

REMUNERATION

REMUNERATION OVERVIEW

ANDREW FISHER CHAIR OF THE REMUNERATION COMMITTEE



“The Committee ensures that executive pay arrangements remain appropriate when considering M&S’s overall remuneration framework and external regulatory environment.”

ANDREW FISHER CHAIR OF THE
REMUNERATION COMMITTEE

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REMUNERATION

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 Full policy available at marksandspencer.com/thecompany in the 2017 annual report

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INTRODUCTION

On behalf of the Board, I am pleased to present our 2018 Remuneration Report, my first as the Chairman of the Remuneration Committee. The Committee’s report covers the required regulatory information, balanced against commercial sensitivities, and also provides further context and insight into our director pay arrangements.

The report provides a comprehensive picture of the structure and scale of our remuneration framework, its alignment with the business strategy and the rest of the workforce, as well as the decisions made by the Committee as a result of business performance for this year.

A summary of the approved Remuneration Policy for the year, the Committee’s considerations and the intended arrangements for 2019/20 are set out on pages 63-75 of this report. The full Policy can be viewed on the Company’s website at marksandspencer.com/thecompany.

BOARD CHANGES

Following the departure of Helen Weir at the end of the last financial year, in July 2018 we were delighted to welcome Humphrey Singer as CFO. As detailed in the 2018 report, the Committee was pleased that we not only secured the employment of Humphrey Singer under our normal framework, but that we were able to further simplify our pay structures, removing any additional allowances for pension or car from his arrangements.

Early 2018 also saw the departure of Patrick Bousquet-Chavanne. Details of his leaving arrangements, along with full recruitment details for Humphrey, can be found on page 72 of this report. Due to the principle of mitigation built into the executive director Termination Policy, the Company was only required to pay a small proportion of Patrick’s potential contractual notice period that would have been required had this principle not been in place.

Reflecting on these arrangements, the Committee believes that our Remuneration Policy continues to provide appropriate flexibility in ensuring that any payments made in the implementation of the Policy are in the best interests of both the Company and our shareholders while being fair to the individual. As we look to the future, the Committee continues to be mindful of the ever-changing political and retail trading landscape and the need to ensure strategic alignment of the remuneration framework together with a motivational package for senior colleagues.

CONTEXT OF BUSINESS PERFORMANCE

As referenced earlier in this report, M&S remains in the first ‘Restoring the Basics’ phase of the transformation. In Clothing & Home, despite underlying progress this year, transformation is yet to be reflected in like-for-like sales. In Food, whilst encouraging signs of volume growth were seen in the final quarter, again like-for-like sales were down and small improvement gains continue to be offset by challenges with our supply chain. As demonstrated on page 55, and referenced throughout this Remuneration Report, there is a strong alignment between M&S’s key performance indicators and the measures and targets of director incentive schemes. As described later, it is to be expected that payments under both the Annual Bonus Scheme and Performance Share Plan will be impacted by this challenging trading environment and the requirement of M&S to strengthen its ability to transform and adapt with pace.

STRATEGIC ALIGNMENT OF REMUNERATION FRAMEWORK WITH KPIS

| KPI/Strategic Priority | As measured by | Performance Share Plan (PSP) | Annual Bonus Scheme (ABS) | Historic | Looking Forward | |
|---|--|--|---------------------------|----------|-----------------|---|
| KPI See KPIs on p22 | Adjusted Earnings Per Share (EPS) | ● | | ● | ● | |
| | Return On Capital Employed (ROCE) | ● | | ● | ● | |
| | Free Cash Flow | ● | | ● | ● | |
| | Group PBT Before Adjusting Items (PBT) | | ● | ● | ● | |
| STRATEGIC PRIORITY See Strategic Priorities on p7 | 1 Transforming Leadership Team | New management team | | ● | | |
| | | Talent review | | ● | | |
| | | Team development | | ● | ● | |
| | 2 Building Greater Accountabilities | New management team | | ● | ● | |
| | | Team development | | ● | | ● |
| | | Clear and consistent reporting | | ● | | ● |
| | | Accelerate culture and organisation change | | ● | | ● |
| | 3 Digital First Retailer | Sparks | | ● | ● | |
| | | Online capabilities | | ● | ● | |
| | | Technology enabled store portfolio and operations | | ● | | ● |
| | | Accelerate Online Growth | | ● | | ● |
| | 4 Reshaping the Ranges and Customer Profile in Clothing & Home | Range management | | ● | | ● |
| | 8 Modernising the Supply Chain | Supply chain delivery | | ● | ● | ● |
| | 9 Cost Savings | Operating costs and control of capital expenditure | | ● | ● | ● |
| | | Cost Strategy Programme | | ● | | ● |

2018/19 PERFORMANCE

●
ADJUSTED EARNINGS PER SHARE

25.4p

Adjusted EPS in 2018/19 was 25.4p. This was below the 28.9p threshold required for any vesting under this element of the 2016 PSP award.

●
RETURN ON CAPITAL EMPLOYED

14%

Average three-year ROCE performance was 14%. As a result, 9% out of a maximum of 20% of the 2016 PSP will vest under this element.

●
CUMULATIVE FREE CASH FLOW

£1,587m

Cumulative free cash flow performance for the three-year period ending in 2018/19 was £1,587m. As a result, 25% out of a maximum of 30% of the 2016 PSP will vest under this element.

●
GROUP PBT BEFORE ADJUSTING ITEMS

£523.2m

Group PBT was below the threshold for bonus payments to be made under the 2018/19 Annual Bonus Scheme.

STRATEGIC ALIGNMENT OF PAY

M&S is committed to transformation and, in order to support this, the Committee ensures alignment of the measures and targets used in M&S's incentive schemes, specifically those of the Performance Share Plan and Annual Bonus Scheme, with the KPIs and strategic priorities being used across the business. The illustration above demonstrates this strong linkage between the KPIs and strategic priorities, payments to directors, and business performance over the short- and long-term.

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 five-year transformation journey.

TERMS OF REFERENCE AND WIDER WORKFORCE PAY ARRANGEMENTS

This continues to be a time of significant activity within the world of executive remuneration. 2018 saw the Financial Reporting Council publish its much-anticipated revised 2018 UK Corporate Governance Code and we welcome the greater stakeholder focus and development of UK corporate governance in a way that supports existing good business practice.

I am pleased to be able to say that both wider colleague pay alignment and cultural context is woven throughout the remit and activities of M&S's Remuneration Committee. Throughout the year, the Committee debates and discusses oversight of key people policy areas such as performance management and diversity and inclusion, as well as gender pay reporting and reward framework and

budgets. Furthermore, demonstrating the Committee's commitment to meaningful and transparent engagement on pay practices in the wider workforce, the chair of M&S's employee representative body is invited to attend and contribute to a Committee meeting each year to allow two-way feedback. As evidence of our commitment to transparent reporting, along with embracing the spirit of the new regulations, we have chosen to publish an early indication of the M&S CEO: employee pay ratio which can be found on page 58, alongside M&S's gender pay statistics, which are included in the Remuneration Report for the first time.

Within the principle of best practice, the Remuneration Committee reviews its Terms of Reference on an annual basis. In anticipation of the revised 2018 UK Corporate Governance Code, a thorough appraisal was

REMUNERATION OVERVIEW CONTINUED

undertaken in 2017/18 during which the role and remit of the Remuneration Committee was reviewed and broadened to include a more formal and wider consideration of our reward framework and fairness across the organisation. After 12 months of working under these revised Terms of Reference, the emphasis of the 2018/19 review was a sharpening and focusing of activities of the Committee, while ensuring they capture all elements of the final published Code. More detail around the remit and activities of the Committee can be found on page 74 and the Company's website at marksandspencer.com/thecompany.

SINGLE FIGURE AND INCENTIVE SCHEME OUTCOMES

The graph below summarises the total payments made to executive directors in 2018/19, illustrating the figures detailed in the single figure chart set out later in this report on page 63.

Overall pay levels for the CEO were higher than last year. Cumulative free cash flow has driven an uplift in vesting under the 2016 Performance Share Plan (PSP) which will vest at 34.0% in December 2019 for the three-year performance period up to 30 March 2019. Page 67 of this report provides further detail on the specifics of the targets set and the respective achievement under each measure, which are also summarised in the illustration opposite. The remit of the Committee is to ensure that targets set are stretching yet achievable, rewarding the delivery of sustainable, ambitious long-term performance. While this vesting is higher than that seen in recent years under the Performance Share Plan, it remains low when reviewed in the context of the wider market. However, the Committee is satisfied that this vesting is reflective of the challenging business performance Steve Rowe and Archie Norman have both highlighted earlier in this Annual Report.

The 2018/19 Annual Bonus Scheme was designed on restoring the business to profitable growth. Annual performance for the year was again focused on Group PBT before adjusting items (PBT) with individual

measures set against the key areas of delivery deemed most critical to the transformation journey. As with previous years, individual performance was measured independently of PBT performance, but, mirroring arrangements elsewhere in the business, no individual element could be earned until the threshold needed to secure payment under the PBT element was similarly achieved. For the 2018/19 financial year, the PBT achievement of £523.2m was below the threshold to trigger a bonus payment and no bonus was paid under the Annual Bonus Scheme to anyone within the organisation, including executive directors. However, in order to ensure continued strong governance and transparent reporting to shareholders, and in line with the normal processes, the Committee discussed each director's achievement against the relevant individual performance targets. Final achievement against these individual objectives is detailed on page 65 of this report.

The Committee is satisfied that incentive payments made to executive directors during the year are appropriate in the context of business performance for 2018/19 and payments made elsewhere in the business.

PAY ARRANGEMENTS FOR 2019/20

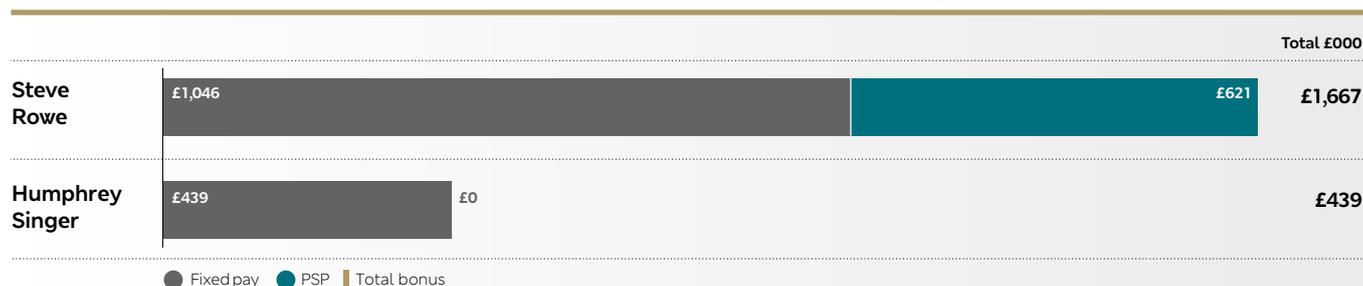
When reviewing salary levels, the Committee takes into account a number of internal and external factors, primarily the salary review principles applied to the rest of the organisation, but also Company performance during the year and external market data. Salary reviews being awarded across the wider organisation ranged from 2% to 4% and, to this extent, the Committee decided that it would be appropriate to award a salary increase of 3% to Steve Rowe and 2% to Humphrey Singer. The Committee felt that the salary increase awarded to Steve Rowe is appropriate given that he has not received a salary increase since his appointment to CEO in 2016, despite his salary being set significantly lower than that of his predecessor. Humphrey Singer's increase is in line with salary increases

granted to the management population. As detailed within this report, the Committee made the recommendation, and Steve agreed, that this pay increase would not apply to Steve's pension supplement. During the coming year, the Committee will be considering the treatment of executive director pension supplements in M&S ahead of the 2020 Remuneration Policy renewal.

