

REMUNERATION OVERVIEW

“The Committee ensures that the pay framework is appropriately flexible, to act in shareholders’ best interests in unpredictable circumstances.”

Andrew Fisher, Chair of the Remuneration Committee



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INTRODUCTION

On behalf of the Board, I am pleased to present our 2019/20 Remuneration Report. We also present our proposed Remuneration Policy (Policy). In line with regulations, we are seeking shareholder support and approval for our Remuneration Policy at the 2020 AGM. A summary of the proposed changes to the approved Remuneration Policy is set out below and on pages 74-80 of this report.

The Remuneration 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 and the intended arrangements for 2020/21.

BOARD CHANGES

Following the departure of Humphrey Singer in December, we were delighted to appoint Eoin Tonge as CFO. Details of Humphrey’s leaving arrangements, along with recruitment details for Eoin, can be found on page 89 of this report.

The Committee was pleased that we secured the appointment of Eoin Tonge in line with our simplified pay framework. He will, however, receive mobility allowances for a set period of time.

In addition, we are pleased to appoint Katie Bickerstaffe as our new Chief Strategy and Transformation Officer and see her become an executive member of the Company. Katie was previously a non-executive director of the Company and a member of the Remuneration Committee, for which I would like to thank Katie for all her help and support. In line with our standard practice Katie did not participate in Committee discussions that could be construed as her influencing her own future remuneration arrangements.

REMUNERATION FRAMEWORK CONSIDERATIONS

Shareholder engagement and feedback

The Board is committed to ensuring that our remuneration framework supports our strategy, and provides a balance between motivating and challenging our senior leaders to deliver our business priorities and also driving the long-term sustainable success of M&S.

The Committee spent a considerable amount of time this year reviewing the current 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 believes that our Remuneration Policy continues to provide appropriate flexibility, ensuring that any payments made in the implementation of the Policy are in the best interests of both the Company and our shareholders. The overall framework is considered to remain appropriate but based on investor feedback some minor amendments are proposed and described below.

USE OF DISCRETION

Recent world events have highlighted the importance of having a flexible policy together with appropriate permissible discretions to ensure that we can continue to run M&S successfully. For complete transparency, we are more explicitly outlining the discretions already in place to ensure the Committee is able to act in the best interests of the business and our shareholders in unknown and unpredictable circumstances.

The 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.

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.

KEY AMENDMENTS TO REMUNERATION POLICY

The PSP will continue to be the primary long-term incentive plan for executives. We will maintain the overall construct of the plan, with the typical award being 250% of salary against a maximum of 300% of salary. However, to ensure more relevant alignment between senior

remuneration, the strategic direction of the Company, and the interests of our shareholders, we propose to introduce strategic measures into the PSP. In direct response to shareholder feedback, the plan will retain a portion based upon Total Shareholder Return (TSR) performance.

We propose to increase the shareholding requirement for all executive directors to 200% of salary. The CEO's requirement will remain at 250% of salary. To further align executives with shareholders and the longer-term success of the business, we will be introducing a post-cessation shareholding guideline. Executives will be expected to continue to hold their shareholding requirement for two years post exiting the business.

Having already reduced our pension cash alternative for new executive directors at our last policy review, and in line with the pay arrangements offered to executive directors joining since that time, we are

formally removing this cash payment for all new executive director appointments. In order to remove any policy differential between incumbent and new executive directors, Steve Rowe has agreed to forgo his contractual arrangements for this pension cash alternative. Steve's pension supplement will be reduced to zero over the next three years. Steve will remain eligible to participate in the pension scheme on the same terms as all other colleagues as has long been M&S's practice.

Shareholders approved the current Remuneration Policy at the AGM in 2017. As such, the Company is required to seek approval for the new policy at the AGM to be held on 3 July 2020. Pages 74-80 provide the full details of the proposed policy. For transparency, the table below sets out an overview of the key areas of the Policy.

Base salary	Benefits	Pension benefits	Annual Bonus Scheme	Performance Share Plan	Shareholding requirement	Non-executive directors (including Chairman)
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Main features of current policy

<ul style="list-style-type: none"> - Increases awarded are normally in line with those elsewhere in the business. Adjustments in excess of this may be made where the Committee deems it appropriate. - Salaries will be compared against appropriately sized listed companies. 	<ul style="list-style-type: none"> - Benefits provided at a rate commensurate with the market and currently include a car or cash allowance, a driver, and life assurance plus other benefits provided to all colleagues, including colleague discount. 	<ul style="list-style-type: none"> - Directors may participate in M&S's defined contribution arrangement on the same terms as other colleagues, or receive a cash supplement in lieu of pension contributions. Cash alternative maximum is currently 20% of salary for other executive directors (25% for CEO). 	<ul style="list-style-type: none"> - Maximum opportunity of 200% of salary. - 50% of total bonus deferred into shares for three years. - Measured against Adjusted Group Profit Before Tax (PBT) (currently 70% of award) and individual objectives. - Clawback and malus provisions apply. 	<ul style="list-style-type: none"> - Maximum award of 300% of salary. - Performance measured against financial targets over a three-year period. - Performance conditions may include quantifiable non-financial/strategic measures, with financial measures comprising at least 50% of awards. - A two-year holding period post vesting. - Clawback and malus provisions apply. 	<ul style="list-style-type: none"> - The CEO is required to hold 250% of salary in shares. For all other executive directors, the current requirement is 150% of salary. 	<ul style="list-style-type: none"> - Fees reviewed annually. - Comprise basic fee plus additional fee for extra responsibility of Board or Committee Chairman or Senior Independent Director. - Fees will be compared against appropriately sized companies. - In addition, the Chairman may be entitled to the use of a car and driver. - In line with our other colleagues, the Chairman and non-executive directors are entitled to receive colleague discount.
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Policy change

<ul style="list-style-type: none"> - No change. 	<ul style="list-style-type: none"> - No change. 	<ul style="list-style-type: none"> - Removal of pension cash supplements for any future directors. - Reduction of the CEO's cash pension supplement to zero over next three years. 	<ul style="list-style-type: none"> - No change. 	<ul style="list-style-type: none"> - No change. 	<ul style="list-style-type: none"> - The shareholding requirement is increasing from 150% to 200% for all other executive directors. - Directors are required to continue to hold their shareholding requirement (or their actual shareholding on leaving if lower) for two years after leaving M&S. 	<ul style="list-style-type: none"> - No change.
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REMUNERATION OVERVIEW CONTINUED

STRATEGIC ALIGNMENT OF PAY

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. The illustration below demonstrates this strong linkage between the KPIs and strategic priorities with executive

remuneration. This strength of alignment will enable the 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.

STRATEGIC ALIGNMENT OF REMUNERATION FRAMEWORK WITH KPIs

KPI/Strategic Priority	As measured by	Performance Share Plan (PSP)	Annual Bonus Scheme (ABS) (when operating)
KPI	Adjusted Earnings Per Share (EPS)	●	
✓ See KPIs on p26	Return On Capital Employed (ROCE)	●	
	Group PBT Before Adjusting Items (PBT)		●
Strategic Priority	What we are learning from the crisis	●	●
	What will never be the same again	●	●
✓ See Strategic Priorities on p7	Accelerating the transformation programme	●	●

2019/20 PERFORMANCE		
●	●	●
ADJUSTED EARNINGS PER SHARE	RETURN ON CAPITAL EMPLOYED	GROUP PBT BEFORE ADJUSTING ITEMS
16.7p	12.7%	£403.1m
Adjusted EPS in 2019/20 was 16.7p. This was below the 26.8p threshold required for any vesting under this element of the 2017 PSP award.	Average three-year ROCE performance was 12.7%. As a result, 11.2% out of a maximum of 33% of the 2017 PSP will vest under this element.	Group PBT was below the threshold for bonus payments to be made under the 2019/20 Annual Bonus Scheme.

CONTEXT OF BUSINESS PERFORMANCE

During the year, M&S made good progress in further implementing its transformation. With improvements made to range, value and customer communication, the Food business outperformed the market and improved its financial performance in several aspects such as sales and operating profit. In addition, significant strides were taken to deliver the strategy to bring M&S food online via the investment in Ocado Retail Limited. While several Clothing & Home departments improved their performance, ultimately total revenue for this area of the business was down.

As referenced earlier in this Annual Report, the impact of Covid-19 has been significant. In the short-term, M&S has responded rapidly to the changing trading landscape making financial decisions to secure the future of the business. In the long-term the business must, as described earlier in this Annual Report, harness the learnings from this crisis to return M&S to profitable, sustainable performance.

As demonstrated on page 68 and referenced throughout this Remuneration Report, there is a strong alignment between M&S's key financial performance indicators and the measures within the directors' incentive schemes. The inclusion of strategic measures within the long-term incentive award, allows the Committee to drive the delivery of M&S's transformation while supporting the learnings taken from this global crisis.

As shown earlier in this Annual Report, while there were some financial improvements within the business, this did not translate to improvements in the core key performance indicators on page 68. As such, payments under both the Annual Bonus Scheme and PSP were impacted by M&S's overall performance during the year.

WIDER WORKFORCE PAY ARRANGEMENTS

The Committee received regular and varied updates during the year relating to M&S's pay arrangements. In addition to those already outlined in the Committee's remit available on the M&S website, detailed discussions ranged from hourly pay for store colleagues to colleague participation in last year's rights issue.

Further, we welcome the collaboration with the Business Involvement Group at the Committee meeting in receiving direct feedback on colleagues' views. This dialogue ensures a close link between the pay philosophies at the most senior levels with those for the broader population.

To demonstrate the Committee's keen interest in wider workforce pay arrangements within M&S, we have this year expanded our disclosure on these specific areas; see pages 72 and 73.

As is referenced earlier in this Annual Report, the business has taken great care to support all colleagues during the Covid-19 pandemic which the Committee and the Board were supportive of. From a pay perspective, these include, but are

not limited to, supporting every colleague needing to either self-isolate or shield themselves to do so on full pay, and rewarding M&S's hardworking frontline store and e-commerce distribution colleagues with an additional short-term 15% pay award.

