Company’s expense, if required.

**Provision 25.** The main roles and responsibilities of the Audit Committee, which include those set out in provision 4.25 of the Code, are set out in written terms of reference which are available on our website. An overview of the Committee’s activities during the year, along with how its performance was rated, is provided on pages 59 to 65 of the Annual Report.

At the Board’s request for advice on the matter, the Audit Committee confirmed that the 2020 Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and that they provide the information necessary for shareholders to assess the Company’s position and performance, business model and strategy. Further information can be found on page 61 of the Annual Report.

**Provision 26.** The work undertaken by the Audit Committee in discharging its responsibilities during 2019/20 is described in the Audit Committee Report on pages 59 to 65 of the Annual Report. In accordance with the Code, this includes:

- Significant issues considered by the Committee in relation to the financial statements and how these issues were addressed (pages 62 & 63).
- An explanation of how the Committee has assessed the effectiveness of the external audit process, the approach taken to the re-appointment of Deloitte as the Company’s auditor, and information on Deloitte’s length of tenure (appointed in 2014) and when a tender was last conducted (page 64).
- The Audit Committee’s recommendation regarding the re-appointment of the external auditors. As authorised by shareholders at the 2019 AGM, the Audit Committee determines the level of remuneration for the external auditors on behalf of the Board. Details of this year’s fees are given in note 4 to the financial statements in the 2020 Annual Report.
- A description of the Company’s Auditor Engagement Policy and how this safeguards the auditor’s objectivity and independence. This policy is reviewed annually and is available on our website.
Provision 27. The responsibilities of the directors in preparing the accounts are set out on pages 96 and 97 of the Annual Report. Confirmation that the directors consider the annual report and accounts, taken as a whole, to be fair, balanced and understandable is given on page 97 of the Annual Report.

Provision 28. The Board has confirmed on page 33 of the Annual Report that it has carried out a robust assessment of the principal and emerging risks facing the Company, including those that could threaten its values, reputation, business model, future performance, solvency or liquidity. Descriptions of those risks and how they are mitigated are set out on pages 36 to 42.

Provision 29. On behalf of the Board, the Audit Committee has completed its annual review of the effectiveness of the Group’s risk management process and systems of internal control and has reported on that review on page 65 of the Annual Report. No significant failings or weaknesses were identified in respect of the year ended 28 March 2020 and up to the date of the Annual Report. Where the Committee has identified areas requiring improvement, processes have been put in place to ensure that the necessary action is taken and progress is monitored.

Provision 30. The directors’ going concern statement is given on page 96 of the Annual Report. Based on the Group’s cash flow forecasts and projections, the Board is satisfied that the Group will be able to operate within the level of its facilities for the foreseeable future.

Provision 31. The Board explains on pages 42 & 43 of the Annual Report how it has assessed the prospects of the Company over the longer term and why it considers a three-year period to be appropriate for the purposes of this assessment. On page 96 of the Annual Report, the Board confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over this period.

Remuneration

Provision 32. The Remuneration Committee currently comprises two independent non-executive directors – Andrew Fisher (Chairman) and Archie Norman. The membership of this Committee had been three during the course of the year until 27 April 2020 when Katie Bickerstaffe transitioned from being a non-executive director to Chief Strategy and Transformation Director. The Committee membership will increase to three non-executive directors following the 2020 AGM.

Prior to his appointment as Chair of the Remuneration Committee, Andrew Fisher had been a member of a remuneration committee (for Moneysupermarket.com Group PLC) for more than 12 months. The Committee met seven times during the year under review. The Committee attendance table can be found on page 92 of the Annual Report. An overview of what the Committee has done during the year, along with how their performance was rated, is provided on page 66 of the Annual Report.

Provision 33. The Remuneration Committee’s primary role is to recommend to the Board the senior remuneration strategy and framework, giving due regard to the financial and commercial health of the Company and to ensure the executive directors and senior management are fairly rewarded for their individual contributions to the Company’s overall performance. The remit of the Committee also includes considering the appropriateness of the senior remuneration framework when reviewed against arrangements throughout the rest of the organisation, determining the terms of employment and remuneration for executive directors and senior managers, including recruitment and termination arrangements, approving the design, targets and payments for all annual incentive schemes that include executive directors and senior managers and agreeing the design, targets and annual awards made for all share incentive plans requiring shareholder approval.