The Annual Bonus Scheme remains unchanged from 2018/19 and will continue to be based on corporate financial targets (currently 70%) and individual objectives (currently 30%). The maximum opportunity will remain at 200% of salary. As we continue our transformation the Committee believes that it remains appropriate for PBT to continue to represent the largest element of bonus potential. This focus on transformation is also reflected in the individual objectives for both the CEO and CFO which are further described on page 66.

The Committee continues to ensure that the remuneration framework for executives is aligned to shareholder interests. This means fully aligning performance measures used in the incentive schemes to the business strategy and setting targets which are both stretching and yet motivating for directors. While it is proposed that the 2019 Performance Share Plan (PSP) will maintain measures used by the 2017 and 2018 PSP awards, being equally split between Adjusted EPS (EPS), Average ROCE (ROCE) and Relative TSR (TSR), for the 2019 award we have reset EPS targets from those seen in awards from previous years. The intention to make such an adjustment to these targets was fully communicated to our main shareholders and their feedback was taken on board prior to any decisions being made. Overall, the Committee believes that these PSP targets are appropriately stretching in the context of the business and analyst expectations and remain as equally challenging as those set at the start of the performance period for previous awards. Full details can be found on page 68.

SINGLE FIGURE REMUNERATION FOR 2018/19



➤ See **Single figure remuneration** on p63

➤ See **PSP** on p67-68

➤ See **Annual Bonus Scheme** on p65

PERFORMANCE SHARE PLAN (PSP) VESTING 2019

VESTING OUTCOMES

Cumulative Free cash flow

| | |
|-----------|-----|
| ● Maximum | 30% |
| ● Actual | 25% |

Adjusted EPS

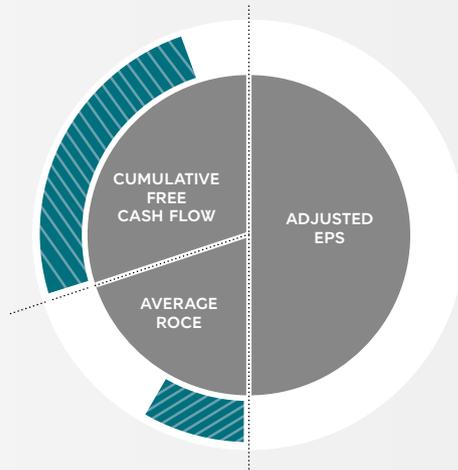
| | |
|-----------|-----|
| ● Maximum | 50% |
| ● Actual | 0% |

Average ROCE

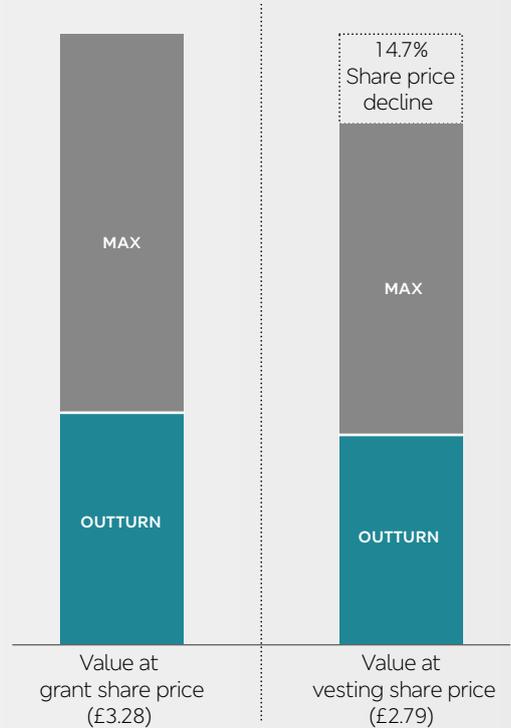
| | |
|-----------|-----|
| ● Maximum | 20% |
| ● Actual | 9% |

Outturn

| | |
|-----------|------|
| ● Maximum | 100% |
| ● Actual | 34% |



IMPACT OF SHARE PRICE CHANGE ON PSP VESTING VALUES



➕ See Performance Share Plan on p66-68

LOOKING AHEAD

This will be the final year under the current remuneration framework, as at the 2020 AGM we will be seeking your support and approval for a new Remuneration Policy. Any new Policy put to our shareholders will remain steadfast in ensuring that executive director pay arrangements support and drive the business strategy while remaining appropriate when considered within the overall M&S remuneration framework and the external regulatory environment. A robust framework is especially crucial given the challenging environment in which we are operating. We will be supported by our Committee advisors when formulating the new Policy to ensure strong alignment with business objectives, in both the short- and long-term, with a view to delivering strong performance and sustainable shareholder returns. As ever, we will seek to engage with our major shareholders as part of this process to both reflect their views and to maintain open dialogue on director pay arrangements.

As we look to the future, the Committee will also need to take into consideration the impact of the joint venture between M&S and Ocado, a partnership we believe will bring substantial benefits and has transformative potential for our business. The Committee fully intends to review the extent to which the joint venture impacts structures, targets and applications of M&S's incentive arrangements in both the short- and long-term.

I would like to thank our shareholders for their continued support during the year. I will be available at the Company's Annual General Meeting on 9 July 2019 to answer any questions in relation to this Remuneration Report.

ANDREW FISHER
CHAIR OF THE REMUNERATION COMMITTEE

REMUNERATION

REMUNERATION IN CONTEXT

COLLEAGUE ENGAGEMENT

- **Share ownership across our colleagues** Across our UK and Irish colleagues, M&S has a significant number of participants in all employee share schemes. M&S is a proud advocate of employee share ownership, encouraging colleagues to share in M&S's success while aligning interests with our shareholders.

- **Direct engagement with our colleagues** The chair of the M&S colleague representative body is invited to attend a Remuneration Committee meeting each year to engage and contribute on both executive pay and pay across the wider workforce.

- **Pay Budgets** Under the remit of the Remuneration Committee, total budgeted salary expenditure across M&S for salary review is noted, ensuring principles for reward allocation are aligned across the full workforce, inclusive of senior leaders.

GENDER PAY GAP

The M&S median gender pay gap for the year to April 2018 is 4.2%, compared to a national average of 17.9%. The M&S mean gap for the same period is 12.5%.

In the last 12 months we've made several steps to further promote and enhance diversity and equality at M&S. This includes, but is by no means limited to, development of a formal female talent pipeline, ensuring gender balanced recruitment campaigns and building a clear diversity & inclusion strategy governed by an Inclusion Group made up of directors and our employee diversity network chairs.

We're proud that 75% of our Customer Assistants are women but we need to do more to encourage diversity in senior roles.

GENDER PAY GAP (MEDIAN)

4.2%

CONSIDERATION OF COLLEAGUE AND STAKEHOLDER VIEWS

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 broader structure of group bonus provisions which ensures appropriate alignment with senior pay arrangements.

The Committee receives updates on a variety of employee engagement initiatives including our annual 'Your Say' employee survey, which asks employees about engagement, empowerment and enablement. Employee representatives in our Business Involvement Groups are annually provided with an explanation of the executive directors' pay arrangements during the year, and are able to ask questions on the arrangements and their fit with the other reward policies at this time.

CHIEF EXECUTIVE'S PAY RATIO

The table below discloses the ratio of CEO pay for 2018, using the single total figure remuneration as disclosed in Figure 7 (page 63) to the comparable, indicative, full-time equivalent total reward of those colleagues whose pay is ranked at the 25th percentile, medium and 75th percentile in our UK workforce. Colleague pay was calculated based on actual pay and benefits

for the 12 monthly payrolls within the full financial year.

We believe that the final figures detailed below are representative of the vast majority of our colleague base, being primarily customer assistants based in our stores. Formal figures and disclosures required under the updated regulation will be reported next year.

| Year | 25 th percentile ratio | 50 th percentile ratio | 75 th percentile ratio |
|--------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| 2019 Indicative Figures | 92 : 1 | 88 : 1 | 79 : 1 |

PERCENTAGE CHANGE IN CEO'S REMUNERATION

The table below sets out the change in the CEO's remuneration (i.e. salary, taxable benefits and annual bonus) compared with

the change in our UK-based colleagues' pay. This group has been chosen as the majority of our workforce is UK-based.

| | % change 2017/18 – 2018/19 | | |
|--------------------------------|----------------------------|----------|--------------|
| | Base salary | Benefits | Annual bonus |
| CEO (Steve Rowe) | 0% | 1.4% | – |
| UK employees (average per FTE) | 2.9% | -0.8% | – |

The 2.9% percentage change in base salary for UK employees reflects the base pay increase awarded to store colleagues effective April 2018.

No award under the Annual Bonus Scheme was made to either the CEO or anyone else within the wider workforce in either 2017/18 or 2018/19.

The change in colleague benefits is reflective of a shift in workforce structure rather than a change in benefit offering, which remains unchanged from 2017/18. The slight increase in Steve Rowe's benefits can be attributed to an increase in driver salary.

REMUNERATION

SUMMARY REMUNERATION POLICY

This report sets out a summary of M&S's policy on remuneration for executive and non-executive directors. The full policy was approved by shareholders at the AGM on 11 July 2017 and can be found on our website at marksandspencer.com/thecompany. The policy took effect from this date and is designed to attract, retain and motivate our leaders within a framework designed to promote the long-term success of M&S and aligned with our shareholders' interests.