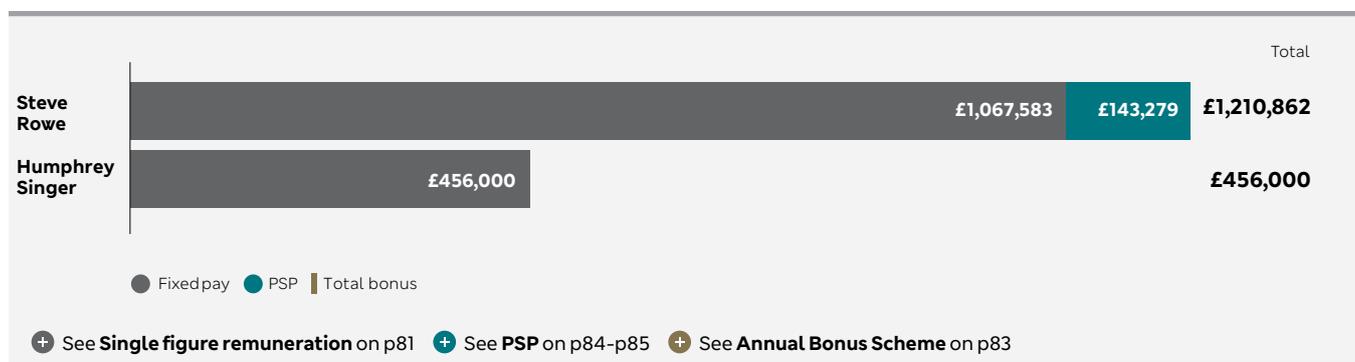
SINGLE FIGURE AND INCENTIVE SCHEME OUTCOMES

The graph below summarises the total payments made to executive directors in 2019/20, illustrating the figures detailed in the single figure chart set out later in this report on page 81.

The total pay for the CEO was c.20% lower this year, reflecting lower PSP outcomes and the reduction in share price during the year.

The 2017 PSP will vest at 11.2% in June 2020 for the three-year performance period up to 28 March 2020. Page 85 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 overleaf. The remit of the Committee is to ensure that targets set are stretching yet achievable, rewarding the delivery of sustainable, ambitious long-term performance. Vesting under the PSP 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.

SINGLE FIGURE REMUNERATION FOR 2019/20



PERFORMANCE SHARE PLAN (PSP) VESTING 2019

VESTING OUTCOMES

Adjusted EPS

● Maximum	33.33%
● Actual	0%

Average ROCE

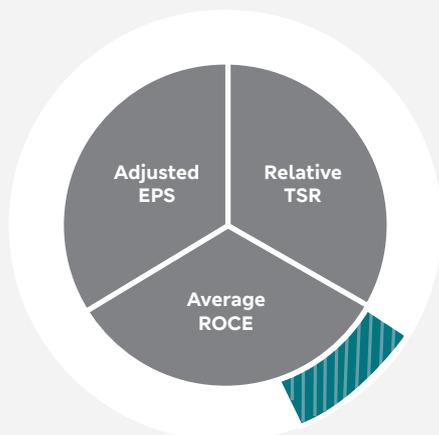
● Maximum	33.33%
● Actual	12.7%

Relative TSR

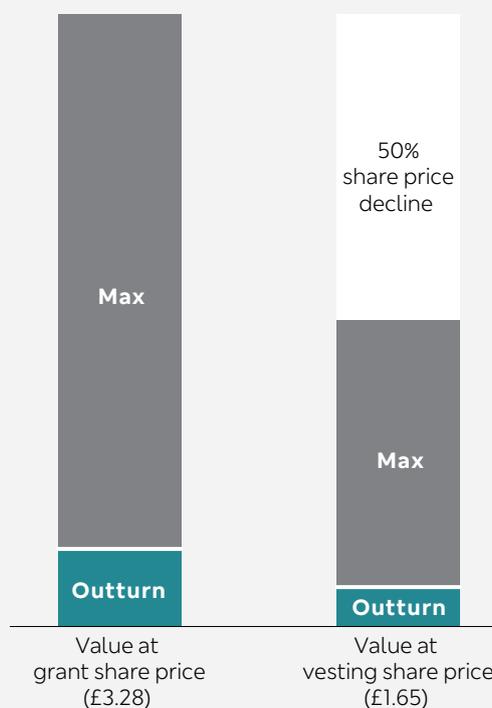
● Maximum	33.33%
● Actual	0%

Outturn

● Maximum	100%
● Actual	11.2%



IMPACT OF SHARE PRICE CHANGE ON PSP VESTING VALUES



As is shown in the illustration above, a significant proportion of a director's reward is linked to the movement in share price, providing significant investment in the Company and strong long-term alignment with shareholders

➕ See Performance Share Plan on p84-p85

The 2019/20 Annual Bonus Scheme was focused 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 2019/20 financial year, the PBT achievement of £403.1m was below the threshold to trigger a bonus payment and so no bonus was paid under the Annual Bonus Scheme to anyone within the organisation, including the 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 83 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 2019/20 and payments made elsewhere in the business. The Remuneration Policy operated as intended so no changes to outcomes were necessary.

PAY ARRANGEMENTS FOR 2020/21

When reviewing salary levels, the Committee considers 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. As a result of performance in the year and the unprecedented impact of the Covid-19 pandemic, it was decided not to implement any salary increases in the wider organisation and the Committee decided that it would be appropriate to freeze Steve Rowe's salary. As detailed within this report, the Committee made the recommendation, and Steve agreed, that over the next three years the CEO pension supplement would be reduced to zero. While the intended structure of the Annual Bonus Scheme, as detailed on page 75 in the Policy table, remains

unchanged from 2019/20, the Committee has agreed that for 2020/21 only there will be no bonus scheme in operation for the executive directors. Executive directors will still continue to be measured against a scorecard of individual objectives aligned to the strategic priorities set out earlier in this report, however no financial payment will be made in respect of their achievements. The Committee debated the appropriateness of this decision in a time when executives are working harder than ever and believes, in the context of wider macroeconomic factors and the experience of the business with a large number of colleagues placed on furlough, this is the right decision for M&S.

The Committee continues to ensure that the total remuneration framework for executives is aligned to shareholder interests. In light of the decision not to operate a bonus scheme for 2020/21, the Committee believes it is critical to ensure that executives remain aligned with shareholders' long-term interests through a PSP award set against not only appropriate measures but also achievable yet stretching targets. In the current rapidly changing circumstances caused by Covid-19, and the extreme uncertainty in the retail sector more broadly, the Committee debated the operation of the PSP, the appropriateness of the proposed performance measures and targets as well as the timing of a 2020/21 award which is typically granted shortly after M&S's final year results. As a result, the Committee has agreed to grant a PSP award to executives in July 2020. The performance targets for this award will be set at a time when the impact of Covid-19 on the business can be better forecast and the proposed strategic measures reviewed in light of the business's strategic response to the post-pandemic trading environment. However, the Committee recognises the material fall in share price

since awards were made in 2019 and so took decisive action to significantly reduce the quantum of the 2020 PSP award from 250% to an intended 175% of salary. In determining the size of this year's PSP awards, the Committee, wished to acknowledge the shareholder experience of Covid-19 to reduce windfall gains from directors' awards. As such, M&S's average share price since February 2020 until mid-May was used as a reference point in Committee discussions. The Committee will review and reconfirm this decision immediately prior to grant to ensure this remains appropriate.

Targets will be set and disclosed no later than 31 December 2020. The Committee is committed to shareholder engagement and will further engage with our major shareholders in advance of any long-term incentive targets being determined. More details are set out on page 85.

The Committee believes that this approach is appropriate as the business reviews its strategy in light of the Covid-19 crisis and when retention and motivation of the senior leadership team remains critical.

SHAREHOLDER APPROVAL AT THE AGM

In addition to the resolution at this year's Annual General Meeting (AGM) to renew the Remuneration Policy, we are also seeking shareholder approval to make an amendment to the existing share plan rules. We wish to provide the facility to satisfy awards with new issue shares, rather than market purchase shares as is currently the practice. This change will support M&S in securing its cash flow for financially efficient business operations. In addition some minor amendments to align with the operation of our existing Remuneration Policy approved by shareholders in 2017 are proposed. Further details are set out in the Notice of Meeting on pages 183 to 199.

LOOKING AHEAD

This was the final year under the current remuneration framework, and we hope to have your support at the 2020 AGM to approve the new Remuneration Policy. The new Policy has been designed to ensure 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. Having engaged with our major shareholders as part of this process, to both incorporate their views and to maintain open dialogue on director pay arrangements, we hope that all our shareholders will support the Policy at the AGM.

As we look to the future, the Committee will also need to take into consideration the impact of investment in 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 this partnership impacts structures, targets and application 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 what has been an unprecedented year. Due to the Covid-19 pandemic the Company's AGM on 3 July 2020 will be via a live webcast broadcast from Waterside House and I will be able to answer any questions in relation to this Remuneration Report at this time.

Andrew Fisher, Chairman of the Remuneration Committee

REMUNERATION IN CONTEXT

COLLEAGUE ENGAGEMENT

- **Share ownership across our colleagues** 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. Across our UK and Irish colleagues, M&S has a significant number of participants in all employee share schemes: colleagues hold over 53m SAYE options in our ShareSave scheme and over 3,000 colleagues hold shares in our Share Incentive Plan ShareBuy.
- **Direct engagement with our colleagues** 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 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.

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

CONSIDERATION OF COLLEAGUE PAY

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.

The Committee is provided throughout the year with information detailing pay in the wider workforce, which gives additional context for the Committee to make informed decisions. The Head of Executive Reward & External Reporting advises the Committee of the approach which will be adopted with the forthcoming UK pay review and the Committee then considers the executive directors' pay in line with these arrangements.

The Head of Executive Reward & External Reporting consults on all executive director bonus objectives and advises the Committee on how, and the extent to which, these may be cascaded throughout the Company.

In approving the budget for the annual bonus, the Committee reviews all bonus costs for the Company against the operating plan. The Committee also reviews and approves any PSP awards made to executive directors and directors below the Board prior to their grant.

