

REMUNERATION OVERVIEW



Retail at its heart is a people business. The Committee takes a keen interest in all colleague pay arrangements to ensure fairness and appropriateness of pay principles across the business.”

Andrew Fisher,
Chair of the
Remuneration
Committee



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INTRODUCTION

On behalf of the Board, I am pleased to present our 2020/21 Remuneration 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 2021/22.

IMPACT OF COVID-19 ON REMUNERATION ARRANGEMENTS

As highlighted in last year's report, the Committee applied robust and proactive discretion to the 2020/21 application of the Remuneration Policy. This took the form of cancelling the bonus scheme for the year and mitigating against the risk of windfall gains in Performance Share Plan (PSP) outcomes by significantly reducing the grant level for the year. In addition, and with shareholders' support, target setting for the PSP award was delayed until December 2020 to ensure, as best as possible, that specific metrics were challenging but achievable following the significant impact of the pandemic.

The Committee remains focused on ensuring flexibility in pay structures allowing for appropriate reward and recognition of executives, balanced against shareholder interests and uncertain external influences. As detailed earlier in this Annual Report, the events of the past year have had a marked impact on customer behaviours, M&S's trading results and the delivery of the transformation. The transformation plan has been turbocharged and a reshaped business has been forged from the pandemic. As such, the Committee reflected on the appropriateness of the executive pay framework. It concluded that there remains sufficient flexibility in the current structures and metrics and alignment with the business plans to motivate and reward strong performance at both the Group and individual level.

Following continued dialogue and engagement with shareholders, the Committee has agreed to reinstate in full the incentive arrangement policies previously approved by shareholders. For 2021/22, executive directors will, subject to the satisfaction of challenging performance conditions, be eligible to receive a bonus payment of up to 200% of salary (split equally between cash and deferred shares) and a PSP award of the typical level, 250% of salary. The Committee believes that this approach is appropriate when retention and motivation of the senior leadership team remains critical. In approving this decision, the Committee carefully considered how to appropriately reward executives where a successful Covid-19 recovery performance would be in the best interests of shareholders and 70,000 M&S colleagues. Further details of the specifics of these incentives are detailed on pages 96 to 98 of this report.

SHAREHOLDER ENGAGEMENT AND FEEDBACK

As referenced earlier, the setting of performance targets for the 2020 PSP award was delayed to allow the business time to assess the initial impact of Covid-19 on the business and to review the proposed strategic measures in light of the business's response to the post-pandemic trading environment. Ahead of confirmation, the Committee consulted with our major shareholders (representing almost 50% of total shares in issue) and shareholder representative bodies to discuss the proposed strategic measures and targets.

This dialogue followed engagement at the end of the last financial year confirming the proposed approach to delaying the targets and the weightings of performance measures. As a result of this ongoing process of consultation and adjustments made to the proposed measures and weightings disclosed in last year's report, no further adjustments to the proposed targets and strategic measures were made. Shareholders were positive in their feedback and we thank them for their continued support.

The Committee, represented by the Chair, confirmed that targets set will support the business over the remaining performance period and are aligned with investor expectations. The measures and targets for the 2020 PSP awards are detailed on page 97 of this report.

In addition, to explicitly support key areas of transformation delivery, the Committee with the support of its shareholders, introduced a basket of strategic measures comprising 20% of the total award. Metrics in this basket include digital growth and food sales targets aligned with financial plans and the provision of a better customer experience in stores as a result of the delivery of the strategic measures. There will be no associated payment for threshold performance levels. The Committee is clear that the delivery of these measures is vital to M&S's future success; reward for partial achievement is

not considered appropriate. While shareholders acknowledged that a cliff-edge vesting for measures is unusual, they recognised the clear message being sent by the Committee and welcomed the simplicity of these key targets. Balanced against the remaining 80% of the performance targets being measured on a sliding scale, no significant issues were raised during consultation.

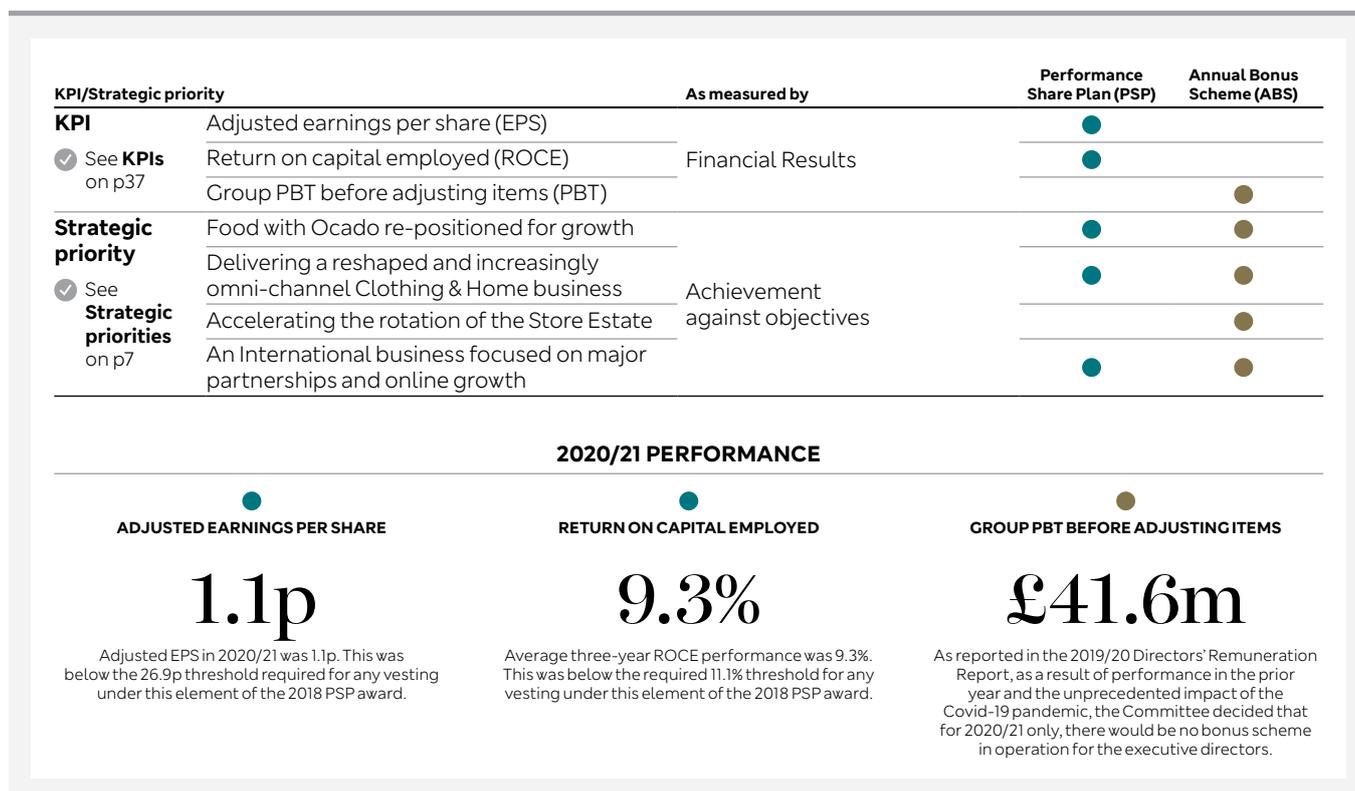
STRATEGIC ALIGNMENT OF PAY

The Covid-19 pandemic has increased focus at M&S on transformation, with a view to never being the same again. The measures and targets used in M&S's incentive schemes, namely those of the Performance Share Plan and Annual Bonus Scheme, were reviewed again during the year to ensure alignment with the key performance indicators (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 at M&S. This strength of alignment will enable the Committee to ensure pay arrangements help to deliver transformation and fulfil M&S's potential for long-term sustainable growth.