SUMMARY EXECUTIVE DIRECTORS' REMUNERATION POLICY (AS APPROVED ON 11 JULY 2017)

FIGURE 1: SUMMARY EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE

| ELEMENT | OPERATION | OPPORTUNITY |
|---|---|---|
| BASE SALARY | Salaries are reviewed annually by the Committee, considering a number of factors, including external market data, historic increases made to the individual and salary review principles applied to the rest of the organisation. | Normally in line with those in the wider workforce, although no maximum is set. |
| BENEFITS | In line with our policies, executive directors are eligible to receive benefits which may include: <ul style="list-style-type: none"> - A car or cash allowance and a driver. - Life assurance. - Relocation and tax equalisation allowances in line with our mobility policies. As with all employees, directors are also offered other benefits including: <ul style="list-style-type: none"> - Employee discount. - Salary sacrifice schemes. - Participation in our all-employee share schemes. | There is no set maximum, however any provision will be commensurate with local markets and for all-employee shares schemes, the local statutory limits. |
| PENSION BENEFITS | M&S may choose to offer: <ul style="list-style-type: none"> - Participation in our defined contribution pension scheme; or - Cash payments in lieu of pension contributions. The defined benefit pension scheme is closed to new members. Directors who are members of this scheme will continue to accrue benefits as a deferred member. | Cash payments are capped at 25% of salary for executive directors appointed prior to 11 July 2017. For directors appointed to the Board after 11 July 2017, the cash alternative will be capped at a maximum of 20% of salary. |
| ANNUAL BONUS SCHEME INCLUDING DEFERRED SHARE BONUS PLAN (DSBP) | All directors are eligible to participate in the discretionary, noncontractual Annual Bonus Scheme. Performance is measured against quantifiable one-year financial and individual performance targets linked with the sustainable delivery of our business plan. At least half of awards are measured against financial measures which typically includes Group PBT before adjusting items (PBT). Corporate and individual elements may be earned independently, but no part of the individual objectives may be earned unless a 'threshold' level of PBT has been achieved after which up to 40% of maximum may be payable for the achievement of individual objectives. Not less than 50% of any bonus earned is paid in shares which are deferred for three years. The Committee retains the right to exercise discretion, both upwards and downwards, to ensure that the level of award payable is appropriate. Where exercised, the rationale for this discretion will be fully disclosed to shareholders in the subsequent Annual Report. The Committee can, in circumstances it believes appropriate, reduce to zero unvested deferred share awards. In certain circumstances, the Committee can also reclaim all or part of the cash bonus for up to three years after the payment date. | Total maximum annual bonus opportunity is capped at 200% of salary for each executive director. |
| PERFORMANCE SHARE PLAN (PSP) | All directors are eligible to participate in the Performance Share Plan. This is a non-contractual, discretionary scheme and is M&S's main long-term incentive scheme. Performance may be measured against appropriate financial, non-financial and/or strategic measures. Financial measures must comprise at least 50% of awards. The Committee can, in circumstances it believes appropriate, reduce to zero unvested PSP awards. In addition, the Committee can reclaim all or part of vested awards for up to two years after the vesting date in certain specified circumstances. Awards granted after 11 July 2017 will be subject to a further two-year holding period after the vesting date. | The maximum annual value of shares at grant is capped at 300% of salary for each executive director. |

SUMMARY REMUNERATION POLICY CONTINUED

SUMMARY EXECUTIVE DIRECTORS' REMUNERATION POLICY (AS APPROVED ON 11 JULY 2017) CONTINUED

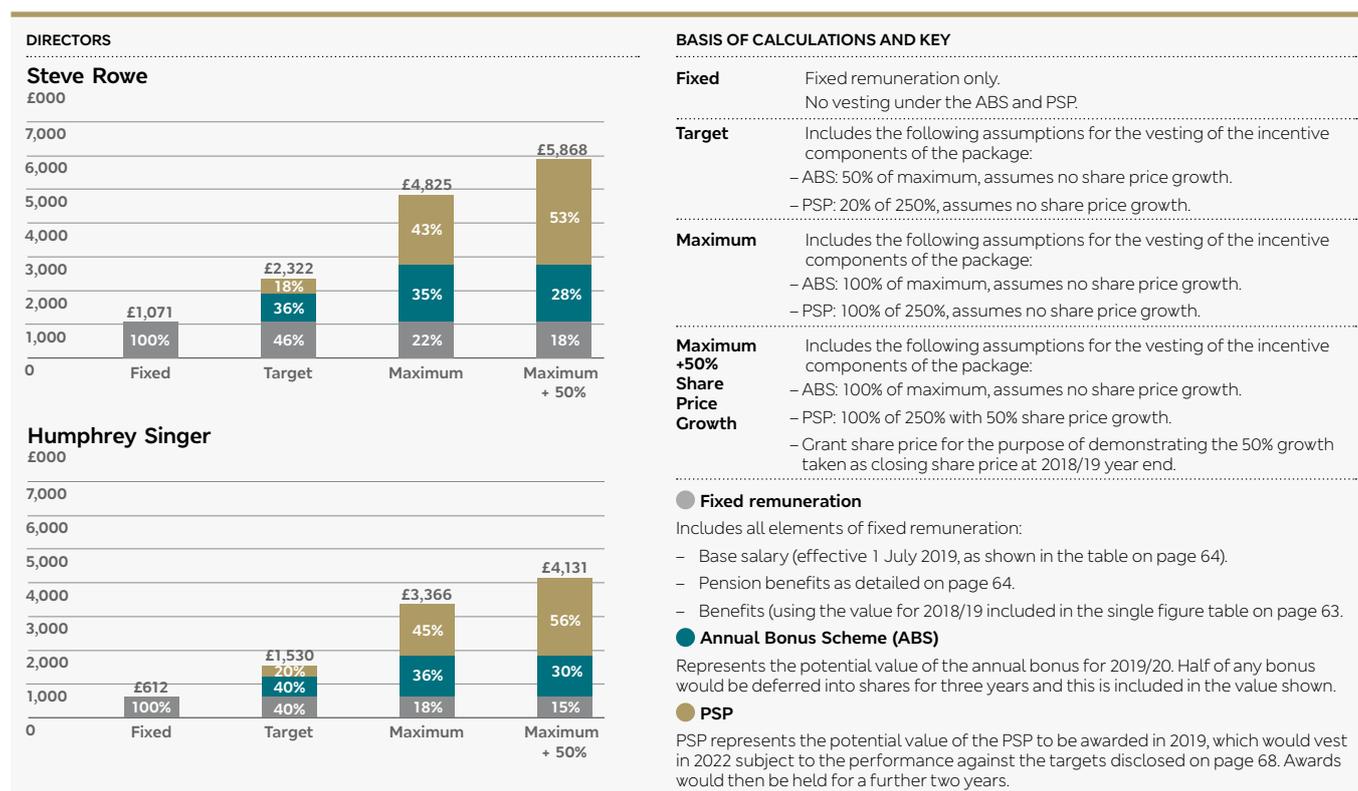
FIGURE 2: RECRUITMENT POLICY & SERVICE CONTRACTS

The table below summarises the Company's policy on the recruitment of new executive directors. Similar considerations may also apply where a director is promoted within the Board.

| ELEMENT | APPROACH |
|----------------------------|--|
| SERVICE CONTRACT | <ul style="list-style-type: none"> All executive directors have rolling contracts for service which may be terminated by M&S giving 12 months' notice and the individual giving six months' notice. |
| BASE SALARY | <ul style="list-style-type: none"> Salaries are set by the Committee, taking into consideration a number of factors including the current pay for other executive directors, the experience, skill and current pay level of the individual and external market forces. |
| BENEFITS | <ul style="list-style-type: none"> The Committee will offer a benefits package in line with our benefits policy for executive directors. |
| PENSION BENEFITS | <ul style="list-style-type: none"> Maximum contribution in line with our policy. |
| ANNUAL BONUS SCHEME | <ul style="list-style-type: none"> Maximum bonus potential will be capped at 200% of salary in line with our policy. |
| PSP | <ul style="list-style-type: none"> Maximum award of up to 300% of salary in line with our policy. |
| BUY-OUT AWARDS | <ul style="list-style-type: none"> The Committee may offer compensatory payments or buy-out awards where an individual forfeits outstanding variable pay opportunities or contractual rights as a result of their appointment with M&S. The specifics of any buy-out awards would be dependent on the individual circumstances of recruitment. Any value awarded would be no greater than the value forfeited by the individual. |

In addition, the Committee in exceptional circumstances has discretion to include any other remuneration component or award which it feels is appropriate subject to the limit on variable remuneration set out above. The rationale for any such component would be appropriately disclosed.

APPLICATION OF REMUNERATION POLICY



SUMMARY EXECUTIVE DIRECTORS' REMUNERATION POLICY (AS APPROVED ON 11 JULY 2017) CONTINUED

FIGURE 3: TERMINATION POLICY

The Company may choose to terminate the contract of any executive director in line with the terms of their service agreement either by means of a payment in lieu of notice or through a series of phased payments subject to mitigation. Service agreements may be terminated without notice and, in certain circumstances such as gross misconduct, without payments.

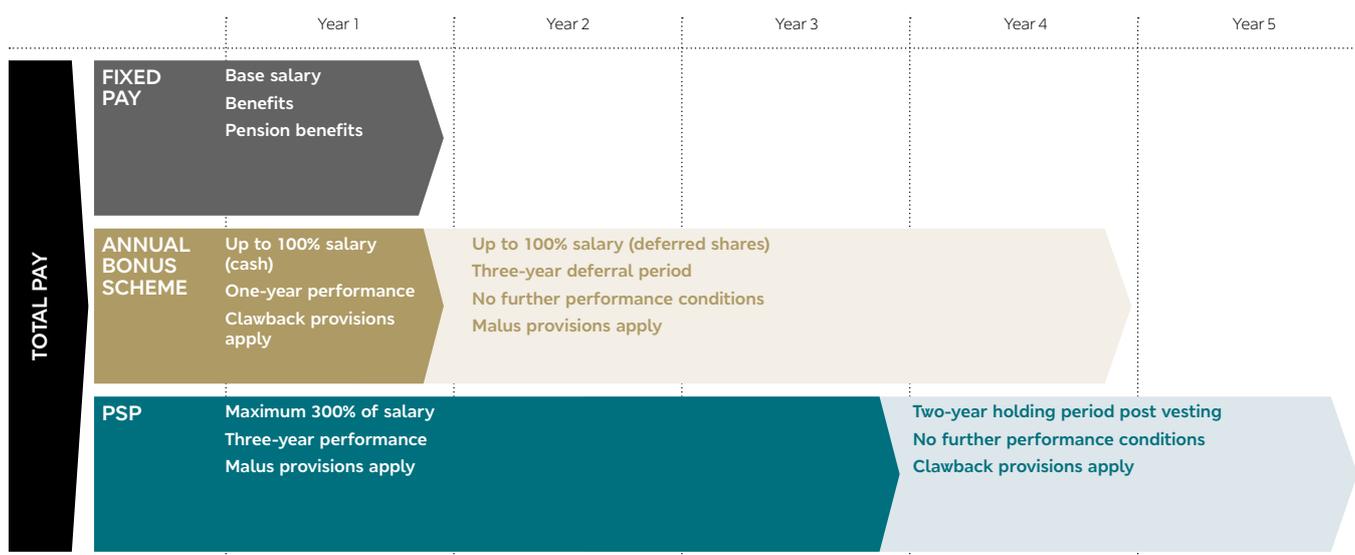
The table below summarises our termination policy for executive directors under their service agreement and the incentive plan rules.

| ELEMENT | APPROACH |
|--|---|
| BASE SALARY, BENEFITS AND PENSION BENEFITS | – Payment made up to the termination date. |
| ANNUAL BONUS SCHEME | – There is no contractual entitlement to a bonus payment. If the director is under notice or not in active service at either the end of the bonus year or on the payment date, awards (and any unvested deferred bonus shares) may lapse. The Committee may, however, use its discretion to make a bonus award. |
| LONG-TERM INCENTIVE AWARDS | – The treatment of outstanding share awards is determined in accordance with the respective plan rules. |
| REPATRIATION | – M&S may pay for repatriation where a director has been recruited from overseas. |
| LEGAL EXPENSES & OUTPLACEMENT | – Where a director leaves by mutual consent, M&S may reimburse for reasonable legal fees and pay for professional outplacement services. |

The full policy sets out further detail on the treatment of the executive directors' pay arrangements, including the treatment of share schemes in the event of a change of control or winding-up of the Company.