The Committee receives updates on a variety of colleague engagement initiatives which form part of our colleague voice surveys, asking colleagues about engagement, empowerment and enablement. While colleagues were not formally consulted on the development of the Policy, the annual employee voice survey asks colleagues about the fairness and reasonableness of colleague pay and benefits, and they are also encouraged to raise questions at the periodic all-colleague announcements led by the CEO. Any questions raised at this time are answered, and comments made during the year through surveys or our network of elected colleague representatives via BIG are considered. The Head of Executive Reward & External Reporting typically provides an annual update to these colleague representatives with an explanation of the executive directors' pay arrangements during the year, and they are able to ask questions on the arrangements and their fit with the other reward policies at this time.

CONSIDERATION OF STAKEHOLDER VIEWS

The Committee is committed to an open and transparent dialogue with shareholders on the issue of executive remuneration. Where appropriate, the Committee will actively engage with shareholders and shareholder representative bodies, seeking views which may be considered when making any decisions about changes to the directors' Remuneration Policy.

The Committee seeks the views of the largest shareholders individually and others through shareholder representative bodies when considering making any significant changes to the Remuneration Policy; this may be done annually or on an ad hoc basis, dependent upon the issue. For example, during the year the Committee proposed changes to the PSP measures and, as a direct response to shareholder feedback TSR remains a key measure. The Committee annually engages in a process of investor consultation, which is typically in written format, but may be through face-to-face meetings, if considered useful. The Committee Chairman is available to answer questions at the AGM and the answers to specific questions are posted on our website.

GENDER PAY GAP

The M&S median gender pay gap for the year to April 2019 is 4.0%, compared with a national average of 17.3%. The M&S mean gap for the same period is 12.9%.

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, the launch of our Breakthrough Leaders programme aimed at developing and accelerating the progression of diverse talent in the business, our participation in Retail Week's Be Inspired accelerator programme for senior women, collaboration in the 30% Club's cross-business mentoring programme and the launch of our own internal mentoring portal for our colleagues. All of this activity is supported by our colleague networks, including the Gender Equality Network, which hold events and raise important discussions on gender equality via their online social communities.

We're proud that 74% of our Customer Assistants are women but we need to do more to encourage diversity in senior roles. Diversity and inclusion remains a key priority for us and we have developed a bold strategy and will not be letting our focus relent through these challenging times.

4%

Gender pay gap (median)

PAY ARRANGEMENTS FOR COLLEAGUES DURING COVID-19

We are proud to be providing support to our colleagues during Covid-19. As detailed earlier in this Annual Report, for those colleagues needing to self-isolate or shield themselves, they have done so on full pay. Our frontline store and e-commerce distribution colleagues continuing to work are being provided with a short-term 15% additional pay award and similarly, colleagues working in support centres will receive a share award equivalent to 5% of salary for the furlough period. Furloughing frontline colleagues continue to receive full pay with 90% of pay being paid for support centre colleagues placed on furlough. This ensures consistent treatment of all colleagues, by maintaining a 15% differential in pay between those working and those on furlough.

As part of our socially responsible reporting strategy, an annual shareholder meeting is normally held and the consideration of views on a variety of topics, including executive pay, is taken into account.

CHIEF EXECUTIVE'S PAY RATIO

In last year's report, the Committee chose to early disclose an indicative CEO pay ratio. During the year, the Committee considered the appropriate calculation approaches as set out in the regulations and has chosen Methodology A, as we believe it to be the simplest, most appropriate and robust way to calculate the ratio.

Option A requires three UK colleagues to be identified as the equivalent of the 25th, 50th and 75th percentile. Having identified these colleagues based on pay and benefits as at 28 March 2020, the total remuneration is calculated on the same basis as the CEO single total figure of remuneration, the only exception being the individual performance element of the Annual Bonus Scheme applicable to the relevant colleagues is assumed to be the respective target value, as the actual value is not known at the time of producing the Annual Report. This requires:

- Starting with colleague pay that was calculated based on actual base pay,

benefits, bonus and long-term incentives for the 12 monthly payrolls within the full financial year. Earnings for part-time colleagues are annualised on a full-time equivalent basis to allow equal comparisons.

- Adjusting the value of any bonus so that it only reflects the amount earned in respect of the 2019/20 financial year and does not include the value of any deferred shares from the 2016 bonus which vested in June 2019.
- Adding in the employer pension contribution from the M&S Pension Saving Plan.

Joiners and leavers in the year have been excluded from the calculations, the percentile figures are therefore representative of the whole colleague population but do not include all colleagues as at 28 March 2020.

The table below shows the ratio of CEO pay in 2019/20, using the single total figure remuneration as disclosed in Figure 8 (page 81) to the comparable, indicative, full-time equivalent total reward of those colleagues whose pay is ranked at the 25th, 50th and 75th percentiles in our UK workforce. The calculation used to determine these figures is reflective of M&S's pay proposition across the workforce as all pay elements have been included to ensure equal comparisons.

Year	Methodology	25th percentile ratio	50th percentile ratio	75th percentile ratio
2020 Figures	(Option A)	64 : 1	59 : 1	51 : 1
			Salary (£000)	Total pay and benefits (£000)
Pay data				
CEO remuneration			828	1,211
UK colleague 25th percentile			18	19
UK colleague 50th percentile			19	21
UK colleague 75th percentile			22	24

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 are based in the UK.

	% change 2018/19 – 2019/20		
	Base salary	Benefits	Annual bonus
CEO (Steve Rowe)	3.0%	-0.2%	-
UK employees (average per FTE)	3.7%	0.7%	-

Salary reviews in 2019/20 awarded across the wider organisation ranged from 2% to 4%, the 3% increase awarded to the CEO was the first salary increase since his appointment to the role in 2016, despite his salary being significantly lower than that of his predecessor. There were no annual base pay increases awarded to the CEO or to colleagues in respect of the 2020/21 financial year.

The change in colleague benefits is reflective of a shift in workforce structure rather than a change in benefit offering, which remains unchanged from 2018/19. There has been no fundamental change in the CEO benefit offering.

No award under the Annual Bonus Scheme was made to either the CEO or anyone else within the wider workforce in either 2018/19 or 2019/20.

REMUNERATION

REMUNERATION POLICY

FIGURE 1: EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE

Shareholders approved the Remuneration Policy at the AGM in 2017. As such, the Company is required to seek approval for the new Policy at the AGM to be held on 3 July 2020, from which date the updated Policy will apply. The Committee reviewed the senior remuneration framework during the year to ensure that it remains fit for purpose, providing an appropriate framework to fulfil M&S's reward philosophy which is, in turn, designed to support and drive the business strategy.

The Policy remains largely unchanged from the one approved by shareholders in 2017; for transparency, where amendments have been made these are highlighted. Once approved, this Policy may operate for up to three years.

The Policy 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.

Base salary	Benefits	Pension benefits
<p>PURPOSE AND LINK TO STRATEGY</p> <p>To attract, retain and motivate high-calibre executives needed to deliver our strategy and drive business performance.</p>	<p>PURPOSE AND LINK TO STRATEGY</p> <p>To provide market-competitive benefits which drive employee engagement and commitment in our business.</p>	<p>PURPOSE AND LINK TO STRATEGY</p> <p>To attract and retain high-calibre executives through a commitment to responsible, secure retirement funding in line with our Company values.</p>
<p>OPERATION</p> <p>Payable in cash. Reviewed annually by the Committee considering a number of factors, including:</p> <ul style="list-style-type: none"> – Salary increases awarded to other colleagues in the wider workforce which are typically reviewed annually on a similar basis. – Comparable salaries in appropriate comparator groups. Salaries reflect the experience, responsibility and contribution of the individual and role within the Group. 	<p>OPERATION</p> <p>Directors are eligible to receive benefits in line with our policies which may include:</p> <ul style="list-style-type: none"> – A car or cash allowance. – A driver. – Life assurance. <p>Where appropriate, our Global/ Domestic Mobility Policy may apply. This may include, but not be limited to, travel, relocation and tax equalisation allowances. Directors are offered a number of other benefits in line with all other colleagues, such as colleague discount and salary sacrifice schemes such as Cycle2Work. Directors may participate in a Save As You Earn Scheme and a Share Incentive Plan and any other all-employee share schemes on the same terms as other colleagues.</p>	<p>OPERATION</p> <p>Current directors may participate in the Your M&S Pension Saving Plan (a defined contribution arrangement) or an alternative pension saving vehicle that the Company may offer, on the same terms as all other colleagues or receive a cash supplement in lieu of pension contributions into this scheme.</p>
<p>MAXIMUM OPPORTUNITY</p> <p>While there is no set maximum, any increases are normally in line with those in the wider workforce. Individual adjustments in excess of this may be made outside of this cycle at the discretion of the Committee, where appropriate. Such circumstances can include:</p> <ul style="list-style-type: none"> – Where the role scope has changed; – Where comparable salaries in the external market have changed; or – To apply salary progression for newly appointed directors. 	<p>MAXIMUM OPPORTUNITY</p> <p>While there is no set maximum, any benefits will be provided at a rate commensurate with the market. Maximum participation in all-employee share schemes is in line with local statutory limits.</p>	<p>MAXIMUM OPPORTUNITY</p> <p>A maximum employer contribution currently of 12% of salary where the employee contributes 6% of salary. Prior to 11 July 2017 an alternative cash payment capped at 25% of salary was available for executive directors.</p>
<p>PERFORMANCE CONDITIONS</p> <p>N/A</p>	<p>PERFORMANCE CONDITIONS</p> <p>N/A</p>	<p>Change for 2020</p> <p>Removal of pension cash supplements for any future directors.</p> <p>Reduction of the CEO's cash pension supplement to zero over the next three years.</p> <p>PERFORMANCE CONDITIONS</p> <p>N/A</p>

(TO BE APPROVED ON 3 JULY 2020)

Annual Bonus Scheme including Deferred Share Bonus Plan (DSBP)

PURPOSE AND LINK TO STRATEGY

To drive annual profitability, strategic change and individual performance in line with the business plan. To recognise and reward individual contributions to the way we do business. The deferral into shares provides alignment with shareholders' long-term interests following the successful delivery of short-term targets.