Provision 34. The fees paid to our non-executive directors recognise the responsibility of the role, the time commitments required and are not performance related nor pensionable. Non-executive directors do not participate in any of the Company’s share schemes nor the Annual Bonus Scheme. The basic annual fee which includes membership of committees is £71,000 per annum. The additional fee for acting as Chairman of the Audit or Remuneration Committees is £15,000 and the Senior Independent Director receives a fee of £102,000. Each of the non-executive director fees are disclosed on page 90 of the Annual Report.

Provision 35. In carrying out its responsibilities, the Committee is independently advised by external advisers. The Committee was advised by PwC during the year. PwC is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. The code of conduct can be found at remunerationconsultantsgroup.com.
The Committee has not explicitly considered the independence of the advice it receives, although it regularly reflects on the quality and objectivity of this advice. The Committee is satisfied that any conflicts are appropriately managed. PwC was appointed by the Committee as its independent advisers in 2014 following a rigorous and competitive tender process. PwC provides independent commentary on matters under consideration by the Committee and updates on legislative requirements, best practice and market practice. PwC’s fees are typically charged on an hourly basis with costs for work agreed in advance. During the year, PwC charged £70,900 for Remuneration Committee matters. This is based on an agreed fee for business as usual support with additional work charged at hourly rates. PwC has provided tax, consultancy and risk consulting services to the Group in the financial year.

The Committee also seeks internal support from the CEO, General Counsel & Company Secretary and the Head of Executive Reward & External Reporting as necessary. All may attend the Committee meetings by invitation but are not present for any discussions that relate directly to their own remuneration.

The Committee also reviews external survey and bespoke benchmarking data, including that published by Aon Hewitt Limited, KPMG, PwC, FIT Remuneration Consultants, Korn Ferry and Willis Towers Watson.

Provision 36. Performance-related elements of remuneration form a significant proportion of the total remuneration package of executive directors. M&S is committed to ensuring its remuneration arrangements motivate participants to strive for exceptional performance while also protecting shareholder value from the Company taking unnecessary risks. As such, clawback and malus provisions apply to these incentive arrangements. The malus provisions allow the Committee, in its absolute discretion, to determine at any time prior to the vesting of an award to reduce the number of shares, cancel an award or impose further conditions on an award in circumstances for which the Committee considers such action to be appropriate. Such circumstances may include, but not be limited to, a material misstatement of the Company’s audited results. The clawback provisions enable the Committee, in its absolute discretion, to reclaim awards paid to individuals for up to three years after the respective vesting or payment date (or up to two years in the case of PSP awards) where specified events occur.

Further detail of the remuneration policy including information on holding periods, clawback, and post-cessation periods can be found on pages 74-80 of the 2020 Annual Report.

Provision 37. Recent world events have highlighted the importance of having a flexible Remuneration policy that has the appropriate permissible discretions to ensure that M&S senior pay arrangements truly reflect the performance of the Company and are aligned with shareholder interests. Pages 66-92 of the 2020 Annual Report explicitly outline the discretions already in place to ensure that the Remuneration Committee is able to act in the best interests of the business and our shareholders in unknown and unpredictable circumstances.

The Remuneration Committee has the ability to apply malus, clawback and responsible application of discretion to override formulaic outcomes of the incentive schemes to ensure that pay outcomes are appropriate in the wider business and economic climate beyond the relevant performance measures. During the year, the Committee discussed the breadth of provisions in place and agreed that these provide the Committee with sufficient capacity to act appropriately in unforeseen circumstances. The clawback provisions which have been in place since 2017 allow the Committee a number of circumstances during the life of the binding policy beyond financial misstatement: these are explicitly disclosed on page 76 of the Annual Report.

During the year the Committee did not apply any discretion to the variable pay outcomes of the bonus and Performance Share Plan (PSP). The Committee agreed that the final vesting of the PSP was reflective of the last three years of M&S’s performance and that the Policy operated as intended.

Provision 38. Directors may participate in M&S’s defined contribution arrangement on the same terms as other colleagues.

The cash supplement in lieu of pension contributions has been removed under the terms of the new policy to be put to shareholders at the 2020 AGM for any future director. The CEO’s cash pension supplement will be reduced to zero over the next three years.

Provision 39. All executive directors and senior managers have rolling service contracts which can be terminated by the Company giving 12 months’ notice and by the employee giving six months’ notice. Exceptions may exist where new recruits have been granted longer notice periods for the initial period of their employment, reducing to twelve months.