FIGURE 4: SUMMARY OF REMUNERATION POLICY

The diagram below illustrates the balance of pay and time period of each element of the remuneration policy for executive directors, approved in July 2017. The Committee believes this mixture of short- and long-term incentives and fixed to performance-related pay is currently appropriate for M&S's strategy and risk profile.



SUMMARY REMUNERATION POLICY CONTINUED

SUMMARY EXECUTIVE DIRECTORS' REMUNERATION POLICY (AS APPROVED ON 11 JULY 2017) CONTINUED

FIGURE 5: SUMMARY NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY (AS APPROVED ON 11 JULY 2017)

The table below summarises our policy for the operation of non-executive director fees and benefits at the Company.

| ELEMENT | OPERATION AND OPPORTUNITY |
|---|--|
| SERVICE AGREEMENTS | All non-executive directors have an agreement for an initial three-year term. The Chairman's agreement requires six months' notice by either party. The non-executive directors' agreements may be terminated by either party giving three months' notice. |
| CHAIRMAN'S FEES | Fees are reviewed annually by the Committee: The maximum aggregate fees for the non-executive directors' basic fees, including the Chairman's basic fee, is £750,000 p.a. as set out in our Articles of Association. |
| NON-EXECUTIVE DIRECTOR'S BASIC FEE | Fees are reviewed annually by the executive directors taking into consideration: The maximum aggregate fees for the non-executive directors' basic fees, including the Chairman's basic fee, is £750,000 p.a. as set out in our Articles of Association. |
| ADDITIONAL FEES | Additional fees are paid for undertaking the extra responsibilities of: <ul style="list-style-type: none"> - Board Chairman. - Senior Independent Director. - Committee Chairman. |
| BENEFITS | In line with our other employees, the Chairman and non-executive directors are entitled to receive employee discount. The Chairman may also be entitled to the use of a car and driver. |
| RECRUITMENT | The Committee takes into account a number of factors when determining an appropriate fee level for the Chairman. The CEO and executive directors determine appropriate fee levels for the non-executive directors and take into account the time commitment, role responsibility and market practice in our comparator groups when doing so. M&S may offer benefits to the Chairman in line with our policy. |

REMUNERATION

REMUNERATION REPORT

EXECUTIVE DIRECTORS' REMUNERATION

The Remuneration Committee annually reviews the senior remuneration framework and considers whether the existing incentive arrangements remain appropriately challenging in the context of the business strategy, current external guidelines and a range of internal factors including the pay arrangements and policies throughout the rest of the organisation. In its discussions, the Remuneration Committee aims to

ensure that not only is the framework strategically aligned to the delivery of business priorities, but also that payments made during the year fairly reflect the performance of the business and individuals. As illustrated on page 55, a significant proportion of the performance measures used in the incentive schemes are integrated with M&S's key performance indicators (KPIs) and Strategic Priorities detailed in the Strategic Report.

The diagram below (Figure 6) details the achievement of each executive director under the Company's incentive schemes as a result of short- and long-term performance to the end of the reported financial year and summarises the main elements of the senior remuneration framework. Further details of payments made during the year are set out in the single figure table below (Figure 7) and later in this report.

FIGURE 6: REMUNERATION STRUCTURE 2018/19

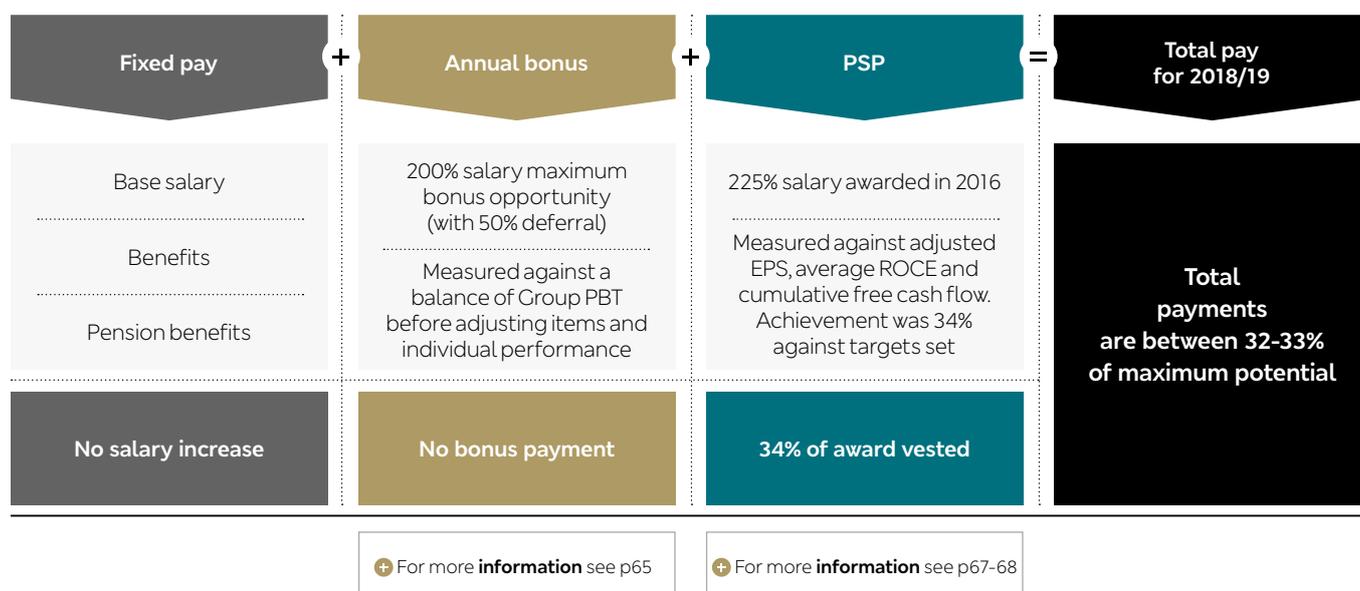


FIGURE 7: TOTAL SINGLE FIGURE REMUNERATION (AUDITED)

| Director | Year | Salary £000 | Benefits £000 | Total bonus £000 | Total PSP vested £000 | Pension benefits £000 | Total £000 |
|---|---------|----------------|------------------|---------------------|--------------------------|--------------------------|---------------|
| Steve Rowe | 2018/19 | 810 | 33 | 0 | 621 | 203 | 1,667 |
| | 2017/18 | 810 | 31 | 0 | 79 | 203 | 1,123 |
| Humphrey Singer (from 9 July 2018) | 2018/19 | 439 | 0 | 0 | 0 | 0 | 439 |
| | 2017/18 | - | - | - | - | - | - |
| Patrick Bousquet-Chavanne (to 18 April 2018) | 2018/19 | 47 | 0 | 0 | 198 | 11 | 256 |
| | 2017/18 | 546 | 24 | 0 | 73 | 137 | 780 |

Patrick Bousquet-Chavanne retired from the Board on 18 April 2018. Further details of his leaving arrangements can be found on page 72. Note that the value of awards vesting in 2017/18 has been restated to reflect the actual share price at the point of vesting, being £3.09.

REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

SALARIES

When reviewing salary levels, the Committee takes into account a number of internal and external factors, including Company performance during the year, external market data, historic increases made to the individual and, to ensure a consistent approach, the salary review principles applied to the rest of the organisation.

As detailed in last year's report, for salaries effective July 2018, only Steve Rowe was eligible to be considered for a review as

Humphrey Singer did not join the Company until July 2018. The Committee decided, and the CEO agreed, that no salary increase would be awarded to the CEO for July 2018, despite no increase in Steve Rowe's salary since his appointment to CEO in 2016.

For salaries effective July 2019, the Committee discussed the salary review being awarded to other colleagues in M&S ranging from 2% to 4%. In line with these increases seen across the wider organisation,

the Committee felt it was appropriate to grant a salary increase of 2% for Humphrey Singer and 3% for Steve Rowe. As detailed below, the salary increase for Steve Rowe will not apply to his pension supplement.

The next annual salary review for the CEO and CFO will be effective in July 2020.

The table below details the executive directors' salaries as at 30 March 2019 and salaries which will take effect from 1 July 2019.

FIGURE 8: SALARIES

| | Annual salary as of 30 March 2019 £000 | Annual salary as of 1 July 2019 £000 | Change in salary % increase |
|-----------------|---|---|--------------------------------|
| Steve Rowe | 810.0 | 834.5 | 3% |
| Humphrey Singer | 600.0 | 612.0 | 2% |

BENEFITS (AUDITED)

The Remuneration Policy permits that each executive director may receive a car or cash allowance as well as being offered the benefit of a driver. During the year, in lieu of a car allowance, Steve Rowe received a car and the benefit of a driver, as did Patrick Bousquet-Chavanne until he left the Company. Humphrey Singer receives neither a car nor cash allowance and does not have the benefit of a driver.

In line with all other colleagues, executive directors receive life assurance, employee discount and are eligible to participate in salary sacrifice schemes such as Cycle2Work.

PENSION BENEFITS (AUDITED)

During the year Steve Rowe and Patrick Bousquet-Chavanne received a cash payment in lieu of participation in an M&S pension scheme. The Committee is mindful of the external sentiment of executive pension arrangements and will be undertaking a thorough review of pension practices as part of the overall Remuneration Policy review ahead of next year's policy renewal.

With this in mind, in awarding Steve Rowe's salary increase outlined above, the Committee decided, and Steve agreed, that whilst policy around pension is under review, this salary increase would not apply to his pension supplement.

Steve Rowe is a deferred member of the Marks & Spencer UK Pension Scheme. Details of the pension accrued during the year ended 30 March 2019 are shown below.

Whilst Humphrey Singer is eligible to join the M&S pension scheme, he does not currently participate. He does not receive any additional payments in lieu of participation.