OPERATION

Directors are eligible to participate in this non-contractual, discretionary scheme. Payments are made subject to the satisfaction of predetermined targets set at the start of the year, as approved by the Committee. Not less than 50% of any bonus earned is paid in deferred shares under the DSBP, with the remainder payable in cash. Deferred shares vest after a period of three years subject to continued service, but no further performance conditions. Clawback and malus rules apply to cash and DSBP awards respectively; see explanatory notes (page 76) for more information. Good leaver and change of control provisions apply to the deferred shares (see explanatory notes). The value of any dividends during the deferred period may be payable (see explanatory notes). The Committee retains the right to exercise discretion, both upwards and downwards, to ensure that the level of award payable is appropriate and fair in the context of the director's individual performance and the Company's overall performance. Where exercised, the rationale for this discretion will be fully disclosed to shareholders in the subsequent Annual Report.

MAXIMUM OPPORTUNITY

A maximum annual potential of up to 200% of salary.

PERFORMANCE CONDITIONS

Quantifiable one-year performance measures and targets are set by the Committee around financial and individual objectives linked with the sustainable delivery of the business plan. Financial performance measures comprise at least 50% of awards and may include, but not be limited to Group PBT after adjusting items. Typically, no payment for individual objectives can be earned unless a 'threshold' level of Group PBT after adjusting items has been achieved. This threshold level is set by the Committee taking into account the previous year's performance and the business operating plan for the current year. For achievement of individual objectives no more than 40% (currently 30%) of the maximum bonus potential is paid for threshold performance, and no more than 60% for target performance. However, the Committee retains the flexibility to amend the pay-out level at different levels of performance for future bonus cycles. This is based on its assessment of the level of stretch inherent in the set targets, and the Committee will disclose any such determinations appropriately.

Performance Share Plan (PSP)

PURPOSE AND LINK TO STRATEGY

Measured against the key financial drivers of the business plan to deliver sustainable value creation. To encourage long-term shareholding to retain directors, and provide greater alignment with shareholders' interests.

OPERATION

The Company's principal long-term incentive scheme, approved by shareholders in 2015. Directors are eligible to participate in this non-contractual, discretionary plan. Directors may receive an annual award which vests after three years subject to predetermined performance conditions. Clawback and malus rules apply to awards (see explanatory notes). Good leaver and change of control provisions apply (see explanatory notes). The value of any dividends during the vesting period may be payable (see explanatory notes). Awards are subject to a further two-year holding period after the vesting date. Directors may sell sufficient shares to satisfy the respective tax liability but must retain the net number of shares until the end of this two-year period. As with the bonus scheme, the Committee retains the right to exercise discretion in the same manner to ensure appropriateness of outcomes.

MAXIMUM OPPORTUNITY

The maximum value of shares (at grant) which can be made under an award to an individual in respect of a financial year is 300% of salary.

PERFORMANCE CONDITIONS

Performance is measured over a three-year period against a balanced scorecard of appropriate measures as determined by the Committee each year. This currently includes EPS, ROCE, TSR and from 2020 strategic measure. These are chosen as those measures which support and drive top-line and bottom-line performance in line with business strategy. Financial measures comprise at least 50% of awards. The threshold level of vesting is 20% of the maximum. For performance between threshold and maximum, awards vest on a straight-line basis.

Shareholding Requirement

PURPOSE AND LINK TO STRATEGY

To drive long-term, sustainable decision-making for the benefit of the Company and our shareholders.

OPERATION

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.

MAXIMUM OPPORTUNITY

For the CEO, this requirement is 250% of salary. For all other executive directors the requirement is 200%.

Change for 2020

Directors are required to continue to hold their shareholding requirement, or, if their level of shareholding is below the requirement, their actual shareholding for two years after leaving M&S.

The shareholding requirement for other executive directors increased from 150% to 200%.

PERFORMANCE CONDITIONS

N/A

REMUNERATION POLICY CONTINUED

FIGURE 2: POLICY TABLE

Executive directors may be in receipt of awards under share plans outside of the current remuneration framework detailed on pages 74 and 75; these may have been awarded upon recruitment or prior to their appointment as an executive director. While awards under these plans do not form part of a forward-looking policy, for transparency, details of the plans are set out in the table below.

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE CONDITIONS
Restricted Share Plan (RSP)	To enable the recruitment of key directors who are necessary to the delivery of business strategy.	<ul style="list-style-type: none"> – Restricted awards may be granted for the recruitment of directors. – Awards vest after a restricted period, which can vary by award but is typically between one and three years. – Malus provisions, good leaver and change of control provisions apply (see below and page 78). – The value of any dividends during the restricted period may be payable (see explanatory notes below). 	While there is no maximum set in the rules, the Committee considers the scale and structure of awards on an individual basis.	The Committee may choose to apply no formal performance conditions save for continued service.
Executive Share Option Scheme (ESOS)	<p>Measured against the key drivers of our business plan to deliver sustainable value creation.</p> <p>To encourage long-term shareholding to retain directors, and provide greater alignment with shareholders' interests.</p>	<ul style="list-style-type: none"> – Approved by shareholders and HMRC in 2015, the Committee may choose to award share options to directors if appropriate. – Malus provisions, good leaver and change of control provisions apply (see below and page 78). – Options are normally exercised between the third and tenth anniversaries of grant, subject to the achievement of any performance conditions set by the Committee. 	Awards are capped at 250% of salary in respect of any financial year of the Company but in recruitment circumstances awards may be granted up to a higher limit of 400% of salary.	Awards vest subject to at least three-year predetermined performance conditions.

EXPLANATORY NOTES

The Committee reserves the right to make any remuneration payments notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed at a time when the relevant individual was not a director of the Company, or under a prior approved policy and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a director of the Company.

For these purposes, payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Awards granted under the PSP, DSBP, and RSP can be made in the form of conditional share awards, forfeitable shares, options or rights with the same economic effect. In addition, awards may be settled in cash. Awards may incorporate the right to receive (in cash and/or shares) the value of dividends, including any dividend tax credit where applicable, between grant and vesting on the shares that vest. This amount may be calculated on a cumulative basis, assuming the reinvestment of dividends into shares.

In the event of a variation of the Company's share capital or a demerger, special dividend or other event which in the Committee's opinion may affect the price of shares, the Committee may alter the terms of awards and the number of shares subject to them. The terms of awards may be amended in accordance with the relevant plan rules (which were formally approved by shareholders on 7 July 2015).

Any performance conditions applicable to PSP, RSP and ESOS awards may be amended by the Committee if an event occurs which causes it to consider that the performance condition would not achieve its original purpose and the amended performance condition is, in the opinion of the Committee, no less difficult to satisfy but for the event in question.

Our long-term incentive plans provide the Committee with discretion with respect of vesting outcomes that affect the actual level of reward payable to individuals, such discretion would only be used in exceptional circumstances and, if exercised, the rationale for this discretion will be fully disclosed to shareholders in the subsequent Annual Report.

CLAWBACK AND MALUS

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 the executive directors' incentive arrangements. All share awards granted from 2013 onwards are subject to malus provisions. These 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.

In addition, clawback provisions were introduced in 2015 and apply to cash payments made under the Annual Bonus Scheme. Awards made under any of the Company's other executive share plans

(including the PSP) in 2015 and onwards will similarly be subject to clawback provisions. These 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. The specified events that would trigger clawback include the discovery of a material misstatement resulting in an adjustment in the audited consolidated accounts of the Company, the assessment of any performance condition, terms or conditions in respect of an award or payment that were based on error, or inaccurate or misleading information, the discovery that any information used to determine the number of shares subject to an award or amount payable was based on an error, or inaccurate or misleading information, the action or conduct of a participant which, in the reasonable opinion of the Committee, amounts to gross misconduct or a material breach of the participant's service contract that falls short of gross misconduct, and events or behaviour of a participant that have had a significant detrimental impact on the reputation of any member of the Group, provided that the Committee is satisfied that the relevant participant was responsible for the reputational damage and that the reputational damage is attributable to the participant. Clawback may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards.

PERFORMANCE CONDITIONS AND TARGET SETTING

The Committee reviews annually the measures, weightings and targets for the incentive arrangements for the executive directors. In doing so, the Committee considers a number of factors which assist

in forming a view. These include, but are not limited to, the strategic priorities for M&S over the short- to long-term, shareholder feedback, the risk profile of the business and the macroeconomic climate.

The Annual Bonus Scheme is measured against a balance of profitability and the delivery of key strategic areas of importance for the business. The profitability measure used is Group PBT before adjusting items as this is used internally to report and assess business performance by the Board and Operating Committee. Refer to the glossary on pages 176 to 178 for the definition of Group PBT before adjusting items, and to note 5 of the financial statements for a description of adjusting items.

The PSP is assessed against a balance of measures identified as those most relevant to driving both sustainable top-line and bottom-line business performance, as well as providing value for shareholders, and strategic alignment with the business.

This is reflected in the EPS and ROCE measures which focus on a balance of profitability, cost control and the efficient use of capital investment.

The value delivered to shareholders is reflected by Relative TSR which is measured against a bespoke group of retail companies which are believed to provide a balanced portfolio of those most likely to be alternative investment choices for M&S shareholders.

Targets are set against the respective annual and long-term operating plans taking into account analysts' forecasts, M&S's strategic plans, prior year performance, estimated vesting levels and the affordability of pay arrangements. Targets are set to provide a sustainable balance of risk and reward to ensure that, while being motivational for participants, maximum payments are only made for exceptional performance.

REMUNERATION FRAMEWORK FOR THE REST OF THE ORGANISATION

M&S's philosophy is to provide a fair and consistent approach to pay. Remuneration is determined by level and is broadly aligned with those of the executive directors.

Base salaries are reviewed annually and reflect the local labour market.

All UK colleagues are eligible to participate in the Your M&S Pension Saving Plan on the same terms as the executive directors. In addition, all UK colleagues are provided with life insurance and colleague discount, and may choose to participate in the Company's all-employee share schemes and salary sacrifice arrangements.

A significant number of colleagues are eligible to be considered to participate in an annual bonus scheme which for the majority will be a cash-based payment partially determined by Group PBT performance. For M&S's most senior

executives, part of the bonus is deferred into shares for three years.

Around 170 of M&S's top senior executives may be invited to participate in the PSP, measured against the same performance conditions as executive directors. Award levels granted are determined to be aligned with market practice and reflect an individual's level of seniority as well as their performance and potential within the business.

FIGURE 3: RECRUITMENT POLICY & SERVICE CONTRACTS

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

In addition, the Committee in exceptional circumstances has discretion to include any other remuneration component or award which it feels is appropriate, considering the specific circumstances of the individual, subject to the limit on variable remuneration set out below.