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



USE OF DISCRETION

To ensure that pay outcomes appropriately reflect individual and business performance, together with the wider economic and societal climate, the Committee has overriding discretions on directors' pay in addition to the ability to apply malus, clawback and responsible application of discretion to override formulaic outcomes of the incentive schemes.

During the year, the Committee did not apply any discretion to the variable pay outcomes of the bonus and PSP. The Committee agreed that the final vesting of the 2018 PSP was reflective of the last three years of M&S's performance and that the Policy operated as intended.

As was disclosed in last year's report, the Committee applied its discretion to cancel the operation of the 2020/21 directors' bonus scheme. The quantum of PSP grants were also significantly reduced, reflecting the Committee's pro-active decision to mitigate against future windfall profits on vesting in view of the impact of Covid-19 on the share price at the time of grant.

REMUNERATION OVERVIEW CONTINUED

WIDER WORKFORCE PAY ARRANGEMENTS

The Committee received regular and varied updates during the year relating to M&S pay arrangements. In addition to those already outlined in the Committee's remit, detailed discussions ranged from hourly pay for store colleagues, the review of the pay and benefits package which was undertaken during the year, to approving an increase in the Save As You Earn share scheme savings limit based on colleague participation levels in prior years.

The Committee welcomes the collaboration with the Business Involvement Group (BIG) in receiving direct feedback on colleagues' views in formal meetings. This dialogue ensures a close link between the pay philosophies at

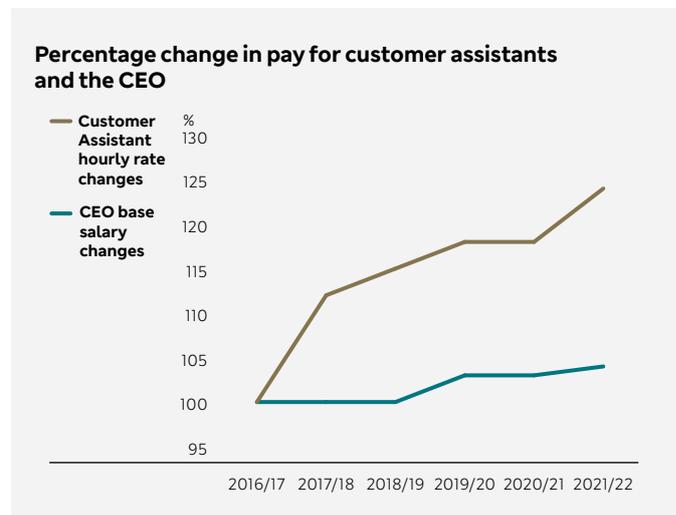
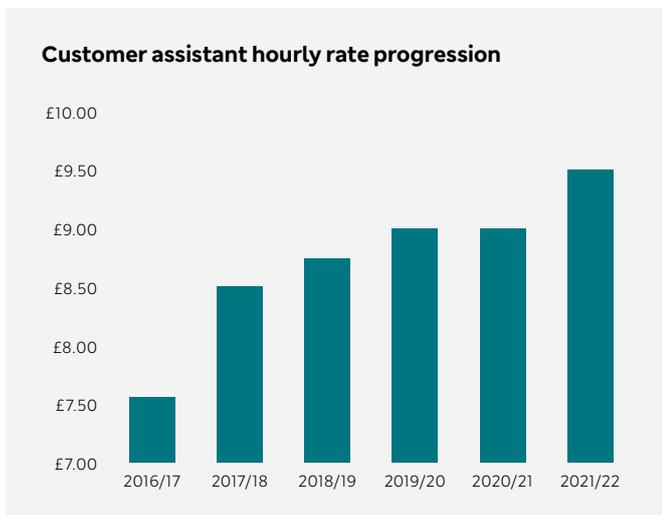
the most senior levels with those for the broader population and understanding at a colleague level any pay concerns and questions raised.

To demonstrate the Committee's keen interest in wider workforce pay arrangements within M&S, we have this year expanded disclosure on these specific areas; see pages 88 and 89.

As 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 have included supporting every colleague either to self-isolate or shield themselves to do so

on full pay; paying full pay for those lower-paid colleagues placed on furlough; and rewarding hardworking front-line store and e-commerce distribution colleagues with an additional short-term 15% supplementary payment.

For the financial year 2021/22 the hourly rate for customer assistants increased by 5.6% to £9.50 an hour, compared with a 1% increase for the CEO. Between 2016 and 2021 the hourly rate paid to customer assistants has increased by 24% and over the same period the increase in base salary for the CEO has totalled 4%, as illustrated in the charts below.



SINGLE FIGURE AND INCENTIVE SCHEME OUTCOMES

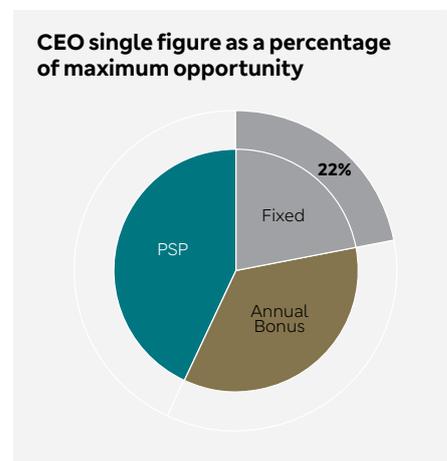
As is shown in the table on page 94, the total pay for the CEO was c.11% lower this year, reflecting the lapse in full of the 2018 PSP award. Payments made to the CFO reflect the annual contractual remuneration payments since his employment on 8 June together with the specific arrangements made to facilitate his recruitment. Further details are provided on page 94.

None of the 2018 PSP will vest in respect of the three-year performance period up to 3 April 2021. Page 98 of this report provides further detail on the specifics of the targets set and the respective achievement under each measure. 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 level of vesting is reflective of the challenging business

environment Steve Rowe and Archie Norman have both highlighted earlier in this Annual Report.

As previously disclosed, the 2020/21 Annual Bonus Scheme was not operated for executive directors. To ensure continued strong governance and transparent reporting to shareholders, and in line with the normal Committee processes, executive directors continued to be measured against a scorecard of individual objectives aligned with the strategic priorities set out earlier in this report. No financial payment will be made in respect of their achievements. The Committee discussed each director's achievement against the relevant individual performance targets and final achievement against these individual objectives and this is detailed on page 96 of this report. In particular, the Committee noted the strong and responsible action taken by Eoin Tonge to strengthen liquidity and preserve cashflow during the pandemic.

Under Steve Rowe's leadership, M&S successfully harnessed the impact of Covid-19, ensuring the turbo charging of the transformation while supporting colleagues through this difficult period.



PAY ARRANGEMENTS FOR 2021/22

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 considerable effort and resilience shown by colleagues across the wider organisation, despite the impact of the Covid-19 pandemic, it was decided to implement salary increases in the wider organisation of between 1% and 5.6%. The Committee agreed to award a salary increase of 1% to the executive directors. This increase is aligned to the increase awarded to other management colleagues.

As already referenced, the Annual Bonus Scheme will resume operation for 2021/22 as per the shareholder approved Policy. Performance will once again be measured against corporate financial targets (currently 70%) and individual objectives (30%). The Committee believes it remains appropriate for PBT to continue to represent the largest element of bonus potential as M&S seeks to return to significant levels of profitability. The maximum opportunity will remain at 200% of base salary.