FIGURE 9: PENSION BENEFITS (AUDITED)

| | Normal retirement age | Accrued pension entitlement as at year end £000 | Additional value on early retirement £000 | Increase in accrued value £000 | Increase in accrued value (net of inflation) £000 | Transfer value of total accrued pension £000 |
|------------|-----------------------|--|--|-----------------------------------|--|---|
| Steve Rowe | 60 | 156 | 0 | 4 | 0 | 4,639 |

The accrued pension entitlement is the deferred pension amount that Steve Rowe would receive at age 60 if he left the Company on 30 March 2019. All transfer values have been calculated on the basis of actuarial advice in accordance with the current Transfer Value Regulations. The transfer value of the accrued entitlement represents the value of the assets that the pension scheme would transfer to another pension provider on transferring the scheme's liability in respect of a director's pension benefits. It does not represent sums payable to a director and therefore cannot be added meaningfully to annual remuneration.

ANNUAL BONUS SCHEME

ANNUAL BONUS SCHEME 2018/19 (AUDITED)

Annual performance for the year was again primarily measured against Group PBT before adjusting items (PBT) (70%) and individual performance (30%). PBT is used as a core bonus measure as it is considered to be an important measure of overall performance and is consistent with how business performance is assessed internally by the Board and Operating Committee.

As was disclosed last year, individual performance was measured against a scorecard of individual measures set against key areas of delivery of the transformation plan deemed most critical to the future sustainable success of M&S. As with previous years, individual performance was measured independently of PBT performance but for the first time under the current remuneration framework, and mirroring arrangements elsewhere in the business, no individual element could be earned until the threshold needed to secure payment under the corporate element was similarly achieved.

PBT outturn for the year was £523.2m which was below the threshold set to trigger payments under either the corporate element or the individual element of the Scheme. Therefore, no bonuses under the 2018/19 Annual Bonus Scheme will be paid to anyone in the organisation, including executive directors. This is reflected in the total bonus paid column in Figure 10 and directly corresponds to the value shown in the single figure table on page 63.

Despite there being no bonus payment under the 2018/19 Scheme, the Committee continued to review the achievement of the individual objectives set at the start of the financial year to fulfil its remit and to enable transparent disclosure to shareholders. For completeness, the table below shows the achievement against each director's individual objectives, as noted by the Committee. In noting this performance, the Committee considered not only the achievement against the predetermined targets, but also the wider performance within these specific areas to ensure that any achievement noted was representative of overall performance.

The Committee ensures that targets set are the relevant drivers of required annual performance, recognising that it operates in the context of a highly competitive market and uncertain market conditions. Some of the specific targets set for 2018/19 remain too commercially sensitive to disclose as they are not disclosed elsewhere in this report. To the extent these targets are not able to be fully reported, they have been described. The Committee will continue to assess the commercial sensitivity of targets with the aim of disclosure wherever possible, while ensuring that any measures set are those most appropriate to restore the business to profitable growth.

FIGURE 10: ANNUAL BONUS SCHEME OUTTURN 2018/19 (AUDITED)

| Director | Corporate (70%) | Individual (30%) | | | | Total bonus |
|-------------------------------|---|---|---|---|--|--|
| Steve Rowe PBT | New management team Successful recruitment and onboarding of high calibre senior leaders building a strong new management team. Continued devolvement of profit and loss responsibility to further drive accountability and autonomy within new family of businesses structure. | Online capabilities Significant improvement of website search speed and experience, along with enhanced checkout performance. Donington successfully delivering through Christmas peak trading as per plan. | Supply chain Some success through the roll out of new initiatives in Food such as our "Fuse" programme but limited improvements in core metrics as yet, and slow progress in Clothing & Home. | Evolution of Sparks Limited progress on Evolution of Sparks. Planning for integrated data use and personalised marketing at early stage. | <p>£0k / £1.62m</p> <p>Overall % of Salary (200% max) 0%</p> | |
| | | | | | | <p>Threshold £540m £523m</p> <p>Stretch £620m 0%</p> |
| Humphrey Singer PBT | Operating costs Operating costs lower than plan with further savings identified. | Control of capital costs and expenditure Capital spending below target with improvements made to Investment Committee process. | Talent review Review of capabilities and controls undertaken, including the recruitment and onboarding of new senior leadership team and talent elsewhere in the Finance group. | Review control environment While a thorough review of the control environment was initiated, not all project milestones and deliverables were achieved within the agreed timelines. | <p>£0k / £1.2m</p> <p>Overall % of Salary (200% max) 0%</p> | |
| | | | | | | <p>Threshold £540m £523m</p> <p>Stretch £620m 0%</p> |

REMUNERATION REPORT CONTINUED

ANNUAL BONUS SCHEME CONTINUED

DEFERRED SHARE BONUS PLAN (AUDITED)

Currently 50% of any bonus payment is compulsorily deferred into shares. These awards vest after three years subject to continued employment as well as malus provisions. As no bonus was awarded in respect of performance year 2017/18, no share awards under the Deferred Share Bonus Plan (DSBP) were made during the year. In relation to the 2018/19 performance year, as no bonus awards under the Annual Bonus Scheme have been made, there will be no awards under the DSBP made in June 2019.

ANNUAL BONUS SCHEME FOR 2019/20

During the year, the Committee reviewed the 2019/20 Scheme, considering the five-year transformation programme, 'Making M&S Special Again' and bonus arrangements elsewhere in the business. It determined that the structure of the existing Scheme remained appropriate and was aligned with bonus arrangements seen elsewhere in the organisation.

As with the existing Scheme, the 2019/20 Bonus Scheme is designed to focus on restoring the business to profitable growth with an emphasis not only on profits but also other key areas which will drive this transformation journey. Performance will be again focused on Group PBT before adjusting items (PBT) (70%) with individual measures set against key areas of delivery of the transformation plan which are deemed most critical to the future sustainable success of M&S. For 2019/20, individual performance will again be measured independently of PBT performance and, mirroring arrangements elsewhere in the business, no individual element may be earned until the threshold needed to secure payment under the corporate element for all participating colleagues is similarly achieved.

The remaining 30% of the bonus will be measured against a scorecard of individual objectives, identified as the measurable key priorities required to drive the continued transformation of M&S. For the CEO, the measures within the individual scorecard will focus on the acceleration of the transformation programme, including improvements in supply chain and range

management, along with digital capabilities both online and instore. In addition, a key focus for the year will be the successful establishment of the Ocado joint venture and the transformation of M&S's organisation and culture.

For the CFO, the scorecard measures will focus on the delivery of the financial plan with an emphasis on Group PBT, cash flow and operating cost budgets, alongside the establishment of a cost strategy programme. From a commercial perspective, there will be a focus on the delivery of faster and more effective governance, controls and reporting within a strong, happy and commercially focused team.

The performance targets for the 2019/20 Scheme are deemed by the Board to be too commercially sensitive to disclose at this time as they are not disclosed elsewhere in this report. Where possible, they will be disclosed in next year's report. The Committee, in its absolute discretion, may use its judgement to adjust outcomes to ensure that any payments made reflect overall business and individual performance during the year.

FIGURE 11: ANNUAL BONUS SCHEME TARGETS 2019/20

| | CORPORATE TARGETS | | INDIVIDUAL OBJECTIVES | |
|------------------------|--|----------------------------------|-----------------------|--|
| | Group PBT before adjusting items (PBT) | Scorecard of Individual Measures | % bonus | Measure |
| Director | | | | |
| Steve Rowe | 70% | 30% | | <ul style="list-style-type: none"> Accelerate the transformation in culture, organisation and capability across the business. Oversee the improvements in supply chain and range management in both Clothing & Home and Food businesses. Accelerate growth online and exploitation of digital capabilities. Drive the transition towards a more modern technology enabled store operation and store portfolio. Successfully establish the Ocado joint venture including leadership, operations and financing. |
| Humphrey Singer | 70% | 30% | | <ul style="list-style-type: none"> Establish a cost strategy programme, including the delivery of UK operating cost budget. Deliver faster, more effective governance and controls. Drive a focus on clear and consistent internal reporting regimes to support and drive greater accountabilities across the business. Continued team development to support M&S's commercial success. |

PERFORMANCE SHARE PLAN (PSP)

PSP AWARDS MADE IN 2018/19 (AUDITED)

As reported last year, having considered the extent to which the long-term incentive framework remained relevant, the Committee determined that the existing structural arrangements remained aligned with the focus on maximising shareholder value by restoring the business to profitable growth. The three performance measures used in the 2017 PSP award, Adjusted EPS (EPS), Average ROCE (ROCE) and Relative TSR (TSR), were still considered to be the key drivers to deliver these core priorities. In line with the 2017/18 award, measures used in 2018/19 were equally balanced to ensure an appropriate focus on all three metrics.

TSR is once again measured against the bespoke group of 15 companies taken from the FTSE 350 General and Food & Drug Retailers indices, reviewed prior to grant to ensure the constituents remained appropriately aligned to M&S's business operations to best reflect the value of shareholder's investment in M&S over the respective performance period. These companies are listed in Figure 13.

The remainder of the award is measured equally against EPS and ROCE ensuring a balanced focus on all three performance metrics.

As was reported last year, each executive director was granted an award of conditional shares of 250% of salary. The grant was made on 27 July 2018. In line with Policy, awards will vest three years after the date of grant, to the extent that the performance conditions are met, and must then be held for a further two years. Clawback provisions apply during this holding period.

Consistent with previous years, 20% of awards will vest for threshold performance increasing to 100% on a straight-line basis between threshold and maximum performance. Detailed targets can be seen in Figure 12.

PERFORMANCE SHARE PLAN (PSP) CONTINUED

FIGURE 12: PERFORMANCE CONDITIONS FOR PSP AWARDS MADE IN 2018/19 (AUDITED)

| 2018/19 award | Adjusted EPS in 2020/21 (p) | Average ROCE (2018/19 – 2020/21) (%) | Relative TSR |
|------------------------------|-----------------------------------|--|----------------|
| | 1/3 of award | 1/3 of award | 1/3 of award |
| Threshold performance | 31.7p | 13.0% | Median |
| Maximum performance | 38.7p | 17.0% | Upper quartile |

FIGURE 13: TSR COMPARATOR GROUP 2018/19 AWARD

| | | |
|--------------|-------------------|-----------------------------|
| J Sainsbury | B&M European | Kingfisher |
| Wm Morrisons | Debenhams | N Brown Group |
| Tesco | Dixons Carphone | Next |
| Ocado Group | Dunelm Group | Sports Direct International |
| ASOS | JD Sports Fashion | WHSmith |

Targets outlined above are stated on a pre-IFRS16 basis and before any adjustments have been made for the impact of the recently announced M&S joint venture with Ocado, be that either the joint venture itself, or associated Rights Issue. The Committee will review the targets and TSR comparator group at an appropriate time and will fully disclose any adjustments required. Pre-vesting deliberations will also take into consideration the impact of the de-listing of Debenhams.