The rationale for any such component would be appropriately disclosed. For example, for internal promotional appointments to the Board, the Committee would honour any pre-existing contractual remuneration arrangements; these arrangements may be outside of the Policy detailed on pages 74 to 75.

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. There are no further obligations which could give rise to a remuneration or loss of office payment other than those set out in the Remuneration Policy and the Termination Policy. The directors' service contracts are available for shareholder inspection at the Company's registered office.
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. For new appointments to the Board, the Committee may set the rate of pay at the lower end of the rate for other directors and/or other comparable roles within the market with the intention of applying staged increases.
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 for future executive directors (currently up to 12% of salary).
Annual Bonus Scheme	<ul style="list-style-type: none"> Eligible to take part in the Annual Bonus Scheme with a maximum bonus of 200% of salary in line with our policy for executive directors.
PSP	<ul style="list-style-type: none"> A maximum award of up to 300% of salary in line with our policy.
Buy-out awards	<ul style="list-style-type: none"> Where an individual forfeits outstanding variable pay opportunities or contractual rights at a previous employer as a result of their appointment with M&S, the Committee may offer compensatory payments or buy-out awards, dependent on the individual circumstances of recruitment, determined on a case-by-case basis. The Committee in its judgement normally intends that any such payments are made on a like-for-like basis and considers issues such as the plan type, time horizons and valuation of the forfeited awards. The Committee's intention would be to ensure that the expected value awarded will be no greater than the expected value forfeited by the individual. Where appropriate, the Committee may choose to apply performance conditions to any of these awards.

REMUNERATION POLICY CONTINUED

FIGURE 4: TERMINATION POLICY

The Company may choose to terminate the contract of any executive director summarily in accordance with the terms of their service agreement, on payment in lieu of notice of a sum equal to salary, benefits and pension as per their contractual notice entitlement (see page 89).

The Company can make a series of phased payments which are paid in monthly instalments, subject to mitigation. This mechanism allows for the amount of any phased payments to be reduced by the income from any alternative position secured by the former director during the phased payments period.

Service agreements may be terminated without notice and without any payments in certain circumstances, such as gross misconduct. The Company may require the individual to work during their notice

period, or may choose to place the individual on garden leave. Such a decision would be made to ensure the protection of the Company's and shareholders' interests where the individual has had access to commercially sensitive information.

The table below sets out key provisions for directors leaving the Company under their service contracts and the incentive plan rules.

The Company's policy towards exit payments allows for a variety of circumstances whereby a director may leave the business. In some cases, where deemed suitable, the Committee reserves the right to determine exit payments, where the director leaves by mutual agreement. In all circumstances, the Committee does not intend to 'reward failure' and will make decisions based on the individual circumstances. The Committee's objective is that any

such agreements are determined on an individual basis and are in the best interests of the Company and shareholders at that time, and reflect the director's contractual and other legal rights.

CORPORATE EVENTS

In the event of a change of control or winding up of the Company, unvested share awards will normally vest on the date that the Board notifies participants of such an event. The number of shares which may vest under awards in these circumstances will be subject to any relevant performance conditions and, in the case of PSP awards, unless the Committee determines otherwise, time pro-rating. In the event of a demerger, special dividend or other event which, in the opinion of the Committee affects the price of shares, the Committee may allow some or all of an award to vest.

ELEMENT	APPROACH
Base salary, benefits and pension benefits	– Payment made up to the termination date in line with contractual notice periods.
Annual Bonus Scheme	– There is no contractual entitlement to payments under the Annual Bonus Scheme. If the director is under notice or not in active service at either the relevant year end or on the date of payment, there will be no entitlement to any bonus payment, either in cash or shares. The Committee may use its discretion as described above to make a bonus award, which is normally pro-rated for time worked during the relevant financial year and based on performance assessed at the end of the bonus period.
Long-term incentive awards	– Where a director ceases to be an officer or employee of the Group before the end of the relevant vesting period, the treatment of outstanding awards is determined in accordance with the plan rules. – In some circumstances, where a director leaves due to retirement, injury, ill-health, death or the sale of the director's employing company or business out of the Group, or any other reason at the discretion of the Committee and in accordance with the plan rules, DSBP awards normally vest in full on cessation; PSP and ESOS awards which have been held for at least 12 months normally vest when the level of performance has been assessed and agreed at the end of the three-year performance period. RSP awards are considered on an individual basis but would typically be pro-rated for the time held and vest on cessation. The Committee may determine these awards vest upon cessation as permitted in the plan rules. In either circumstance, any relevant performance conditions would still apply to the PSP and ESOS awards and unless the Committee determines otherwise, would be time pro-rated and subject to the two-year holding period post-vesting.
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.

FIGURE 5: NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY (TO BE APPROVED ON 3 JULY 2020)

The table below sets out our Policy for the operation of non-executive director fees and benefits at the Company. The Policy remains unchanged from the one approved by shareholders in 2017. Once approved, this Policy may operate for up to three years.

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.

The Company may offer benefits to the Chairman and non-executive directors as detailed in the non-executive director policy table below.

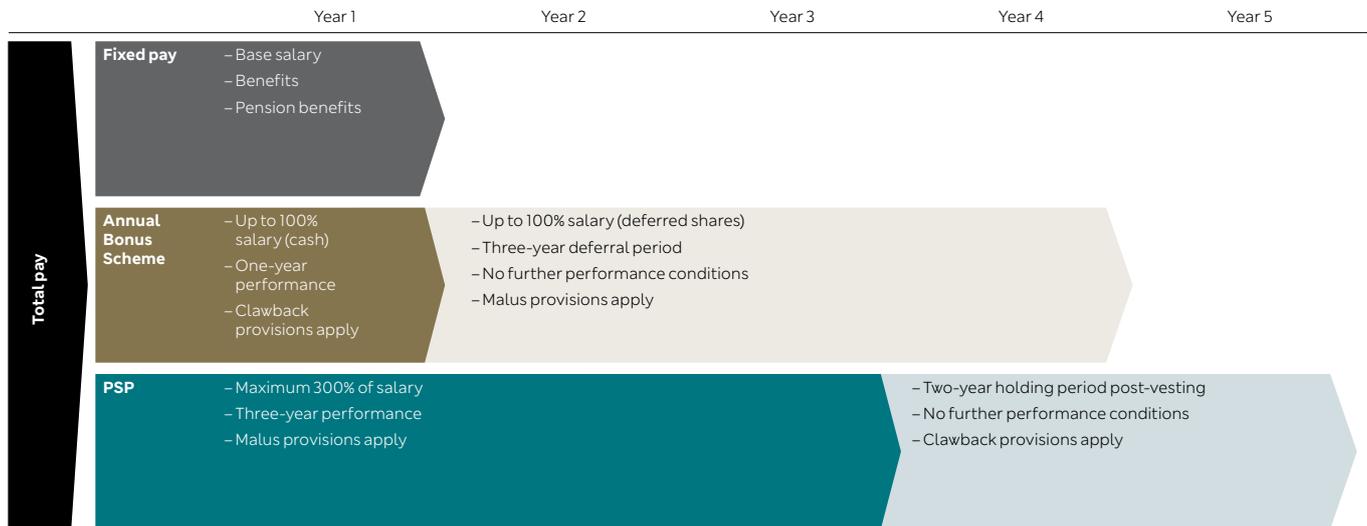
All non-executive directors have an agreement for an initial three-year term, these are available for inspection at the Company's registered office. The Chairman's agreement requires six months' notice by either party. The non-executive directors' agreements may be terminated by either party giving three months' notice.

ELEMENT	PURPOSE AND LINK TO STRATEGY	OPERATION AND OPPORTUNITY
Chairman's fees	To provide a fair fee at a level that attracts and retains a high-calibre Chairman.	<ul style="list-style-type: none"> – Fees are determined by the Remuneration Committee. – Total fee comprises the non-executive director basic fee and the additional fee for undertaking the role. – Paid in equal monthly instalments; may be made in cash and/or shares. – Fees reflect the time commitment, demands and responsibility of the role. – Reviewed annually, taking into account market practice in appropriate comparator groups, e.g. major retailers, similar-sized listed companies. – 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	To provide a fair basic fee at a rate that attracts and retains high-calibre non-executive directors.	<ul style="list-style-type: none"> – Fees are determined by the Chairman and executive directors. – Paid in equal monthly instalments; may be made in cash and/or shares. – Fee level recognises the scope of the role and time commitment required. – Reviewed annually, taking into account market practice in appropriate comparator groups, e.g. major retailers, similar-sized listed companies. – The maximum aggregate non-executive director basic fees, including the Chairman, is £750,000 p.a. as set out in our Articles of Association.
Additional fees	To provide compensation to non-executive directors taking on additional Board responsibilities.	<p>Additional fees are paid for undertaking the extra responsibilities of:</p> <ul style="list-style-type: none"> – Board Chairman. – Senior Independent Director. – Committee Chairman.
Benefits	To facilitate the execution of responsibilities and duties required by the role.	<ul style="list-style-type: none"> – In line with our other colleagues, the Chairman and non-executive directors are entitled to receive colleague discount. – The Company may reimburse the Chairman and non-executive directors for reasonable expenses in performing their duties and may settle any tax incurred in relation to these. – The Chairman may also be entitled to the use of a car and driver. – The Chairman and non-executive directors do not participate in pension or performance-related schemes.

REMUNERATION POLICY CONTINUED

FIGURE 6: SUMMARY OF REMUNERATION POLICY (TO BE APPROVED ON 3 JULY 2020)

The diagram below illustrates the balance of pay and time period of each element of the Remuneration Policy for executive directors, which, if approved, will take effect after the 2020 AGM. 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.

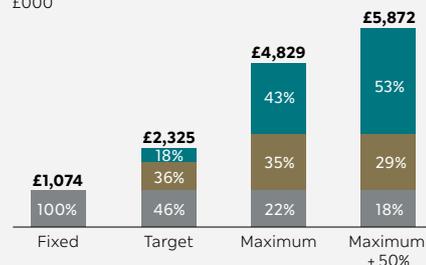


APPLICATION OF REMUNERATION POLICY

The charts below provide an illustration of what could be received by each of the executive directors in 2020/21 under the Policy. These charts are illustrative as the actual value which will ultimately be received will depend on business performance in the year 2020/21 (for the cash element of the Annual Bonus Scheme) and in the three-year period to 2022/23 (for the PSP), as well as share price performance to the date of the vesting of the share element of the Annual Bonus Scheme and PSP awards in 2023.