The Committee continues to ensure that the remuneration framework for executives is aligned with shareholder interests. This means fully aligning performance measures used in the incentive schemes with the business strategy and setting targets which are stretching and yet motivating for directors. It is proposed that the 2021 PSP will maintain measures applied to the 2020 PSP awards, being 30% adjusted EPS, 30% ROCE, 20% relative TSR and 20% strategic measures. Given the continuing uncertainty of the impact of the pandemic on macroeconomic factors, the Committee has again delayed the setting of PSP targets. Targets will be disclosed by 31 December 2021 and will be discussed with shareholders prior to confirmation. Any targets proposed will be set with reference to estimated outturn, the business's long-term financial plans, consensus and brokers' forecasts to ensure they are appropriately stretching with maximum payments only possible for significant outperformance of expectations.

Having reduced award levels in 2020 to acknowledge the shareholder experience of Covid-19 and to mitigate against windfall gains, the Committee believes, in light of the return of the share price to pre-pandemic levels, it is appropriate to incentivise executives and ensure that they remain aligned with shareholders' long-term interests. It is therefore intended to grant PSP awards of 250% of salary in June 2021 to executive directors. In determining the size of the 2021 PSP awards, the Committee noted that as a result of the share price recovery over the last 12 months, fewer shares would be awarded than in 2020. Further details are set out on page 98.

SHAREHOLDING AGAINST SHAREHOLDING GUIDELINES

The Committee is aware that an executive's level of shareholding is one of the measures used by investors to determine the alignment of interests between shareholders and directors. While the CEO has not reached the targeted level of shareholding within five years of his appointment to the role, the Committee is satisfied that this does not reflect Steve Rowe's life-long commitment to M&S. Rather, this is a consequence of the challenging targets set by the business in its incentive arrangements. The Committee recognises that the CEO demonstrably continues to make sound decisions in the best interests of M&S shareholders and colleagues, including the voluntary reduction in his contractual pension arrangements that was reported last year. That said, the Committee continues to keep a watching brief on executives' shareholdings against targets to ensure that their attentions are focused on the delivery of a positive shareholder experience. The decisions implemented for 2021/22 incentive arrangements will help to provide an opportunity for an increase in shareholdings, subject to achievement of associated performance targets.

LOOKING AHEAD

Looking to the future, the Committee intends to continue to review M&S's pay policies, ensuring appropriate alignment between executive pay arrangements and the wider workforce with a focus on flexibility of reward and recognition in uncertain times while maintaining fundamental M&S values of fairness and value for money. The Committee will continue to carefully monitor the pay frameworks at the most senior levels and the organisation's incentive arrangements with a focus on M&S being an employer of choice where hard work and financial results are appropriately recognised and rewarded.

As is detailed later in this report on page 104, the Committee intends to also discuss senior succession planning and the link between Plan A and executive reward, ensuring that solid foundations are in place to nurture and develop the leaders of the future, as M&S plans for long-term financial and environmental, social and governance (ESG) success.

On behalf of the Remuneration Committee, I would like to thank our shareholders for their continued support and open dialogue during this challenging year.

Andrew Fisher, Chair of the Remuneration Committee

REMUNERATION IN CONTEXT

COLLEAGUE ENGAGEMENT

– **Share ownership across our colleagues:** M&S is a proud advocate of employee share ownership. The Board believes that this supports colleagues to not only share in M&S's success but also to behave as owners of our business, aligned with our shareholders' interests. Across our UK and Irish colleagues, M&S has a significant number of participants in all employee share schemes; colleagues hold over 120m SAYE options in our ShareSave scheme and over 3,000 colleagues hold shares in our Share Incentive Plan ShareBuy. During the year, the Board approved an increase to the monthly savings limit for the 2020 ShareSave scheme, from £250 to £500. Over 67% of colleagues benefiting from the increased limits are our front-line colleagues.

– **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 encouraging colleagues to participate in the review of our pay and benefits package; and providing feedback and support on increasing the monthly savings limit for our ShareSave scheme. The collaborative relationship that we have with BIG strongly reflects our belief in the key role that BIG plays in ensuring that the Committee has greater visibility of the

things that really matter to our colleagues. This 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 & Pay Governance 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 executive reward 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 & Pay Governance 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.

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. During the year, we moved away from an annual survey to more 'in the moment' direct feedback. The new monthly digital colleague pulse tracks colleague sentiment throughout the year.

This year, a thorough review of M&S's total reward proposition was carried out and all colleagues were asked to give their views on the current reward package and to highlight what really matters to them both now and for the future. Over 14,000 colleagues provided their views. Results were presented to the Remuneration Committee which discussed findings and the proposed policy updates as a result of colleagues' feedback.

Colleagues are encouraged to raise questions at the periodic all-colleague announcements led by the CEO. All 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 & Pay Governance 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. This year, the Committee consulted on the proposed strategic measures and targets to be applied to the PSP. The Committee, led by the Chair, annually engages in a process of investor consultation, which is typically in written format, but has included face-to-face meetings, telephone or video calls. The Committee Chair is available to answer questions at the AGM and the answers to specific questions are posted on our website.

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.

GENDER PAY GAP

The M&S median gender pay gap for the year to April 2020 is 4.1%, compared with a national average of 15.5%. The M&S mean gap for the same period is 12.3%.

During the year, we've made several steps to further promote and enhance inclusion and diversity at M&S, including hiring our first Group Head of Inclusion and Diversity to further drive the agenda throughout the business, via a new strategy aimed at creating an inclusive culture within a diverse environment for our colleagues, customers and communities.

We continue our partnerships with such organisations as Business in the Community, Retail Week's Be Inspired programme (for which a number of our senior leaders serve as Ambassadors) and the 30% Club.

Our dynamic and fast-paced programme of activity is supported by our seven colleague networks, including the Gender Equality Network, all of which hold events, celebrate key events in the inclusion calendar, such as International Women's Day and raise important discussions on gender equality via their online social communities.

We're proud that 73% of our Customer Assistants are women but we need to do more to encourage diversity in senior roles. Inclusion and diversity remains a key priority for us. We will not be letting our focus relent through these challenging times.

4.1%

Gender pay gap (median)

PAY ARRANGEMENTS FOR COLLEAGUES DURING COVID-19

The impact on our business during the year was profound. For extended periods, most if not all of our Clothing & Home store space was closed and our cafes and hospitality services have all been closed. Our franchise business was also severely impacted, particularly in travel hubs. Despite these intense pressures, we have rightly recognised the incredible efforts of our colleagues; around 27,000 colleagues were provided with government support via the Coronavirus Job Retention Scheme (CJRS). This support was welcomed by our colleagues whose roles were significantly impacted by the restricted trading environment. With a large number of our stores closed, a significant number of redundancies have been avoided through the benefit of the CJRS. To financially help colleagues and their families during this difficult period, M&S voluntarily ensured that furloughed front-line colleagues received full pay. A Colleague Support Fund was set up to help colleagues experiencing financial hardship as a result of the pandemic. In addition, vulnerable colleagues needing to self-isolate or shield have done so on full pay. M&S is proud to have been able to support our colleagues in line with the values which underpin the way we do business.

For those front-line colleagues continuing to work, a short-term 15% supplementary payment was made in recognition of their efforts.

CHIEF EXECUTIVE'S PAY RATIO

Year	Methodology	25th percentile ratio	50th percentile ratio	75th percentile ratio
2021	Option A	55 : 1	50 : 1	42 : 1
2020	Option A	64 : 1	59 : 1	51 : 1

As reported last year, the Committee approved the use of Methodology A, as set out in the regulations, as we believe it to be the simplest, most appropriate and robust way to calculate the ratio.