FIGURE 14: PSP AWARDS MADE IN 2018/19 (AUDITED)

| | Basis of award % of salary | Face value of award £000 | End of performance period | Vesting date |
|------------------------|-------------------------------|--------------------------------|---------------------------------|--------------|
| Steve Rowe | 250% | 2,025 | 03/04/2021 | 27/07/2021 |
| Humphrey Singer | 250% | 1,500 | 03/04/2021 | 27/07/2021 |

PSP grants were made as a conditional share award. When calculating the face value of awards to be granted, the number of shares awarded was multiplied by the average mid-market share price on the five dealing days prior to the date of grant. For the 2018 award, the share price was calculated as £3.093, being the average share price between 20 July 2018 and 26 July 2018.

FIGURE 15: PSP AWARDS VESTING IN 2018/19 (AUDITED)

For directors in receipt of PSP awards granted in 2016, the awards will vest in December 2019 based on three-year performance over the period to 30 March 2019. Performance has been assessed and it has been determined that 34% of the total award will vest. The Committee reviewed this level of vesting against the wider business performance of the period and determined this level of payment was appropriate.

Details of performance against the specific targets set are shown in the table below.

The total vesting values shown in Figure 16 directly correspond to the figure included in the single figure table on page 63.

| 2016/17 award | Adjusted EPS in 2018/19 (p) | Average ROCE (2016/17- 2018/19) (%) | Cumulative free cash flow (2016/17- 2018/19) | Total vesting % of award |
|---------------------------------------|-----------------------------------|---|---|-----------------------------|
| | 50% of award | 20% of award | 30% of award | |
| Threshold performance | 28.9p | 13% | £1,350 | 34% |
| Maximum performance | 35.8p | 16% | £1,650 | |
| Actual performance achieved | 25.4p | 14% | £1,587 | |
| Percentage of maximum achieved | 0% | 9% | 25% | |

REMUNERATION REPORT CONTINUED

PERFORMANCE SHARE PLAN (PSP) CONTINUED

FIGURE 16: VESTING VALUE OF AWARDS VESTING IN 2018/19 (AUDITED)

| | On grant | | At the end of performance period (30 March 2019) | | Impact of share price performance | Total vesting of award £000 |
|---------------------------|--------------------------|---------------------|--|--------------------------|-----------------------------------|-----------------------------|
| | Number of shares granted | % of salary granted | Number of shares vesting | Number of shares lapsing | | |
| Steve Rowe | 555,640 | 225% | 188,918 | 366,722 | -14.7% | £621 |
| Patrick Bousquet-Chavanne | 374,542 | 225% | 60,135 | 314,407 | | £198 |

Total vesting values are based on a share price of £2.79 (the average share price from 2 January 2019 to 29 March 2019) plus a dividend equivalent of £0.49 per share. To provide an accurate indication of the total vesting value for Patrick Bousquet-Chavanne, the column detailing the number of shares lapsing takes into consideration shares lapsing due to the pro-ration applied to his award on leaving M&S. Further details on the treatment of share awards upon leaving can be found on page 72.

The final vesting values also reflect a 14.7% decline in share price between grant and vesting, as illustrated on page 57 of this report.

PSP AWARDS TO BE MADE IN 2019/20

During the year, the Committee reviewed the long-term incentive framework at M&S, assessing the extent to which it remained suitable. Whilst the 2019 PSP maintains the measures used by the 2017 and 2018 PSP awards, being equally split between Adjusted EPS (EPS), Average ROCE (ROCE) and Relative TSR (TSR), following careful consideration and shareholder consultation, EPS targets have been reset from those seen in awards from previous years. In making this decision, the Committee was mindful of the need to ensure that M&S's performance share plan motivates senior leaders to drive the required transformation to secure M&S's long-term success whilst balancing shareholder interests. As detailed in the Remuneration Committee Chairman's letter, the intention to make such an adjustment to these targets was fully communicated to our main shareholders and their feedback was taken on board prior

to any decisions being made. Overall, the Committee believes that these PSP targets are appropriately stretching in the context of the business and analyst expectations and remain as equally challenging as those set at the start of the performance period for previous awards.

TSR will once again be measured against a bespoke group of companies taken from the FTSE 350 General and Food & Drug Retailers indices. The existing group of 15 companies, as detailed in Figure 13, was thoroughly reviewed to ensure the constituents remained appropriate and aligned to M&S's business operations. This review resulted in the removal of Debenhams, as they are no longer listed on the FTSE, and Ocado, who were removed due to the recently announced M&S and Ocado joint venture. The revised TSR comparator group of 13 companies can be found in Figure 18.

All targets for the 2019 PSP have been set on a pre-IFRS 16 basis and before any adjustments have been made for the impact that the recently announced M&S joint venture with Ocado, be that either the joint venture itself, or associated rights issue. The Remuneration Committee will review the targets at an appropriate time and will fully disclose any adjustments required at that point. Any changes to targets will ensure the performance conditions remain representative of corresponding business performance on a pre-adjustment basis.

For the 2019 PSP a grant of 250% of salary was approved. It was agreed that this award level would represent a clear signal to the executive directors that whilst there is hard work ahead as we move along the transformation journey to make M&S special again, truly exceptional performance will be rewarded.

FIGURE 17: PERFORMANCE CONDITIONS FOR PSP AWARDS TO BE MADE IN 2019/20

| | Adjusted EPS in 2021/22 (p) | Average ROCE (2019/20 – 2021/22) (%) | Relative TSR |
|------------------------------|-----------------------------|--------------------------------------|----------------|
| 2019/20 award | 1/3 of award | 1/3 of award | 1/3 of award |
| Threshold performance | 24.0p | 13.0% | Median |
| Maximum performance | 31.0p | 17.0% | Upper Quartile |

FIGURE 18: TSR COMPARATOR GROUP 2019/20 AWARD

| | | |
|--------------|-------------------|-----------------------------|
| J Sainsbury | Dixons Carphone | Next |
| Wm Morrisons | Dunelm Group | Sports Direct International |
| Tesco | JD Sports Fashion | WHSmith |
| ASOS | Kingfisher | |
| B&M European | N Brown Group | |

EXECUTIVE DIRECTORS' REMUNERATION

FIGURE 19: DIRECTORS' SHAREHOLDINGS (AUDITED)

The table below sets out the total number of shares held by each executive director serving on the Board during the period to 30 March 2019, or at their date of retirement from the Board. Shares owned outright include those held by connected persons.

There have been no changes in the current directors' interests in shares or options granted by the Company and its subsidiaries between the end of the financial year and 21 May 2019. No director had an interest in any of the Company's subsidiaries at the statutory end of the year.

| | Shares owned outright | Unvested | | Vested but unexercised shares |
|---|-----------------------|---|---|-------------------------------|
| | | With performance conditions Performance Share Plan | Without performance conditions Deferred Share Bonus Plan | |
| Steve Rowe | 296,173 | 1,824,538 | 119,675 | 0 |
| Humphrey Singer | 0 | 484,966 | 0 | 0 |
| Patrick Bousquet-Chavanne (to 18 April 2018) | 123,098 | 176,876 | 0 | 0 |

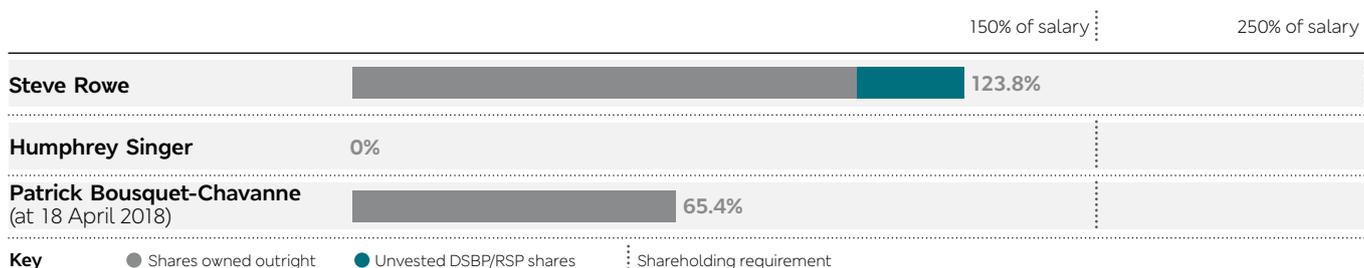
FIGURE 20: SHAREHOLDING REQUIREMENTS (AUDITED)

All executive directors are required to hold shares equivalent in value to a minimum percentage of their salary within a five-year period from their appointment date. For the CEO, this requirement is 250% of salary and for other executive directors the requirement is 150% of salary. Similar guidelines of 100% of salary currently apply to all directors below Board level.

The chart below shows the extent to which each executive director has met their target shareholding as at 30 March 2019, or date of retirement from the board. For Steve Rowe, his 250% shareholding requirement is measured from the date he was appointed CEO.

For the purposes of the requirements, the net number of unvested share awards not subject to performance conditions is included and is reflected in the chart below. The Committee continues to keep both shareholding requirement guidelines and actual director shareholdings under review and will take appropriate action should they feel it to be necessary.

The Committee is aware of post-cessation shareholder requirements introduced under the 2018 Corporate Governance Code. Our existing share restrictions of a three-year deferral and two-year further holding period continue to apply post cessation of employment, resulting in a potential significant holding of shares following a director's departure. The approach towards shareholding requirements at M&S will be considered ahead of the in 2020 Remuneration Policy renewal and will take into account new shareholder guidance in this area.



EMPLOYEE SHARE SCHEMES

ALL-EMPLOYEE SHARE SCHEMES (AUDITED)

Executive directors may participate in both ShareSave, the Company's Save As You Earn Scheme, and ShareBuy, the Company's Share Incentive Plan, on the same basis as all other eligible colleagues. Further details of the schemes are set out in note 13 to the financial statements on pages 114 to 116.

DILUTION OF SHARE CAPITAL BY EMPLOYEE SHARE PLANS

Awards granted under the Company's Save As You Earn Scheme and the Executive Share Option Scheme are met by the issue of new shares when the options are exercised.

All other share plans are currently met by market purchase shares. The Company monitors the number of shares issued

under these schemes and their impact on dilution limits. The Company's usage of shares compared to the dilution limits set by The Investment Association in respect of all share plans (10% in any rolling ten-year period) and executive share plans (5% in any rolling ten-year period) as at 30 March 2019 is as follows:

FIGURE 20: ALL SHARE PLANS



FIGURE 21: EXECUTIVE SHARE PLANS



REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

FIGURE 21: EXECUTIVE DIRECTORS' INTERESTS IN THE COMPANY'S SHARE SCHEMES (AUDITED)

| | Maximum receivable at 1 April 2018 | Awarded during the year | Exercised during the year | Lapsed during the year | Maximum receivable at 30 March 2019 (or date of retirement) |
|----------------------------------|--|----------------------------|------------------------------|---------------------------|---|
| Steve Rowe | | | | | |
| Performance Share Plan | 1,430,660 | 654,704 | 21,387 | 239,439 | 1,824,538 |
| Deferred Share Bonus Plan | 179,231 | 0 | 59,556 | 0 | 119,675 |
| SAYE | 3,461 | 0 | 0 | 0 | 3,461 |
| Total | 1,613,352 | 654,704 | 80,943 | 239,439 | 1,947,674 |
| Humphrey Singer | | | | | |
| Performance Share Plan | 0 | 484,966 | 0 | 0 | 484,966 |
| Deferred Share Bonus Plan | 0 | 0 | 0 | 0 | 0 |
| SAYE | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 484,966 | 0 | 0 | 484,966 |
| Patrick Bousquet-Chavanne | | | | | |
| Performance Share Plan | 1,044,459 | 0 | 19,819 | 847,773 | 176,867 |
| Deferred Share Bonus Plan | 138,459 | 0 | 138,459 | 0 | 0 |
| SAYE | 3,448 | 0 | 0 | 3,448 | 0 |
| Total | 1,186,366 | 0 | 158,278 | 851,221 | 176,867 |

The aggregate gains of directors arising in the year from the exercise of awards granted under the PSP and DSBP totalled £707,782. The market price of the shares at the end of the financial year was 278.9p; the highest and lowest share price during the financial year were 314.5p and 242.4p respectively.