DIRECTORS

Steve Rowe £000



Eoin Tonge £000



BASIS OF CALCULATIONS AND KEY

Fixed	Fixed remuneration only. No vesting under the ABS and PSP.
Target	Includes the following assumptions for the vesting of the incentive components of the package: – ABS: 50% of maximum, assumes no share price growth. – PSP: 20% of 250%, assumes no share price growth.
Maximum	Includes the following assumptions for the vesting of the incentive components of the package: – ABS: 100% of maximum, assumes no share price growth. – PSP: 100% of 250%, assumes no share price growth.
Maximum +50% share price growth	Includes the following assumptions for the vesting of the incentive components of the package: – ABS: 100% of maximum, assumes no share price growth. – PSP: 100% of 250% with 50% share price growth. – Grant share price for the purpose of demonstrating the 50% growth taken as closing share price at 2019/20 year end.

● Fixed remuneration

Includes all elements of fixed remuneration:

- Base salary (effective 1 July 2020, as shown in the table on page 82).
- Pension benefits as detailed on page 82.
- Benefits (using the value for 2019/20 included in the single figure table on page 81). For Eoin Tonge, the first year relocation fees have been excluded as these do not form part of his 'normal' remuneration arrangements.

● Annual Bonus Scheme (ABS)

Represents the potential value of the annual bonus for 2020/21. Half of any bonus would be deferred into shares for three years and this is included in the value shown.

● PSP

PSP represents the potential value of the PSP to be awarded in 2020, which would vest in 2023 subject to the relevant performance targets. Awards would then be held for a further two years.

REMUNERATION

REMUNERATION REPORT

EXECUTIVE DIRECTORS' REMUNERATION

Each year, the Remuneration Committee assesses the current senior remuneration framework to determine whether the existing incentive arrangements remain appropriately challenging in the context of the business strategy, fulfil current external guidelines and are aligned with 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. 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, as illustrated on page 68.

The diagram below (Figure 7) 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 table below (Figure 8) and later in this report.

FIGURE 7: REMUNERATION STRUCTURE 2019/20

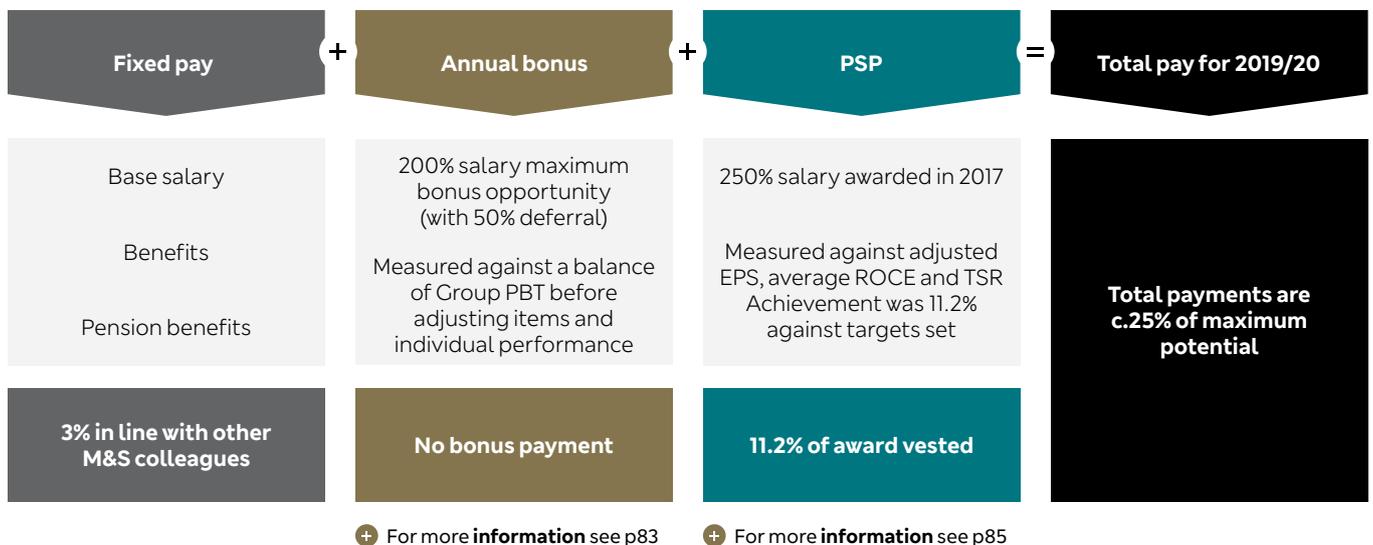


FIGURE 8: TOTAL SINGLE FIGURE REMUNERATION (AUDITED)

Director	Year	Salary £000	Benefits £000	Total bonus £000	Total PSP vested £000	Pension benefits £000	Total pay £000	Total fixed pay £000	Total variable pay £000
Steve Rowe	2019/20	828	37	0	143	203	1,211	1,068	143
	2018/19	810	33	0	471	203	1,517	1,046	471
Humphrey Singer (to 31 December 2019)	2019/20	456	0	0	0	0	456	456	0
	2018/19	439	0	0	0	0	439	439	0

Further details of Humphrey Singer's leaving arrangements can be found on page 89.

Note that the value of PSP awards vesting in 2018/19 has been restated to reflect the actual share price on the date of vesting, £1.93.

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 2019, Steve Rowe was awarded an increase of 3%, his first

increase since his appointment to CEO in 2016. Humphrey Singer was awarded a 2% increase in line with increases granted to the management population. Across the wider organisation salary increases in 2019/20 ranged from 2% to 4%.

For salaries effective July 2020, in light of the Covid-19 pandemic and the salary freeze across the wider organisation, the Committee discussed pay arrangements for all colleagues and decided it was appropriate to also freeze the salary for

Steve Rowe. Eoin Tonge will receive a base salary of £600,000 when he joins the Company on 8 June 2020. For full details of his pay arrangements see page 89.

The next annual salary review for the executive directors will be effective in July 2021.

The table below details the executive directors' salaries as at 28 March 2020 and salaries which will take effect from 1 July 2020.

FIGURE 9: SALARIES

	Annual salary as of 28 March 2020 £000	Annual salary as of 1 July 2020 £000	Change in salary % increase
Steve Rowe	834.5	834.5	0%
Eoin Tonge	–	600.0	N/A

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. Humphrey Singer received neither a car nor cash allowance and did not have the benefit of a driver. Eoin Tonge will not receive a car or cash allowance when he joins M&S in June 2020.

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

PENSION BENEFITS (AUDITED)

During the year, Steve Rowe received a cash payment in lieu of participation in an M&S pension scheme. As reported last year, this cash payment was capped so that Steve Rowe's salary increase was not applied to this element of pay. Both the CEO and the Committee are mindful of the external sentiment of executive pension arrangements. As such, the CEO has agreed that his pension cash supplement be reduced to zero over the next three years.

Steve Rowe is a deferred member of the Marks & Spencer UK Pension Scheme. Details of the pension accrued during the year ended 28 March 2020 are shown below.

While Humphrey Singer was eligible to join the M&S pension scheme on the same terms as all other colleagues, he chose to opt out of the scheme. He did not receive any additional payments in lieu of participation. On joining M&S, Eoin Tonge will be eligible to join the M&S pension scheme on the same terms as all other colleagues.

FIGURE 10: 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	159	0	3	0	5,162

The accrued pension entitlement is the deferred pension amount that Steve Rowe would receive at age 60 if he left the Company on 28 March 2020. 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 2019/20 (AUDITED)

Annual performance for the year was 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.

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. 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 corporate element was similarly achieved.

PBT outturn for the year was £403.1m which was below the threshold set to trigger payments under either the corporate element or the individual element of the Scheme. As such, no bonuses under the 2019/20 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 11 and directly corresponds to the value shown in the single figure table on page 81.

Despite there being no bonus payment under the 2019/20 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 individual objectives for the CEO, 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 2019/20 remain commercially sensitive and so are not disclosed. 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 11: ANNUAL BONUS SCHEME OUTTURN 2019/20 (AUDITED)

Director	Corporate (70%)	Individual (30%)	Total bonus
Steve Rowe PBT		<p>Accelerate the transformation in culture, organisation and capability across the business</p> <p>Continued recruitment of high-calibre senior leaders in key roles to further strengthen the management team throughout the year.</p> <p>New behaviours launched throughout the business and adopted at all levels. Further embedding the process of decentralisation into the family of businesses structure. Delivering a significant increase in store engagement bringing back the voice of the stores through a programme of store feedback calls and store management engagement in addition to using modern "Teams based" technology direct to mobile devices across the business.</p> <p>Oversee the improvements in supply chain and range management</p> <p>In Food, the successful trials of the 'Vangarde' supply chain project were cascaded through the first depot, delivering improvements to both availability and waste on a sustainable basis.</p> <p>The rollout of the clothing warehouse management system was completed and we transitioned to six distribution centres in line with our strategy. Improvements to the Donington distribution centre enabled later cut-offs for online ordering and allowed us to achieve our highest ever rate of distribution for e-commerce at Christmas this year.</p> <p>Accelerate online growth and exploration of digital capabilities</p> <p>While strong foundational improvements were made during the year, digital growth was lower than planned. Review of Sparks loyalty programme and insight optimisation plan in progress to provide a more personalised customer-focussed experience.</p> <p>Drive the transition towards a more technology enabled store operation and portfolio</p> <p>Store colleagues continue to receive an enhanced digital tool kit through new APIs on the Honeywell devices. They supported more accurate stock management and replenishment, better commercial information and new payment solutions. In addition our partnership with Microsoft enabled several enhancements to Teams which have meant our store and office colleagues are more connected than ever.</p> <p>All stores received upgrades to Wi-Fi capability and we continued to develop a click and collect operation. As a result of substantial changes in our IT capability, we were able to remove the mainframe for the first time making us more efficient and cost effective.</p> <p>Successfully established the investment in Ocado Retail Limited including leadership operations and financing</p> <p>Successful completion of the acquisition of 50% of Ocado Retail Limited, funded by the rights issue. Strong leadership at executive level put in place in partnership with Ocado Solutions team. Effective Board structure put in place, and good ways of working and governance established. Launch of M&S product due to go live on 1 September 2020, and on target to include an expanded range.</p>	<p>£0k/£1.67m</p> <p>Overall % of salary (200% max)</p> <p>0%</p>
	<p>Targets include IFRS 16 adjustments</p> <p>Threshold £466m</p> <p>£403.1m</p>	<p>Stretch £521m</p> <p>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 2018/19, no share awards under the Deferred Share Bonus Plan (DSBP) were made during the year. In relation to the 2019/20

performance year, as no bonus awards under the Annual Bonus Scheme have been made, there will be no awards under the DSBP made in 2020.