Option A requires the calculation of pay and benefits of all UK colleagues to identify the three colleagues at the 25th, 50th and 75th percentiles as at 3 April 2021. This is calculated on the same basis as the CEO total single figure of remuneration. The only exception being the individual performance element of the Annual Bonus Scheme applicable to the relevant colleagues (when operating) 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 2020/21 financial year

and does not include the value of any deferred shares.

- Adding in the employer pension contribution from the Your 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 3 April 2021.

The table above shows the ratio of CEO pay in 2020/21, using the single total figure remuneration as disclosed in Figure 7 (page 94) to the comparable equivalent total reward of those colleagues whose pay is ranked at the relevant percentiles in our UK workforce. We believe the median pay ratio this year is consistent with pay, reward and progression policies for UK colleagues as it reflects the consistent approach to pay (pay freezes across the whole company) along with M&S's policy to pay for performance. The reduction in the pay ratio this year is predominantly the result of the reduction of the CEO single figure value due to no long-term incentive vesting in 2021 and the decrease in the cost of benefits provided in the year.

Pay data	Total pay and benefits (£000)		Total pay and benefits (£000)	
	2019/20	2019/20	2020/21	2020/21
CEO remuneration	828	1,205	834	1,068
UK colleague 25th percentile	18	19	18	20
UK colleague 50th percentile	19	21	20	21
UK colleague 75th percentile	22	24	24	25

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 the average non-executive director and our UK-based colleagues' pay. This group has been chosen as the majority of our workforce are based in the UK. Further details of the non-executive director pay changes are shown on page 101.

	% change 2019/20 – 2020/21		
	Base salary/fees	Benefits	Annual bonus
CEO (Steve Rowe)	0%	-36.8%	–
Average non-executive director	0%	0%	N/A
UK colleagues (average per FTE)	0%	0%	–

There were no annual base pay increases awarded to the CEO, non-executive directors or to colleagues in respect of the 2020/21 financial year.

There has been no fundamental change in the CEO benefit offering. During periods of national lock down, Steve Rowe drove himself, rather than make use of the chauffeur service, to ensure the safety of his driver and maintain the required social distancing.

No award under the Annual Bonus Scheme was made to either the CEO or anyone else within the wider workforce in either 2019/20 or 2020/21.

SUMMARY REMUNERATION POLICY

SUMMARY EXECUTIVE DIRECTORS' REMUNERATION POLICY (AS APPROVED ON 3 JULY 2020)

This report sets out a summary of M&S's policy on remuneration for executive and non-executive directors. The full Policy was approved by shareholders at the AGM on 3 July 2020 and can be found on our website at marksandspencer.com/the-company. The Policy took effect from this date and is designed to attract, retain and motivate our leaders within a framework designed to promote the long-term success of M&S and aligned with our shareholders' interests.

FIGURE 1: EXECUTIVE DIRECTORS' REMUNERATION POLICY TABLE

ELEMENT	OPERATION	OPPORTUNITY
Base salary	Salaries are payable in cash and are reviewed annually by the Committee considering a number of factors, including external market data, historic increases made to the individual and salary review principles applied to the rest of the organisation.	Normally in line with those in the wider workforce, although no maximum is set.
Benefits	In line with our policies, directors are eligible to receive benefits which may include: a car or cash allowance and a driver, life assurance and relocation and tax equalisation allowances in line with our mobility policies. As with all colleagues, directors are also offered other benefits including colleague discount, salary sacrifice schemes and participation in all-employee share schemes.	There is no set maximum; however, any provision will be commensurate with local markets and for all-employee share schemes is in line with local statutory limits.
Pension benefits	Directors may participate in the Your M&S Pension Saving Plan (a defined contribution arrangement), on the same terms as all other colleagues. The defined benefit pension scheme is closed to new members. Directors who are members of this scheme will continue to accrue benefits as a deferred member.	A maximum employer contribution currently of 12% of salary where the employee contributes 6% of salary. From 3 July 2020, pension cash supplements were removed for future directors.
Annual Bonus Scheme including Deferred Share Bonus Plan (DSBP)	Directors are eligible to participate in this non-contractual, discretionary scheme. Performance is measured against one-year financial and individual performance targets linked with the delivery of the business plan. At least half of awards are measured against financial measures which typically include Group PBT before adjusting items (PBT). Corporate and individual elements may be earned independently, but no part of the individual objectives may be earned unless a threshold level of PBT has been achieved, after which up to 40% of maximum may be payable for the achievement of individual objectives. Not less than 50% of any bonus earned is paid in shares which are deferred for three years. The Committee retains the right to exercise discretion, both upwards and downwards, to ensure that the level of award payable is appropriate. Malus provisions apply to the deferred share awards. Cash bonus payments are subject to two-year clawback provisions. Clawback would be triggered in specified events such as, but not limited to, a material misstatement of the Company's audited results, an error in calculation of the award, gross misconduct, or events or behaviour that have a detrimental impact on the reputation of any member of the Group.	Total maximum annual potential of up to 200% of salary for each director.
Performance Share Plan (PSP)	Directors are eligible to participate in the Performance Share Plan. This is a non-contractual, discretionary plan and is M&S's main long-term incentive scheme. Performance may be measured against appropriate financial, non-financial and/or strategic measures. Financial measures must comprise at least 50% of awards. Malus and clawback provisions apply to these awards. Clawback triggers include but are not limited to, a material misstatement of the Company's audited results, an error in calculation of the award, gross misconduct or events or behaviour that has a detrimental impact on the reputation of any member of the Group. Awards are subject to a further two-year holding period after the vesting date.	The maximum value of shares at grant is capped at 300% in respect of a financial year.
Shareholding Requirement	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. 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.	For the CEO, this requirement is 250% of salary. For all other executive directors, the requirement is 200%.

FIGURE 2: RECRUITMENT POLICY & SERVICE CONTRACTS

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

In addition, the Committee 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.

ELEMENT	APPROACH
Service contract	– All executive directors have rolling contracts for service which may be terminated by M&S giving 12 months' notice and the individual giving six months' notice.
Base salary	– Salaries are set by the Committee, taking into consideration a number of factors, including the current pay for other executive directors, the experience, skill and current pay level of the individual and external market forces.
Benefits	– The Committee will offer a benefits package in line with our benefits policy for executive directors.
Pension benefits	– Maximum contribution in line with our policy for future executive directors (currently up to 12% of salary).
Annual Bonus Scheme	– 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	– A maximum award of up to 300% of salary in line with our policy.
Buy-out awards	<ul style="list-style-type: none"> – The Committee may offer compensatory payments or buy-out awards, dependent on the individual circumstances of recruitment, determined on a case-by-case basis. – The specifics of any buy-out awards would be dependent on the individual circumstances of recruitment. The Committee's intention would be that the expected value awarded is no greater than the expected value forfeited by the individual.

FIGURE 3: TERMINATION POLICY

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

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

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, awards (and any unvested deferred bonus shares) may lapse. The Committee may use its discretion to make a bonus award.
Long-term incentive awards	– The treatment of outstanding awards is determined in accordance with the plan rules.
Repatriation	– M&S may pay for repatriation where a director has been recruited from overseas.
Legal expenses & outplacement	– Where a director leaves by mutual consent, M&S may reimburse for reasonable legal fees and pay for professional outplacement services.