The Chairman has an agreement for service which can be terminated on six months’ notice by either party. Non-executive directors have agreements for service with the Company for an initial three-year term, which can be terminated on three months’ notice by either party. Details of each executive director’s and non-executive director’s contract terms are set out on pages 89 and 90 respectively of the 2020 Annual Report.

Provision 40. The Remuneration Committee has a strong focus on setting remuneration policy and practices that are designed to support strategy and promote the long-term success of M&S, while following the below principles:

- Clarity – remuneration arrangements are transparent and promote effective engagement with shareholders and the workforce.
- Simplicity – remuneration structures are uncomplicated, and their rationale and operation is easy to understand.
• Risk – ensure that reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated.
• Predictability – the range of possible values of rewards to executive directors are identified and explained at the time of approving the policy.
• Proportionality – the link between individual awards, the delivery of strategy and the long-term performance of the Company is clear. Outcomes should not reward poor performance.
• Alignment to culture – incentive schemes that drive behaviours consistent with M&S’s purpose, values and strategy.

**Provision 41.** The work of the Remuneration Committee is detailed on pages 66-92 of the Annual Report and included, alongside setting remuneration policy and practices, the key responsibilities outlined on page 91 of the Report.

The strategic rationale for executive directors’ remuneration policy is detailed in pages 66-80 of the 2020 Annual Report. The focus at M&S continues to be on transformation, so the measures and targets used in M&S’s incentive schemes, specifically those of the Performance Share Plan and Annual Bonus Scheme, align with the KPIs and strategic priorities being used across the business. This strength of alignment will enable the Remuneration Committee to ensure pay arrangements help to accelerate transformation and fulfill M&S’s potential for long-term sustainable profitable growth, despite the prolonged impact of Covid-19 in the current trading environment and likely subsequent financial performance.

The Committee will continue to thoroughly review the pay structures and incentive arrangements for the senior leadership team to ensure strong alignment between the delivery of business performance and the associated remuneration arrangements as the business continues along this accelerated transformation journey to emerge stronger and more competitive.

As part of the 2021 Remuneration Committee action plan it was agreed that there should be a continued alignment of executive remuneration with the approach to pay across the wider workforce (e.g. CEO Pay Ratio, Gender Pay Gap, Diversity). Further information is found on pages 72 and 73 of the 2020 Annual Report. Additional information on the diversity of our Board, including its consideration of diversity in its succession plans and in developing senior management, can be found on pages 19, 46, 49 and 58.

The Remuneration Committee spent a considerable amount of 2019/20 reviewing the remuneration framework, structures, measures and targets. This was all undertaken in the context of the ever-changing political and retail trading landscape and more recently in light of the ongoing Covid-19 pandemic. The Committee consulted with our major shareholders (representing almost 50% of our total shares in issue) to discuss our proposal and response in respect of executive pay arrangements. Additionally, we also approached a number of shareholder representative bodies given many of our stakeholders engage their services. The Committee reviewed and discussed all the responses and feedback provided and have developed a remuneration framework that we believe, based on what we currently know, will support the business over the next three years and is aligned with investor expectations.

The Committee monitors and reviews the effectiveness of the senior remuneration policy and its impact and compatibility with remuneration policies in the wider workforce. Throughout the year, the Committee reviews the frameworks and budgets for key components of colleague pay arrangements, together with the broader structure of Group bonus provisions which ensures appropriate alignment with senior pay arrangements.

Colleague engagement activity relating to remuneration is outlined on page 72 of the 2020 Annual Report. Since 2018, the Chair of the National Business Involvement Group (BIG), our colleague representative body, is invited to attend a Remuneration Committee meeting each year to engage and contribute on a range of topics and activities. During the year, representatives from BIG have been engaged on a number of pay-related topics, beyond the executive level, including: helping colleagues to understand the impact of the rights issue on their share schemes and providing ongoing feedback on colleague questions and concerns during this period; user acceptance testing of our share schemes website; and providing feedback and support on the timing of our annual ShareSave invitation. The collaborative relationship that we have with BIG strongly reflects our belief in the key role that BIG plays in ensuring the Remuneration Committee has greater visibility of the things that really matter to our colleagues and also gives the Committee the opportunity to explain and discuss our pay practices and how executive pay aligns with pay across the wider workforce. In addition, the Head of Executive Reward & External Reporting also provides updates to the Committee as appropriate on pay and people-related issues during the year.