Patrick Bousquet-Chavanne retired from the Board on 18 April 2018 and left the Company on 31 May 2018. Details of his leaving arrangements are set out on page 72. His outstanding Deferred Share Bonus awards vested in full upon leaving, as reflected in the 'Exercised during the year' column. His outstanding Performance Share Plan awards were pro-rated for time held on leaving as shown in the 'Lapsed during the year' column.

Figure 22 shows the time horizons of outstanding discretionary share awards for all directors serving on the Board during the year.

FIGURE 22: VESTING SCHEDULE OF EXECUTIVE DIRECTORS' OUTSTANDING DISCRETIONARY SHARE AWARDS

| | | Maximum receivable at 30 March 2019 (all discretionary schemes) | 2019/20 | | 2020/21 | | 2021/22 | |
|------------------------------|---------------------------|--|-----------------------|-----------|-----------------------|-----------|-----------------------|--------|
| | | | Maximum Receivable | Lapsed | Maximum Receivable | Lapsed | Maximum Receivable | Lapsed |
| Steve Rowe | Performance Share Plan | 1,824,538 | 188,918 | (366,722) | 614,194 | – | 654,704 | – |
| | Deferred Share Bonus Plan | 119,675 | 32,376 | – | 87,299 | – | – | – |
| Humphrey Singer | Performance Share Plan | 484,966 | – | – | – | – | 484,966 | – |
| | Deferred Share Bonus Plan | – | – | – | – | – | – | – |
| Patrick Bousquet-Chavanne | Performance Share Plan | 176,867 | 60,135 | (314,407) | 0 | (414,012) | – | – |
| | Deferred Share Bonus Plan | – | – | – | – | – | – | – |

As reported on page 67, the 2016 PSP awards included within the totals shown in Figure 21 will vest at 34% in December 2019. This has been reflected above in the 2019/20 'Lapsed' column. In addition, and as detailed above, outstanding awards held by Patrick under the 2016 PSP were pro-rated for time held upon leaving. This is also reflected in the 2019/20 'Lapsed' column. In line with the Plan rules, upon leaving Patrick's PSP awards granted in 2017 lapsed in full. This is reflected above in the 2020/21 'Lapsed' column.

EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

FIGURE 23: PERFORMANCE AND CEO REMUNERATION COMPARISON

This graph illustrates the Company's performance against the FTSE 100 over the past ten years. The FTSE 100 has been chosen as the appropriate comparator as M&S is a constituent of this index. The calculation of TSR is in accordance with the relevant remuneration regulations. The table below the TSR chart sets out the remuneration data for directors undertaking the role of CEO during each of the last ten financial years.



Marc Bolland was appointed CEO on 1 May 2010. His single figure for 2010/11 includes recruitment awards made to him at that time to compensate him for incentive awards forfeited on cessation from his previous employer. Stuart Rose undertook the role of CEO from 31 May 2004 to 30 April 2010.

FIGURE 24: PERCENTAGE CHANGE IN CEO'S REMUNERATION

[+ Read more on p58](#)

FIGURE 25: RELATIVE IMPORTANCE OF SPEND ON PAY

The table opposite illustrates the Company's expenditure on pay in comparison to profits before tax and distributions to shareholders by way of dividend payments and share buy back.

Total employee pay is the total pay for all Group employees. Group PBT before adjusting items has been used as a comparison as this is the key financial metric which the Board considers when assessing Company performance.

| | 2017/18 £m | 2018/19 £m | % change |
|----------------------------------|---------------|----------------|----------|
| Total employee pay | 1,578.9 | 1,511.0 | -4.3% |
| Total returns to shareholders | 303.4 | 303.5 | 0.0% |
| Group PBT before adjusting items | 580.9 | 523.2 | -9.9% |

REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

FIGURE 26: SERVICE AGREEMENTS

In line with our policy, directors have rolling contracts which may be terminated by the Company giving 12 months' notice or the director giving six months' notice.

| | Date of appointment | Notice period/ unexpired term |
|------------------------|---------------------|----------------------------------|
| Steve Rowe | 02/04/2016 | 12 months/6 months |
| Humphrey Singer | 09/07/2018 | 12 months/6 months |

CHANGES TO EXECUTIVE MEMBERSHIP OF THE BOARD DURING 2018/19

DIRECTORS APPOINTED TO THE BOARD

As reported in the 2017/18 report, **Humphrey Singer** was appointed to the Board on 9 July 2018 as Chief Finance Officer. His remuneration upon appointment was in line with the approved Recruitment Policy detailed on page 60 with a basic annual salary of £600,000. Humphrey receives neither a car allowance nor a pension cash allowance. The rest of Humphrey's incentive arrangements are aligned with that of an executive director. No share awards have been granted to Humphrey in relation to his appointment.

PAYMENTS FOR THE LOSS OF OFFICE (audited)

As reported in the 2017/18 report, **Patrick Bousquet-Chavanne** retired from the Board on 18 April 2018 and left M&S on 31 May 2018. Remuneration terms on leaving were in line with the approved Remuneration Policy. Patrick was entitled to receive salary and benefits, including pension, by way of phased monthly payments from 1 June

2018 for a maximum of 12 months, subject to mitigation. As per the terms of the Policy, these payments ceased upon the commencement of his new employment on 4 August 2018. The Committee determined good leaver treatment in line with the Plan rules and therefore his unvested conditional shares granted under the Deferred Share Bonus Plan vested in full on leaving. Unvested conditional shares awarded under the 2015 and 2016 PSP were time pro-rated to 31 May 2018. As reported last year, 8.2% of PSP awards granted in 2015 vested in July 2018 at a value of £73,418. As detailed earlier in the report, 34% of PSP awards granted in 2016 will vest in December 2019 at an estimated value of circa £197,556 based on the average share price between 2 January 2019 and 29 March 2019 plus a dividend equivalent of £0.49 per share. The PSP award made in 2017 lapsed in full on leaving in accordance with the Plan rules. Patrick has no further outstanding awards.

PAYMENTS TO PAST DIRECTORS (audited)

Helen Weir retired from the Board on 31 March 2018 and had two outstanding awards under the PSP. In accordance with the rules of the Performance Share Plan, 8.2% of her 2015 award vested in July 2018 at a value of £74,666. As detailed earlier in the report, 34% of PSP awards granted in 2016 will vest in December 2019 at an estimated value of circa £188,361 based on the average share price between 2 January 2019 and 29 March 2019 plus a dividend equivalent of £0.49 per share. Helen has no further outstanding awards.

FIGURE 27: EXTERNAL APPOINTMENTS

The Company recognises that executive directors may be invited to become non-executive directors of other companies and that these appointments can broaden their knowledge and experience to the benefit of the Company. The policy is for the individual director to retain any fee. The fees in the table opposite reflect those earned by Humphrey Singer from his appointment to the Board on 9 July 2018 to the end of the 2018/19 financial year.

Any fees Patrick Bousquet-Chavanne received for his external non-executive director role for the period from 1 April 2018 to 18 April 2018 were retained by him and have not been communicated to the Company.

| Director | Period earned | Company | Fee 000 |
|------------------------|-------------------------|---------------|------------|
| Humphrey Singer | 09/07/2018 – 30/03/2019 | Taylor Wimpey | £57 |

NON-EXECUTIVE DIRECTORS' REMUNERATION

FIGURE 28: NON-EXECUTIVE DIRECTORS' TOTAL SINGLE FIGURE REMUNERATION (AUDITED)

Non-executive directors receive fees reflecting the time commitment, demands and responsibilities of the role. Fees paid to the non-executive directors and Board Chairman for 2018/19 and 2017/18 are detailed in the table opposite.

During the year, these fees were reviewed. Taking into account relevant market data, and given fees have remained frozen since 2011 while responsibilities have increased, it was agreed that the basic non-executive and senior non-executive director fee will be increased by 2.5% to £71,500 and £102,500 respectively. The additional fee for chairing a committee will increase by 3.3% to £15,500. The total aggregate fee of the Board Chairman will be increased by 2% to £612,000. Increases will be effective from 1 July 2019 and are in line with increases seen across the wider workforce.

Fee levels will be reviewed again during 2019/20 as per the normal annual process.

Changes to the Board during the year are detailed below and are also reflected in the table opposite.

| Director | Year | Basic fees £000 | Additional fees £000 | Benefits £000 | Total £000 |
|--|---------|--------------------|-------------------------|------------------|---------------|
| Archie Norman (from 1 September 2017) | 2018/19 | 70 | 530 | 0 | 600 |
| | 2017/18 | 41 | 309 | 0 | 350 |
| Andy Halford | 2018/19 | 70 | 23 | 0 | 93 |
| | 2017/18 | 70 | 15 | 0 | 85 |
| Alison Brittain | 2018/19 | 70 | 0 | 0 | 70 |
| | 2017/18 | 70 | 0 | 0 | 70 |
| Andrew Fisher | 2018/19 | 70 | 8 | 0 | 78 |
| | 2017/18 | 70 | 0 | 0 | 70 |
| Katie Bickerstaffe (from 10 July 2018) | 2018/19 | 51 | 0 | 0 | 51 |
| | 2017/18 | - | - | - | - |
| Pip McCrostie (from 10 July 2018) | 2018/19 | 51 | 0 | 0 | 51 |
| | 2017/18 | - | - | - | - |
| Justin King (from 1 January 2019) | 2018/19 | 18 | 0 | 0 | 18 |
| | 2017/18 | - | - | - | - |
| Vindi Banga (to 1 October 2018) | 2018/19 | 35 | 15 | 0 | 50 |
| | 2017/18 | 70 | 30 | 0 | 100 |
| Richard Solomons (to 10 July 2018) | 2018/19 | 19 | 0 | 0 | 19 |
| | 2017/18 | 70 | 0 | 0 | 70 |

FIGURE 29: NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS (AUDITED)

The non-executive directors are not permitted to participate in any of the Company's incentive arrangements. All non-executive directors are required to build and maintain a shareholding of at least 2,000 shares in the Company within two months of their appointment to the Board.