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

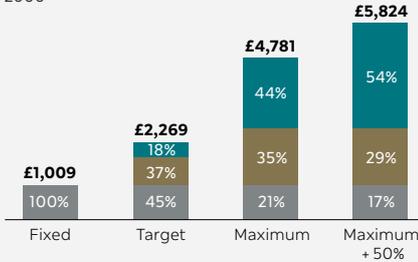
SUMMARY REMUNERATION POLICY CONTINUED

APPLICATION OF REMUNERATION POLICY

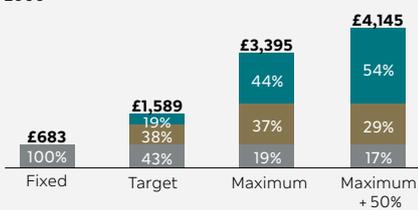
The charts below provide an illustration of what could be received by each of the executive directors in 2021/22 under the Policy. These charts are illustrative, as the actual value which will ultimately be received will depend on business performance in the year 2021/22 (for the cash element of the Annual Bonus Scheme) and in the three-year period to 2023/24 (for the PSP), as well as share price performance to the date of the vesting of the PSP awards in 2024.

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 2020/21 year end.

- Fixed remuneration** Includes all elements of fixed remuneration:
 - Base salary (effective 1 July 2021), as shown in the table on page 95.
 - Pension benefits as detailed on page 95.
 - Benefits (using the value for 2020/21 included in the single figure table on page 94). For Eoin Tonge this excludes his temporary relocation allowances.
- Annual Bonus Scheme (ABS)** Represents the potential total value of the annual bonus for 2021/22. 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 2021, which would vest in 2024 subject to the relevant performance targets. Awards would then be held for a further two years.

FIGURE 4: SUMMARY OF REMUNERATION POLICY

The diagram below illustrates the balance of pay and time period of each element of the Remuneration Policy for executive directors, approved in July 2020. 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.

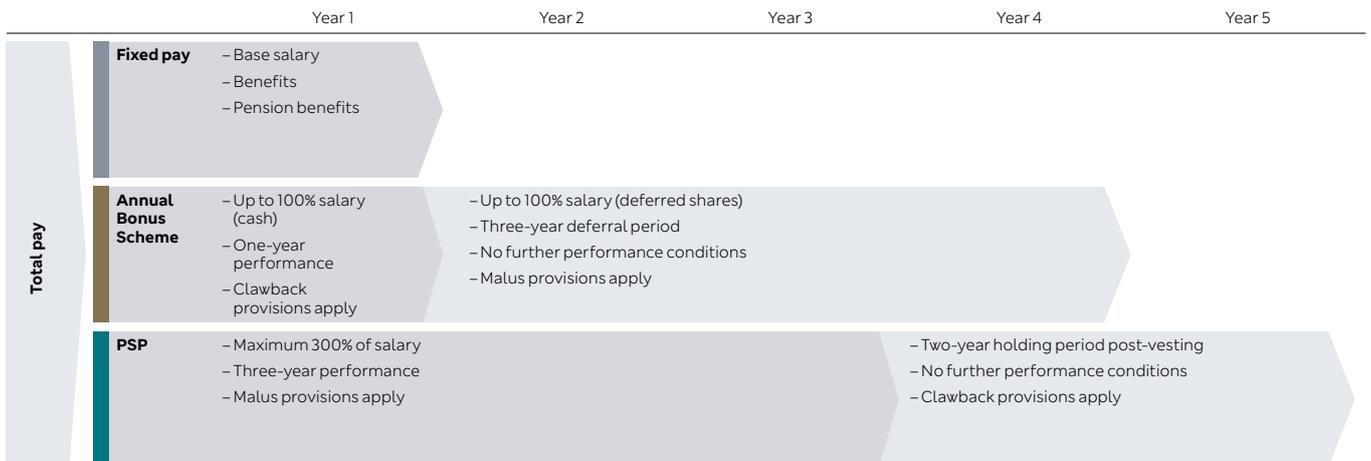


FIGURE 5: NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

The table below sets out our Policy for the operation of non-executive director fees and benefits at the Company. The Policy was approved in July 2020 and may operate for up to three years.

ELEMENT	OPERATION AND OPPORTUNITY
Chairman's fees	<ul style="list-style-type: none"> – Fees are reviewed annually and are determined by the Remuneration Committee. – Total fee comprises the non-executive director basic fee and the additional fee for undertaking the role. – 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	<ul style="list-style-type: none"> – Fees are reviewed annually and are determined by the Chairman and executive directors. – 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	<p>Additional fees are paid for undertaking the extra responsibilities of:</p> <ul style="list-style-type: none"> – Board Chairman. – Senior Independent Director. – Committee Chair.
Benefits	<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.
Share Ownership	<ul style="list-style-type: none"> – All non-executive directors, including the Chairman, are required to build and maintain a shareholding of at least 2,000 shares upon joining M&S. – This shareholding must be held for the period of their tenure.

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 is 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.

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 pages 37 and 7 respectively.

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

FIGURE 6: REMUNERATION STRUCTURE 2020/21

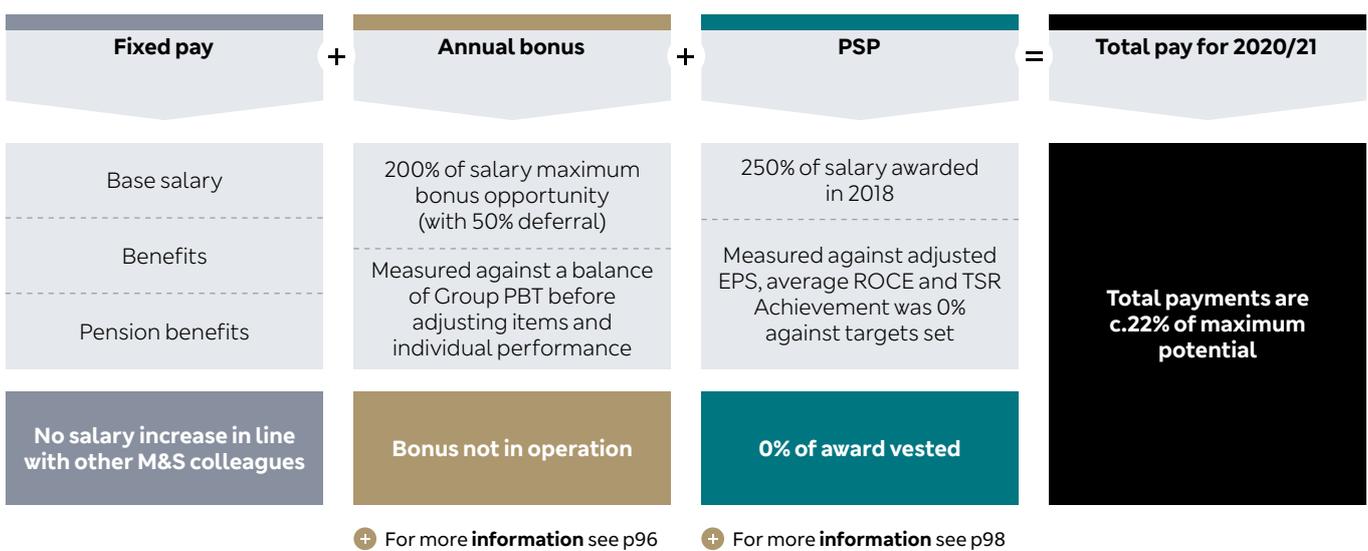


FIGURE 7: TOTAL SINGLE FIGURE REMUNERATION (AUDITED)

Director	Year	Salary £000	Benefits £000	Total bonus £000	Total PSP vested £000	Pensions benefits £000	Total RSP granted £000	Total pay £000	Total fixed pay £000	Total variable pay £000
Steve Rowe	2020/21	834	31	0	0	203	-	1,068	1,068	0
	2019/20	828	37	0	137	203	-	1,205	1,068	137
Eoin Tonge	2020/21	489	105	0	0	39	1,316	1,949	1,949	0
	(from 8 June 2020) 2019/20	-	-	-	-	-	-	-	-	-

Note that the value of the PSP awards vesting in 2019/20 has been restated to reflect the actual share price on the date of vesting, £1.11.