ANNUAL BONUS SCHEME FOR 2020/21

During the year, the Committee reviewed the 2020/21 scheme, considering the accelerated transformation programme, 'Making M&S Special Again' and bonus arrangements elsewhere in the business.

While the intended structure, as detailed on page 75 in the Policy table, remains unchanged from 2019/20, the Committee has agreed that for 2020/21 only there will be no bonus scheme in operation for the executive directors.

Executive directors will still continue to be measured against a scorecard of individual objectives aligned to the strategic priorities set out earlier in this report, however no financial payment will be made in respect of their achievements.

PERFORMANCE SHARE PLAN (PSP)

PSP AWARDS MADE IN 2019/20 (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 2018 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 2018/19 award, measures used in 2019/20 were equally balanced to ensure an appropriate focus on all three metrics.

TSR is measured against a bespoke group of 13 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 shareholders' 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 25 June 2019. 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, the trigger events that would result in clawback being enforced are detailed on page 76.

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.

FIGURE 12: PERFORMANCE CONDITIONS FOR PSP AWARDS MADE IN 2019/20 (AUDITED)

	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	22.7p	10.2%	Median
Maximum performance	28.5p	12.7%	Upper quartile

Targets outlined above are stated on a post-IFRS 16 basis and include adjustments that have been made for the impact of the investment in Ocado Retail Limited.

FIGURE 13: TSR COMPARATOR GROUP 2019/20 AWARD

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

FIGURE 14: PSP AWARDS MADE IN 2019/20 (AUDITED)

	Basis of award % of salary	Threshold level of vesting	Face value of award £000	End of performance period	Vesting date
Steve Rowe	250%	20%	2,086	02/04/2022	27/06/2022
Humphrey Singer	250%	20%	1,530	02/04/2022	27/06/2022

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 2019 award, the share price was calculated as £2.1206, being the average share price between 18 June 2019 and 24 June 2019.

Humphrey Singer's award lapsed in full when he left M&S on 31 December 2019.

PERFORMANCE SHARE PLAN (PSP) CONTINUED

FIGURE 15: PSP AWARDS VESTING IN 2019/20 (AUDITED)

For directors in receipt of PSP awards granted in 2017, the awards will vest in August 2020 based on three-year performance over the period to 28 March 2020. Performance has been assessed and it has been determined that 11.2% 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; no discretion was applied either for share price movements or for formulaic vesting outcomes.

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 81.

	Adjusted EPS in 2019/20 (p)	Average ROCE (2017/18- 2019/20) (%)	TSR	Total vesting % of award
2017/18 award	1/3 of award	1/3 of award	1/3 of award	
Threshold performance	26.8p	12.1%	Median	11.2%
Maximum performance	32.8p	15.6%	Upper quartile	
Actual performance achieved	16.7p	12.7%	Below Median	
Percentage of maximum achieved	0%	11.2%	0%	

Targets outlined above are stated on a post-IFRS 16 basis and include adjustments that have been made for the impact of the investment in Ocado Retail Limited.

FIGURE 16: VESTING VALUE OF AWARDS VESTING IN 2019/20 (AUDITED)

	On grant		At the end of performance period (28 March 2020)			Total vesting of award £000
	Number of shares granted (incl. rights issue adjustment)	% of salary granted	Number of shares vesting	Number of shares lapsing	Impact of share price performance	
Steve Rowe	638,436	250%	71,505	566,931	-50%	£144k

Total vesting values are based on a share price of £1.65 (the average share price from 2 January 2020 to 28 March 2020) plus a dividend equivalent of £0.365 per share.

The final vesting values also reflect a 50% decline in share price between grant and vesting, as illustrated on page 70 of this report.

PSP AWARDS TO BE MADE IN 2020/21

Between September 2019 and January 2020, the Committee reviewed the long-term incentive framework at M&S, assessing the extent to which it remained suitable and actively consulted with shareholders during this time. As part of this review and engagement process and taking into account shareholder feedback, it was determined that 20% of the PSP award should be based upon strategic transformation goals relevant to the achievement of the business strategy over the next three years. The remaining 80% of the award would be based on EPS (30%), ROCE (30%) and Relative TSR (20%) similar to recent years. Consulted shareholders were supportive of this approach.

The Committee believes in the importance of strategically-aligned incentives so that executive directors are motivated to deliver the commercial success of M&S. The Committee's aim is to ensure realistic and sustainable targets to support the delivery of such success. After careful consideration, and as a direct impact of the current unprecedented trading and financial environment, targets for the 2020 awards to be granted in July will be delayed until appropriately stretching but realistic goals can be set. This will allow Steve Rowe and his leadership team sufficient time to review M&S's long-term business plan in view of the emerging Covid-19 impact over the medium- and long-term. M&S remains committed to clear and transparent communication and intends to engage with its major shareholders with more detail on the targets prior to them being agreed. Targets will be set and disclosed no later than 31 December 2020.

It is the Committee's intention to significantly reduce the quantum of the PSP award to be granted in July 2020, recognising the material fall in share price over the last year. For 2020, it is proposed that Steve Rowe and Eoin Tonge will be granted an award of 175% of salary instead of the typical 250% of salary. The Committee anticipates that it will revert to normal award levels for 2021.

REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' REMUNERATION

FIGURE 17: 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 28 March 2020, 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 26 May 2020. 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	373,187	2,302,782	90,744	196,374
Humphrey Singer (to 31 December 2019)	22,500	0	0	0

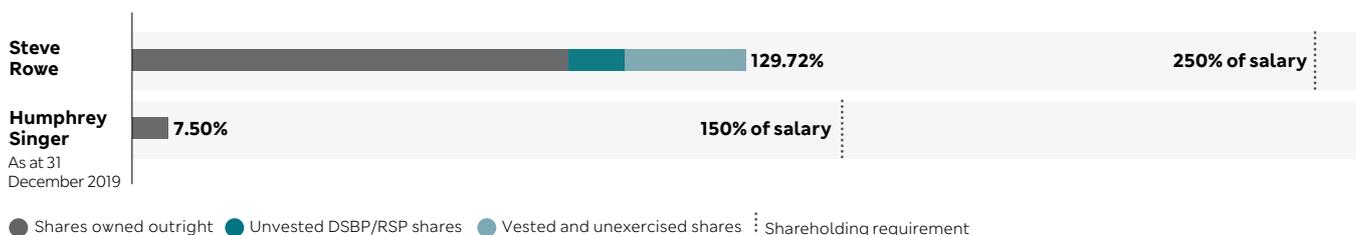
FIGURE 18: SHAREHOLDING REQUIREMENTS INCLUDING POST CESSATION (AUDITED)

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 200% of salary. A similar requirement of 100% of salary currently applies to members of the Operating Committee below Board level.

The chart below shows the extent to which each executive director has met their target shareholding as at 28 March 2020, or date of retirement from the Board. For Steve Rowe, his 250% shareholding requirement is measured from the date he was appointed CEO. The target shareholding for Humphrey Singer prior to leaving on 31 December 2019 was 150%.

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.

Supporting the Committee's intention to drive long-term, sustainable decision-making for the benefit of M&S and our shareholders and in line with the 2018 Code changes and the Investment Association's updated guidelines, directors are required to continue to hold their shareholding requirement, or, if their level of shareholding is below the requirement, their actual shareholding for two years after leaving M&S.



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 141 to 143.

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 with 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 28 March 2020 is as follows:

Figure 19: All share plans

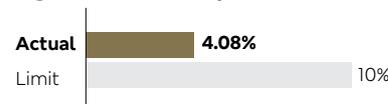
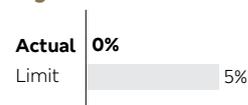


Figure 20: Executive share plans



EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

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

	Maximum receivable at 1 April 2019	Adjusted for corporate transaction	Awarded during the year	Exercised during the year	Lapsed during the year	Maximum receivable at 28 March 2020 (or date of retirement)
Steve Rowe						
Performance Share Plan	1,824,538	72,014	983,801	0	381,197	2,499,156
Deferred Share Bonus Plan	119,675	4,722	0	33,653	0	90,744
SAYE	3,461	136	5,960	0	0	9,557
Total	1,947,674	76,872	989,761	33,653	381,197	2,599,457
Humphrey Singer						
Performance Share Plan	484,966	19,141	721,493	0	1,225,600	0
Deferred Share Bonus Plan	0	0	0	0	0	0
SAYE	0	0	0	0	0	0
Total	484,966	19,141	721,493	0	1,225,600	0

The aggregate gains of directors arising in the year from the exercise of awards granted under the DSBP totalled £69,056 based on a share price on the date of exercise of £2.052. The market price of the shares at the end of the financial year was 99.18p; the highest and lowest share price during the financial year were 277.46p and 91.70p respectively.

Humphrey Singer retired from the Board and left the Company on 31 December 2019. His Performance Share Plan awards lapsed in full upon leaving. Details of his leaving arrangements are set out on page 89.

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 28 March 2020 (all discretionary schemes)	2020/21		2021/22		2022/23		
		Maximum receivable	Lapsed	Maximum receivable	Lapsed	Maximum receivable	Lapsed	
Steve Rowe	Performance Share Plan	2,499,156	71,505	566,931	680,545	–	983,801	–
	Deferred Share Bonus Plan	90,744	90,744	–	–	–	–	–

As reported on page 85, the 2017 PSP awards included within the totals shown in Figure 22 will vest at 11.2% in August 2020. This has been reflected above in the 2020/21 'Lapsed' column.