The table opposite details the shareholding of the non-executive directors who served

on the Board during the year as at 30 March 2019 (or upon their date of retiring from the Board), including those held by connected persons.

There have been no changes in the current non-executive directors' interests in shares in the Company and its subsidiaries between the end of the financial year and 21 May 2019.

| Director | Number of shares held |
|---------------------------|-----------------------|
| Archie Norman | 78,000 |
| Andy Halford | 21,000 |
| Alison Brittain | 5,096 |
| Andrew Fisher | 3,536 |
| Katie Bickerstaffe | 2,000 |
| Pip McCrostie | 6,000 |
| Justin King | 20,000 |
| Vindi Banga | 93,700 |
| Richard Solomons | 5,000 |

FIGURE 30: NON-EXECUTIVE DIRECTORS' AGREEMENTS FOR SERVICE

Non-executive directors have an agreement for service for an initial three-year term which can be terminated by either party giving three months' notice (six months' for the Chairman).

The table opposite sets out these terms for all current members of the Board.

| Director | Date of appointment | Notice period/unexpired term |
|---------------------------|---------------------|------------------------------|
| Archie Norman | 01/09/2017 | 6 months/6 months |
| Andy Halford | 01/01/2013 | 3 months/3 months |
| Alison Brittain | 01/01/2014 | 3 months/3 months |
| Andrew Fisher | 01/12/2015 | 3 months/3 months |
| Katie Bickerstaffe | 10/07/2018 | 3 months/3 months |
| Pip McCrostie | 10/07/2018 | 3 months/3 months |
| Justin King | 01/01/2019 | 3 months/3 months |

NON-EXECUTIVE DIRECTOR CHANGES TO THE BOARD DURING 2018/19

DIRECTORS APPOINTED TO THE BOARD
Katie Bickerstaffe and **Pip McCrostie** joined the Board as non-executive directors on 10 July 2018, as did **Justin King** on 1 January 2019. Katie, Pip and Justin receive the standard annual non-executive director fee of £70,000 and are members of the Nomination Committee. In addition to being appointed to the Nomination Committee, Katie is a member of the Remuneration Committee and Pip is a member of the Audit Committee.

ROLE CHANGES WITHIN THE BOARD
Upon Vindi Banga's retirement from the Board, **Andrew Fisher** became Chairman of the Remuneration Committee and **Andy Halford** was appointed to the role of Senior Independent Director. These appointments were effective on 1 October 2018 and from this date Andrew and Andy received additional fees in accordance with the increased responsibility of their roles as described in the Remuneration Policy on page 62.

DIRECTORS RETIRING FROM THE BOARD
Richard Solomons retired from the Board on 10 July 2018 and **Vindi Banga** retired from the Board on 1 October 2018. There were no payments for loss of office payable to Richard or Vindi.

REMUNERATION REPORT CONTINUED

REMUNERATION COMMITTEE

REMUNERATION COMMITTEE REMIT

During the year, the Remuneration Committee agreed that while the broader Terms of Reference implemented following the detailed review in 2017/18 were working well, the publication of the final revisions to the 2018 Corporate Governance Code, along with the appointment of Andrew Fisher to Chairman of the Remuneration Committee, provided an excellent opportunity to undertake a further light touch review. The 2018/19 review primarily involved a sharpening and focusing of Committee activities along with a refinement and clarity of language.

The full Terms of Reference for the Committee can be found on the Company's website at marksandspencer.com/thecompany

KEY RESPONSIBILITIES

The role of the Committee continues to have a strong focus on ensuring an appropriate alignment between executive directors' and Operating Committee directors' remuneration with that of colleagues across M&S, ensuring the senior remuneration strategy and framework is strategically aligned with the business but that it also attracts and recognises the talent required to drive transformation and cultural change within M&S. Broadly, the responsibilities are as follows:

- Setting remuneration policy and practices that are designed to support strategy and promote the long-term success of M&S whilst following the below principles:
 - **Clarity** – remuneration arrangements are transparent and promote effective engagement with shareholders and M&S colleagues;
 - **Simplicity** – remuneration structures are uncomplicated with easy to understand rationale and operation;
- **Risk** – 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 and that outcomes do not reward poor performance; and
- **Alignment to culture** – incentive schemes drive behaviours consistent with M&S's purpose, values and strategy.
- Determining the terms of employment and remuneration for the executive directors and Operating Committee directors, including recruitment and termination arrangements.
- Considering the appropriateness of the senior remuneration framework and exercising independent judgement and discretion when authorising remuneration outcomes, taking account of Company and individual performance, and the context of the wider workforce.
- Noting the total pay budgets including salary, bonus and share scheme allocations across all of M&S together with the principles of allocation to ensure appropriate consistency with the senior pay frameworks.
- Approving the design, targets and total payments for all performance-related pay schemes operated by M&S, seeking shareholder approval where necessary.
- Assessing the appropriateness and subsequent achievement of performance targets relating to any share-based incentive plan for the executive and Operating Committee directors.
- Receiving direct feedback from the Group's employee representative body, employee engagement surveys and management reports to ensure colleague views on Group culture, including remuneration strategy and diversity & inclusion are considered.

REMUNERATION COMMITTEE AGENDA FOR 2018/19

REGULAR ITEMS

Pay arrangements

- Within the terms of the M&S Remuneration Policy, approval of the total individual remuneration packages for the executive directors and Operating Committee directors, and any termination payments where applicable.
- Consideration of the appropriateness of the senior remuneration framework in the context of the rest of the organisation and external governance.
- Noting of the total budgeted salary expenditure across M&S for salary review, ensuring principles for reward allocation are aligned across M&S.

Annual Bonus Scheme

- Review of achievements against 2018/19 performance objectives for executive directors and Operating Committee directors.
- Approval of target for the 2019/20 Annual Bonus Scheme ensuring the performance conditions are transparent, stretching and rigorously applied.
- Approval of the 2019/20 performance objectives for executive directors and Operating Committee directors.
- Noting of the total budgeted expenditure for the Annual Bonus Scheme across M&S.

Performance Share Plan (PSP)

- Approval of the measures and targets for the 2019 PSP awards for the executive directors and Operating Committee directors following engagement with shareholders and other applicable stakeholders.
- Approval of vesting level of the 2016 PSP awards across M&S.

- Regular review of all in-flight performance share plans against targets.

Governance and external market

- Approval of the Directors' Remuneration Report for 2018/19 and review of the AGM voting outcome for the 2017/18 Report.
- Review of the Committee's performance in 2018/19, including assurance that the principles of the revised Terms of Reference and broader remit of the Committee are embedded.
- Assessment of the external market when considering remuneration arrangements for executive directors and Operating Committee directors.
- Noting of direct feedback from the Business Involvement Group 'BIG' M&S's employee representative body to ensure all employee views are received and considered by the Board when making Remuneration and Reward decisions.

REMUNERATION COMMITTEE ACTION PLAN 2019/20

- Full review of the M&S Remuneration Policy in anticipation of the binding shareholder vote at the 2019 AGM, ensuring the Policy continues to support the long-term success of M&S and is aligned with the 2018 UK Corporate Governance Code, other external governance and emerging best practice.
- Ensure the continued strategic alignment of the directors' incentive arrangements to support and drive M&S's transformation.
- Review the appropriateness of the senior remuneration framework in the context of the rest of the organisation and external governance.
- Review the effectiveness and transparency of remuneration reporting.

REMUNERATION COMMITTEE CONTINUED

FIGURE 31: REMUNERATION COMMITTEE MEETINGS

The table opposite details the independent non-executive directors that were members of the Committee during 2018/19.

| MEMBER | Member since | Maximum possible meetings | Number of meetings attended | % of meetings attended |
|---|------------------|---------------------------|-----------------------------|------------------------|
| Andrew Fisher (Chairman) | 1 October 2018 | 2 | 2 | 100% |
| Archie Norman | 3 November 2017 | 5 | 5 | 100% |
| Katie Bickerstaffe | 10 July 2018 | 3 | 3 | 100% |
| Vindi Banga (Chairman) (to 1 October 2018) | 1 September 2011 | 3 | 3 | 100% |
| Richard Solomons (to 10 July 2018) | 21 July 2015 | 2 | 2 | 100% |

COMMITTEE ADVISERS

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 £56,500 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, Group General Counsel and Company Secretary, HR Director and Head of Performance & Reward 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 New Bridge Street (the trading name of Aon Hewitt Limited), KPMG, PwC, FIT Remuneration Consultants, Korn Ferry Hay Group and Willis Towers Watson.

REMUNERATION COMMITTEE STAKEHOLDER AND SHAREHOLDER ENGAGEMENT

The Committee is committed to ensuring that executive pay remains competitive, appropriate and fair in the context of the external market, Company performance and the pay arrangements of the wider workforce. In collaboration with the Head of Performance & Reward, the Committee gives employees, through employee representatives, the opportunity to raise

questions or concerns regarding the remuneration of the executive directors. During the year, employee representatives were given the opportunity to discuss in detail the directors' pay arrangements. Details of the directors' pay arrangements were discussed in the context of the reward framework for the rest of the organisation and external factors; no concerns were

raised either during these discussions or subsequently.

The Committee is committed to a continuous, open and transparent dialogue with shareholders on the issue of executive remuneration, as demonstrated by recent engagement regarding 2019 Performance Share Plan targets.

SHAREHOLDER SUPPORT FOR THE REMUNERATION POLICY AND 2017/18 DIRECTORS' REMUNERATION REPORT

At the Annual General Meeting on 10 July 2018, 98.70% of shareholders voted in favour of approving the Directors' Remuneration Report for 2017/18. The Committee believes

this illustrates the strong level of shareholder support for the senior remuneration framework. As this was a non-policy renewal year, there was no

vote regarding the Remuneration Policy.

The table below shows full details of the voting outcomes for the 2017/18 Directors' Remuneration Report.

FIGURE 32: VOTING OUTCOMES FOR THE REMUNERATION POLICY AND 2017/18 REMUNERATION REPORT

| | Votes for | % Votes for | Votes against | % Votes against | Votes withheld |
|--|---------------|-------------|---------------|-----------------|----------------|
| Remuneration Policy (at the 2017 AGM) | 1,020,561,621 | 99.08% | 9,498,526 | 0.92% | 2,368,960 |
| 2017/18 Remuneration Report (at the 2018 AGM) | 1,009,866,132 | 98.70% | 13,263,809 | 1.30% | 19,095,928 |

APPROVED BY THE BOARD

ANDREW FISHER CHAIRMAN OF THE REMUNERATION COMMITTEE

London, 21 May 2019

This Remuneration Policy and these remuneration reports have been prepared in accordance with the relevant provision of the Companies Act 2006 and on the basis prescribed in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 ('the Regulations'). Where required, data has been audited by Deloitte and this is indicated appropriately.