In line with the approved Recruitment Policy, Eoin Tonge's Restricted Share Plan (RSP) award reflects the total face value of share awards granted to compensate him, on a fair value basis, for Greencore Group plc awards forfeited on joining M&S. The fair value was calculated to take account of the original performance period and the estimated satisfaction of the performance conditions of the original awards. The vesting timeline for the first tranche of this award is in line with the time horizons of the original awards. For the remaining tranches the original time horizon has been extended by six months. In addition, as part of his recruitment package, Eoin also received the benefit of a home search, temporary accommodation and relocation allowances (£83,000) and a travel allowance (£15,000).

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 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 joined the Company on 8 June 2020, his salary on joining was £600,000.

For salaries effective July 2021, in line with increases for management positions, the Committee has awarded Steve Rowe an increase of 1%, making his salary £842,845. Eoin Tonge was similarly awarded an increase of 1% of salary. Effective 1 July 2021 his salary will increase to £606,000. Across the wider population salary increases ranged from 1% for management roles to 5.6% for customer assistants.

The next annual salary review for the executive directors will be effective in July 2022.

The table below details the executive directors' salaries as at 3 April 2021 and salaries which will take effect from 1 July 2021.

FIGURE 8: SALARIES

	Annual salary as of 3 April 2021 £000	Annual salary as of 1 July 2021 £000	Change in salary % increase
Steve Rowe	834.5	842.8	1%
Eoin Tonge	600.0	606.0	1%

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 during periods when England was not under lockdown. Eoin Tonge does not receive a car or cash allowance. To facilitate Eoin Tonge's recruitment and relocation, he was provided with temporary short-term travel and accommodation allowances. The total cost of this provision is reflected in the single figure table.

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, the CEO has agreed that his pension cash supplement be reduced to zero over a three-year period. For 2021/22, the CEO's total annual cash supplement will be reduced by one-third to £135,000 and will be reflected in the single figure table in next year's report.

Steve Rowe is a deferred member of the Marks & Spencer UK Pension Scheme. Details of the pension accrued during the year ended 3 April 2021 are shown below.

Eoin Tonge is a member of the Your M&S Pension Savings Plan, as described on page 90. Eoin contributes 6% of his salary into the scheme and the Company matches this with a 12% contribution. The value of the Company's contribution in the year is shown in Figure 7 on page 94. This is the maximum level of contribution offered by M&S and is consistent with the terms available to all other colleagues.

FIGURE 9: PENSION BENEFITS (AUDITED)

	Normal retirement age	Accrued pension entitlement as at year end £000	Additional value on early retirement £000	Increase in accrued value £000	Increase in accrued value (net of inflation) £000	Transfer value of total accrued pension £000
Steve Rowe	60	159.7	0	0.7	0	4,998

The accrued pension entitlement is the deferred pension amount that Steve Rowe would receive at age 60 if he left the Company on 3 April 2021. 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.

REMUNERATION REPORT CONTINUED

ANNUAL BONUS SCHEME

ANNUAL BONUS SCHEME 2020/21 (AUDITED)

As was disclosed in last year's report, the Committee took decisive action at the start of the pandemic, and cancelled the executive directors' bonus scheme for 2020/21. Despite this, the Committee continued to review the achievement of the individual objectives aligned with the strategic priorities set at the start of

the financial year to fulfil its remit and to enable transparent disclosure to shareholders. The table below describes the achievements of the executive directors, without disclosing the specific targets associated. These targets are considered commercially sensitive. The Committee will continue to assess

the commercial sensitivity of targets with the aim of disclosure wherever possible.

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.

FIGURE 10: INDIVIDUAL OBJECTIVES (AUDITED)

Director	Individual
Steve Rowe	<p>Broadening M&S Food appeal Significant overhaul of Food ranges and value position along with repurposing of space towards core categories allowing the loss offset of convenience trade. Family focused innovation and the broadening appeal of Food led to strong Christmas and Easter sales performance.</p> <p>Food distribution Significant Food cost reductions and synergy savings from Ocado growth. Better Food availability through the Vangarde supply chain programme and food waste reductions.</p> <p>Turbocharging online growth in Clothing & Home and Food Successful launch of M&S products on Ocado from 1 September 2020. Positive customer response with M&S products forming 25% of sales, outperforming Waitrose.</p> <p>Successful relaunch of Sparks with over 10m members reached. Creation of MS2 to further enhance the Sparks data insights for customer personalisation.</p> <p>Progressive increase in growth in online sales throughout the year satisfied by the Castle Donington distribution centre and the expansion of BOSS capability resulted in overall online sales growth of 53.9%.</p> <p>Establishing a store estate for the new world 15 Food stores renewed with a further 16 opening in the coming months, with the efficiency of a supermarket and the 'soul of a fresh food market' offering customers quality produce, ambient, grocery and frozen in a distinctive environment.</p> <p>Re-evaluated store estate roadmap and locations as part of three-year plan. Renegotiated rental arrangements to churn Simply Foods. Launched five '10x' stores as part of the omni-channel Clothing & Home strategy.</p>
Eoin Tonge	<p>Restore M&S to sustainable, profitable growth Delivery of a stronger balance sheet than expected through investment in technology to reduce fixed costs, reduction in discretionary costs, managed stock flow and a focus on working capital.</p> <p>Cashflow was preserved through a combination of actions including new terms with suppliers, adjustments to arrangements with landlords and careful management of capital expenditure.</p> <p>Strengthened liquidity by reducing net debt, refinancing 2022 finance commitments and managing standby liquidity with the banks.</p> <p>Implemented an effective planning and review process in annual and three-year financial planning including improvements to budgeting.</p> <p>Accelerate the transformation in Finance capability across the organisation Successful recruitment and onboarding of high calibre Finance leaders to build a strong new management team to support the family of businesses.</p>

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 2019/20, no share awards under the Deferred Share Bonus Plan (DSBP) were made during the year. In relation to the 2020/21 performance year, as the Annual Bonus Scheme did not operate, there will be no awards under the DSBP made in 2021.

ANNUAL BONUS SCHEME FOR 2021/22

During the year, the Committee reviewed the 2021/22 scheme, considering the accelerated transformation programme. Never the Same Again together with bonus arrangements elsewhere in the business.

The Committee was satisfied that the structure of the annual bonus scheme, as approved by shareholders at the 2020 AGM, remains appropriate. Subject to the achievement of stretching targets, set in line with the 2021/22 financial plan, the scheme provides for a competitive bonus opportunity with a strong focus on stretching PBT performance.

Executive directors are eligible to receive a bonus payment of up to 200% of salary.

Performance will be focused on Group PBT before adjusting items (PBT) (70%) with individual measures set against key areas of delivery of the transformation plan. Individual performance will again be measured independently of PBT performance; no individual element may be earned until a threshold level of PBT is achieved.

ANNUAL BONUS SCHEME CONTINUED

The remaining 30% of the bonus will be measured against a scorecard of individual objectives, identified as the measurable key priorities required to drive the continued transformation of M&S.

The performance targets for the 2021/22 Scheme are deemed by the Board to be too commercially sensitive to disclose at this time as they are not disclosed elsewhere in the report. Where possible, they will be disclosed in next year's report. The Committee, in its absolute discretion,

may use its judgement to adjust outcomes to ensure that any payments made reflect overall business and individual performance during the year. Any discretion applied will be clearly disclosed and justified.