REMUNERATION REPORT CONTINUED

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. While M&S is not currently a constituent of the FTSE 100 Index, the Committee feels that it remains the most appropriate comparator. 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 p73](#)

FIGURE 25: RELATIVE IMPORTANCE OF SPEND ON PAY

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

Total colleague pay is the total pay for all Group colleagues. 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.

	2018/2019 £m	2019/20 £m	% change
Total colleague pay	1,511.0	1,464.4	-3.08
Total returns to shareholders	303.5	191.1	-37.03
Group PBT before adjusting items	511.7	403.1	-21.22

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
Eoin Tonge	08/06/2020	12 months/6 months

CHANGES TO EXECUTIVE MEMBERSHIP OF THE BOARD DURING 2019/20

PAYMENTS FOR THE LOSS OF OFFICE (audited)

As announced on 16 October 2019, **Humphrey Singer** stepped down from the Board and left M&S on 31 December 2019. Remuneration terms on leaving were in line with the approved Remuneration Policy. Humphrey was entitled to receive salary and benefits, by way of phased

monthly payments from 1 January 2020 to 31 March 2020, subject to mitigation. As per the terms of the approved Remuneration Policy, these payments ceased when Humphrey's new employment commenced in January 2020. The only payment made to Humphrey as a result of his leaving M&S was £10,692 in respect of accrued

but untaken holiday as per the Company's standard holiday policy for leavers. All outstanding share awards lapsed on leaving.

PAYMENTS TO PAST DIRECTORS (audited)

There were no payments made to past directors during the period.

CHANGES TO EXECUTIVE MEMBERSHIP OF THE BOARD DURING 2019/20

DIRECTORS APPOINTED TO THE BOARD

Eoin Tonge will join the Board on 8 June 2020 as Chief Financial Officer. His remuneration upon appointment was in line with the approved Recruitment Policy detailed on page 77 with a basic

annual salary of £600,000. Eoin receives neither a car allowance nor a pension cash allowance but he will be able to join the pension scheme on the same terms as colleagues. Eoin will be provided with short-term domestic mobility allowances and as per the Company's recruitment

policy he will receive replacement share awards to compensate him for those forfeited by him joining the business. These awards will vest in occurrence with the original award time horizons. The rest of Eoin's incentive arrangements are aligned with that of an executive director.

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 1 April 2019 to 31 December 2019, his date of leaving M&S.

Director	Period earned	Company	Fee £000
Humphrey Singer	01/04/2019 – 31/12/2019	Taylor Wimpey	58

REMUNERATION REPORT CONTINUED

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 2019/20 and 2018/19 are detailed in the table opposite.

Benefits include expense reimbursements relating to travel, accommodation and subsistence in connection with the attendance at Board and Committee meetings during the year, which are deemed by HMRC to be taxable. The amounts in the table opposite include the grossed-up cost of UK tax paid by the Company on behalf of the non-executive directors. Non-taxable expense reimbursements have not been included in the table.

During the year, fees for all non-executive directors were reviewed. Taking into account the relevant market data, the salary freeze for M&S colleagues, and given fees were increased with effect from 1 July 2019, no increase to fees was awarded.

Fee levels will be reviewed again during 2020/21 as per the normal annual process. Changes to the Board during the year are detailed below.

Director	Year	Basic fees £000	Additional fees £000	Benefits £000	Total £000
Archie Norman	2019/20	71	538	19	628
	2018/19	70	530	11	611
Andy Halford	2019/20	71	31	0	102
	2018/19	70	23	0	93
Alison Brittain	2019/20	71	0	0	71
	2018/19	70	0	0	70
Andrew Fisher	2019/20	71	15	2	88
	2018/19	70	8	0	78
Katie Bickerstaffe	2019/20	71	0	3	74
	2018/19	51	0	2	53
Pip McCrostie	2019/20	71	0	0	71
	2018/19	51	0	1	52
Justin King	2019/20	71	0	0	71
	2018/19	18	0	0	18

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 28 March 2020 (or upon their date of retiring from the Board), including those held by connected persons.

Changes in the current non-executive directors' interests in shares in the Company and its subsidiaries between the end of the financial year and 26 May 2020 are shown in the table opposite.

Director	Number of shares held as at 28 March 2020	Number of shares held as at 26 May 2020
Archie Norman	148,600	No change
Andy Halford	25,200	No change
Alison Brittain	6,115	No change
Andrew Fisher	4,243	No change
Katie Bickerstaffe	4,800	24,800
Pip McCrostie	7,200	No change
Justin King	44,000	64,000

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 2019/20

DIRECTORS APPOINTED TO THE BOARD

Tamara Ingram and **Sapna Sood** will join the Board as non-executive directors on 1 June 2020. Tamara and Sapna receive the standard annual non-executive director fee of £71,500 and are members of the Nomination Committee.

ROLE CHANGES WITHIN THE BOARD

Katie Bickerstaffe started in her role of Chief Strategy and Transformation Director on 27 April and will step down from the Board at the AGM on 3 July 2020.

DIRECTORS RETIRING FROM THE BOARD

Alison Brittain will retire as a non-executive director and step down from the Board prior to the AGM on 3 July 2020. There were no payments made for loss of office to Alison.

REMUNERATION COMMITTEE

REMUNERATION COMMITTEE REMIT

During the year, the Remuneration Committee reviewed the Terms of Reference ensuring that they reflected the government's latest recommendations and the revised principles of the Remuneration Policy, as set out in the UK Corporate Governance Code 2018. In addition, the Committee delegated authority to management in determining the leaving and joining arrangements for senior colleagues below the level of Operating Committee. The Terms of Reference can be found on the Company's website at corporate.marksandspencer.com/investors/corporate-governance/governance-framework

KEY RESPONSIBILITIES

The role of the Committee continues to have a strong focus on ensuring an appropriate alignment between the remuneration of executive directors and Operating Committee directors and that of colleagues across M&S, ensuring that 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 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.
- 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 BIC the Group's colleague representative body, colleague voice surveys and management reports to ensure colleague views on Group culture, including remuneration strategy and diversity and inclusion are considered.

REMUNERATION COMMITTEE AGENDA FOR 2019/20

REGULAR ITEMS

Pay arrangements

- Within the terms of the M&S Remuneration Policy, approval of the 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, ensuring principles for reward allocation are aligned across M&S.

Annual Bonus Scheme

- Review of achievements against 2019/20 performance objectives for executive directors and Operating Committee directors.
- Approval of targets for the 2020/21 Annual Bonus Scheme ensuring that the performance conditions are transparent, stretching and rigorously applied.

- Approval of the 2020/21 individual performance objectives for executive directors and Operating Committee directors.
- Noting of the total budgeted expenditure for the Annual Bonus Scheme across M&S.

Long-term incentives

- Approval of 2020 PSP awards for the executive directors and Operating Committee directors, following engagement with key stakeholders.
- Approval of vesting level of the 2017 PSP awards across M&S.
- Regular review of all in-flight performance share plans against targets.
- Consideration of long-term share awards granted to colleagues below Operating Committee level.

Governance and external market

- Review of the M&S Remuneration Policy, ensuring it continues to support the long-term success of M&S, is aligned with the 2018 UK Corporate Governance Code, other external governance and emerging best practice.

- Review the appropriateness of the senior remuneration framework in the context of the rest of the organisation and external governance.
- Approval of the Directors' Remuneration Report for 2019/20 and review of the AGM voting outcome for the 2018/19 Report.
- Review of the Committee's performance in 2019/20, 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.
- Review the effectiveness and transparency of remuneration reporting.
- Noting of direct feedback from the Business Involvement Group (BIG) M&S's colleague representative body to ensure that all employee views are received and considered by the Board when making remuneration and reward decisions.

EFFECTIVENESS OF THE REMUNERATION COMMITTEE

An external review of the effectiveness of the Remuneration Committee was conducted by Curnek Bains and Georgia Samolada of Global Future Partners. The review established that the Committee operates effectively and

ensures sound independent review of remuneration policies. Developmental feedback and support will be provided as part of the review process.

2020/21 ACTION PLAN

- Review the M&S Remuneration Policy and framework to ensure strong alignment with the Never the Same Again strategy and transformation acceleration.
- Continued alignment of executive remuneration with the approach to pay across the wider workforce (e.g. CEO Pay Ratio, Gender Pay Gap, Diversity).

REMUNERATION REPORT CONTINUED

REMUNERATION COMMITTEE CONTINUED

FIGURE 31: REMUNERATION COMMITTEE MEETINGS

The table opposite details the independent non-executive directors that were members of the Committee during 2019/20.

MEMBER	Member since	Maximum possible meetings	Number of meetings attended	% of meetings attended
Andrew Fisher (Chairman)	1 October 2018	7	7	100%
Archie Norman	3 November 2017	7	7	100%
Katie Bickerstaffe (to 26 April 2020)	10 July 2018	7	7	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 £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, KPMC, PwC, FIT Remuneration Consultants, Korn Ferry 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 Executive Reward & External Reporting, the Committee gives colleagues, through colleague representatives, the opportunity to raise questions or concerns regarding the remuneration of the executive directors.

During the year, colleague 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 described in the Committee Chair's letter, the Committee took a consultative approach when considering changes to the 2020 Remuneration Policy, engaging with M&S's 12 largest shareholders comprising 47.51% of the register and also shareholder representative bodies to fully understand their views on the current and proposed changes to the remuneration framework.

SHAREHOLDER SUPPORT FOR THE REMUNERATION POLICY AND 2018/19 DIRECTORS' REMUNERATION REPORT

At the Annual General Meeting on 9 July 2019, 98.18% of shareholders voted in favour of approving the Directors' Remuneration Report for 2018/19. The Committee believes that 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 2018/19 Directors' Remuneration Report.

FIGURE 32: VOTING OUTCOMES FOR THE REMUNERATION POLICY AND 2018/19 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
2018/19 Remuneration Report (at the 2019 AGM)	1,165,884,756	98.18%	21,592,545	1.82%	146,548,542

APPROVED BY THE BOARD

Andrew Fisher, Chairman of the Remuneration Committee
London, 26 May 2020

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.