Director	CORPORATE TARGETS		INDIVIDUAL OBJECTIVES	
	Group PBT before adjusting items PBT	Scorecard of individual measures	Scorecard of individual measures	Measures
	% bonus	% bonus	% bonus	Measures
Steve Rowe	70%	30%	30%	<ul style="list-style-type: none"> – Creation and implementation of revised Executive Committee structure and roles and the development of strong succession plans. – Delivery of the transformation programme in Clothing & Home. – Reset the strategic relationship with Ocado regarding platform integration, data sharing, infrastructure and category strategy. – Revitalise Plan A.
Eoin Tonge	70%	30%	30%	<ul style="list-style-type: none"> – Drive a focus on financial delivery of critical transformation strategies in Property and supply chain. – Design and deliver critical Group investment evaluation processes and models. – Shape and strengthen the balance sheet. – Deliver step change in the control environment.

PERFORMANCE SHARE PLAN (PSP)

PSP AWARDS MADE IN 2020/21 (AUDITED)

As reported last year, 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 would 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.

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 12.

Recognising the material fall in share price, the Committee significantly reduced the quantum of the PSP grant for 2020 only from the typical 250% of salary to 175% of salary. The grant was made on 6 July 2020.

Having taken the decision to delay target setting, the Committee consulted with shareholders on the proposed targets and received support for the action taken to reduce awards and for the proposed targets and strategic measures. For clarity, the Food like-for-like sales growth excludes sales on Ocado as around 95% of M&S product sold on Ocado does not pass through the M&S network. Ocado sales are

incorporated into the EPS figures. The strategic targets are deemed too commercially sensitive to disclose but will be reported at the time of vesting.

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. For financial measures, 20% of awards will vest for threshold performance increasing to 100% on a straight-line basis between threshold and maximum performance. For strategic measures no payment shall be made if the target is not achieved. This supports the Committee's view that delivery of these strategic measures is critical; payment for achievement below the target is not appropriate. Detailed targets can be seen in Figure 11.

FIGURE 11: PERFORMANCE CONDITIONS FOR PSP AWARDS MADE IN 2020/21 (AUDITED)

2020/21 award measures	Weighting	Details	
		Threshold	Maximum
Adjusted EPS in 2022/23 (p)	30%	13p	22p
ROCE in 2022/23 (%)	30%	9%	12%
Relative TSR	20%	Median	Upper quartile
Strategic measures	20%	M&S.com growth	Food like-for-like sales
		Store staff cost to sales ratio	

REMUNERATION REPORT CONTINUED

PERFORMANCE SHARE PLAN (PSP) CONTINUED

FIGURE 12: TSR COMPARATOR GROUP 2020/21 AWARDS

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

FIGURE 13: PSP AWARDS MADE IN 2020/21 (AUDITED)

	Basis of award % of salary	Threshold level of vesting	Face value of award £000	End of performance period	Vesting date
Steve Rowe	175%	20%	1,460	01/04/2023	06/07/2023
Eoin Tonge	175%	20%	1,050	01/04/2023	06/07/2023

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 2020 award, the share price was calculated as £1.00, being the average share price between 29 June 2020 and 3 July 2020.

FIGURE 14: PSP AWARDS VESTING IN 2020/21 (AUDITED)

For directors in receipt of PSP awards granted in 2018, the awards will vest in July 2021 based on three-year performance over the period to 3 April 2021. Performance has been assessed and it has been determined that 0% 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 15 directly correspond to the figure included in the single figure table on page 94.

	Adjusted EPS in 2020/21 (p)	Average ROCE (2018/19-2020/21) (%)	TSR	Total vesting % of award
2018/19 award	1/3 of award	1/3 of award	1/3 of award	
Threshold performance	26.9	11.1	Median	
Maximum performance	32.7	14.1	Upper quartile	
Actual performance achieved	1.1	9.3	Below median	
Percentage of maximum achieved	0%	0%	0%	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. The original targets were EPS 31.7p-38.7p and ROCE 13.0%-17.0%.

FIGURE 15: VESTING VALUE OF AWARDS VESTING IN 2020/21 (AUDITED)

	On grant		At the end of performance period (3 April 2021)			Impact of share price performance	Total vesting of award £000
	Number of shares granted (incl. rights issue adjustment)	% of salary granted	Dividend equivalents accrued during the performance period	Number of shares vesting	Number of shares lapsing		
Steve Rowe	680,545	250%	52,935	0	733,480	-	£0k

Dividend equivalents accrued during the performance period have been included in the table above.

PSP AWARDS TO BE MADE IN 2021/22

During the year, the Committee reviewed the long-term incentive framework at M&S, assessing the extent to which it remained suitable. While the 2021 PSP will maintain the measures used for the 2020 PSP awards (30% adjusted EPS, 30% ROCE, 20% relative TSR and 20% strategic measures), given the continuing uncertainty of the impact of the pandemic on macroeconomic factors, the Committee has again decided to delay the setting of PSP targets. The targets will be disclosed by 31 December 2021 and will be discussed with shareholders prior to confirmation. Having reduced award levels in 2020 to acknowledge the shareholder experience of Covid-19 and to mitigate against windfall gains from directors' awards, the Committee believes, in light of the return of the share price to pre-pandemic levels, it is appropriate to incentivise the executives and ensure they remain aligned with shareholders' long-term interests. It is intended to grant PSP awards of 250% of salary for 2021, noting that the expected number of shares to be granted will be fewer than in 2020 as a result of the share price recovery over the last 12 months.

RESTRICTED SHARE PLAN (RSP)

RSP AWARDS MADE TO EOIN TONGE IN 2020/21 (AUDITED)

As reported last year and in line with the approved Recruitment Policy, Eoin Tonge received replacement share awards to compensate for the awards that he forfeited on resigning from Greencore Group PLC. The fair value of these conditional share awards was calculated taking account of the original performance period and estimated satisfaction of the performance conditions of the original awards.

For the purposes of this award, the share price was calculated as £1.00, being the average share price between 29 June 2020 and 3 July 2020. The vesting timeline for the first tranche of this award is in line with the time horizons of the original awards; for the remaining tranches, the original time horizon has been extended by six months.

Face value of award £000	Vesting date	End of post vesting holding period
526	10/12/2020	10/12/2022
526	24/06/2022	24/06/2024
263	19/06/2023	19/06/2025

Dividend equivalents will be paid on the vesting date based on the number of vested shares.

FIGURE 16: 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 3 April 2021. 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 25 May 2021. No director had an interest in any of the Company's subsidiaries at the statutory end of the year.

	Shares owned outright	Unvested		Vested unexercised options
		With performance conditions Performance Share Plan	Without performance conditions Restricted Share Plan	
Steve Rowe	562,662	3,228,450	–	–
Eoin Tonge	277,999	1,049,538	789,252	–

FIGURE 17: SHAREHOLDING REQUIREMENTS INCLUDING POST-CESSATION (AUDITED)

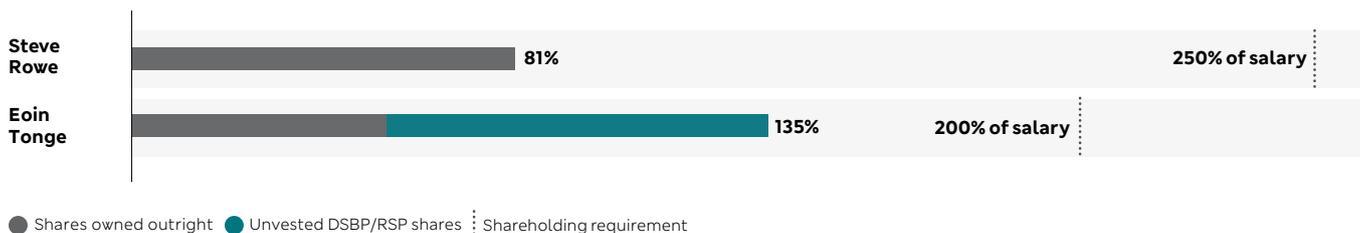
All executive directors are required to hold shares equivalent in value to a minimum percentage of their salary within a five-year period from their appointment date. For the CEO, this requirement is 250% of salary and for other executive directors the requirement is 200% of salary. A similar requirement of 100% of salary currently applies to members of the Executive Committee below Board level.

The chart below shows the extent to which each executive director has met their target shareholding as at 3 April 2021. For Steve Rowe, his 250% shareholding requirement is measured from the date he was appointed CEO. Although the respective target has not yet been achieved, the Committee is satisfied that no shares granted or held have been sold by either the CEO or his related parties and that the CEO's interests remain strongly aligned with shareholders.

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, in 2020 the Committee approved the extension of shareholding guidelines beyond the time at which an executive director leaves M&S. Directors are required to maintain their minimum shareholding requirement, or, if their level of shareholding is below this, their actual shareholding for two years after leaving M&S. For the avoidance of doubt, the Committee has approved all vesting awards from 2020 grants onwards to be held in a nominee vehicle to ensure the successful operation of this policy.

For the purposes of this calculation, an average share price is used to reduce the impact of share price volatility on the results. The average share price for the year was £1.16, with resultant shareholdings illustrated in the chart below. At 3 April 2021, the share price was £1.524, which would increase the CEO's and CFO's total shareholding by 33% (106% of salary) and 31% (177% of salary) respectively.



REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

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 153 to 155.

DILUTION OF SHARE CAPITAL BY EMPLOYEE SHARE PLANS

Awards granted under the Company's Save As You Earn Scheme and discretionary share plan can be met by the issue of new shares when the options are exercised or through 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 3 April 2021 is as follows:

FIGURE 18: All share plans



FIGURE 19: Executive share plans

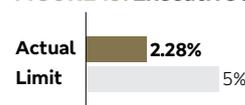


FIGURE 20: EXECUTIVE DIRECTORS' INTERESTS IN THE COMPANY'S SHARE SCHEMES (AUDITED)

	Maximum receivable at 29 March 2020	Awarded during the year	Exercised during the year	Lapsed during the year	Dividend equivalents accrued	Maximum receivable at 3 April 2021
Steve Rowe						
Performance Share Plan	2,499,156	1,459,732	267,878	566,932	104,372	3,228,450
Deferred Share Bonus Plan	90,744	–	90,744	–	–	–
SAYE	9,557	21,951	–	9,557	–	21,951
Total	2,599,457	1,481,683	358,622	576,489	104,372	3,250,401
Eoin Tonge						
Performance Share Plan	–	1,049,538	–	–	–	1,049,538
Restricted Share Plan	–	1,315,420	526,168	–	–	789,252
SAYE	–	21,951	–	–	–	21,951
Total	–	2,386,909	526,168	–	–	1,860,741

The aggregate gain for Steve Rowe arising in the year from the exercise of awards granted under the DSBP and the PSP totalled £395,471 based on the respective share price on the date of exercise of £1.100 and £1.113. The aggregate gain for Eoin Tonge arising during the year from the exercise of awards granted under the RSP totalled £718,845 based on a share price on the date of exercise of £1.3661. The market price of the shares at the end of the financial year was £1.524; the highest and lowest share price during the financial year were £1.589 and £0.850 respectively.

Figure 21 shows the time horizons of outstanding discretionary share awards (including dividend equivalent shares accrued during the performance period) for all directors serving on the Board during the year.

FIGURE 21: VESTING SCHEDULE OF EXECUTIVE DIRECTORS' OUTSTANDING DISCRETIONARY SHARE AWARDS

	Maximum receivable at 3 April 2021 (all discretionary schemes)	2021/22		2022/23		2023/24	
		Maximum receivable	Lapsed	Maximum receivable	Lapsed	Maximum receivable	Lapsed
Steve Rowe	Performance Share Plan	3,228,450	–	733,480	1,035,238	–	1,459,732
Eoin Tonge	Performance Share Plan	1,049,538	–	–	–	–	1,049,538
	Restricted Share Plan	789,252	–	–	526,168	–	263,084

As reported on page 98, the 2018 PSP awards included within the totals shown in Figure 21 will vest at 0% in July 2021. This has been reflected above in the 2021/22 Lapsed column.

EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

FIGURE 22: PERFORMANCE AND CEO REMUNERATION COMPARISON

This graph illustrates the Company's performance against the FTSE 100 over the past 10 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 10 financial years.



FIGURE 23: PERCENTAGE CHANGE IN DIRECTORS' REMUNERATION

	% change 2019/20 - 2020/21		
	2019/20 Base salary/fees	Benefits	Annual bonus
Steve Rowe	0%	-36.8%	-
Eoin Tonge	0%	-	-
Archie Norman	0%	-74%	N/A
Andy Halford	0%	0%	N/A
Alison Brittain	0%	0%	N/A
Andrew Fisher	0%	-100%	N/A
Katie Bickerstaffe	0%	-100%	N/A
Pip McCrostie	0%	0%	N/A
Justin King	0%	100%	N/A
Tamara Ingram	0%	-	N/A
Sapna Sood	0%	-	N/A
UK colleagues (average FTE)	0%	0%	-

The table sets out the annual percentage change in salary, benefits and bonus for each director compared with that of the average full-time equivalent total reward for all UK colleagues.

For non-executive directors, benefits comprise taxable expense reimbursements relating to travel, accommodation and subsistence in connection with the attendance at Board and Committee meetings during the year. The significant change in the taxable benefits is a result of travel being impacted by Covid-19 and not a change in the benefits policy.

FIGURE 24: 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.

	2019/20 £m	2020/21 £m	% change
Total colleague pay	1,464.4	1,437.7	-1.82%
Total returns to shareholders	191.1	Nil	-100%
Group PBT before adjusting items	403.1	41.6	-89.70%

REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

FIGURE 25: 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
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 2020/21

DIRECTORS APPOINTED TO THE BOARD

Eoin Tonge joined the Board on 8 June 2020 as Chief Financial Officer. His basic annual salary is £600,000. Eoin does not receive a pension supplement or car allowance. Eoin has joined the pension scheme on the same terms as all other colleagues. Eoin received temporary short-term travel and accommodation allowances in the year. In line with the

Company's recruitment policy, Eoin received a replacement share award to compensate him for shares forfeited by him joining M&S. These shares will vest broadly in line with the original award time horizons although some have been extended by six months. Further details of Eoin's award is set out on page 99. The rest of Eoin's incentive arrangements are aligned with that of an executive director.

PAYMENTS FOR THE LOSS OF OFFICE (audited)

There were no payments made for loss of office during the period.

PAYMENTS TO PAST DIRECTORS (audited)

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

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. There are currently

no external appointments held by the executive directors.

FIGURE 26: 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 2020/21 and 2019/20 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 and the increases for the wider workforce, it was agreed that the basic non-executive fee will be increased by 1% to £72,215 with effect from 1 July 2021. The Board Chairman was similarly awarded an increase of 1% with effect from 1 July 2021. The total aggregate fee for the Board Chairman will be increased to £618,000.

Fee levels will be reviewed again during 2022/23 as per the normal annual process.

Director	Year	Basic fees £000	Additional fees £000	Benefits £000	Total £000
Archie Norman	2020/21	71	541	5	617
	2019/20	71	538	19	628
Andy Halford	2020/21	71	31	0	102
	2019/20	71	31	0	102
Alison Brittain (to 3 July 2020)	2020/21	18	0	0	18
	2019/20	71	0	0	71
Andrew Fisher	2020/21	71	16	0	87
	2019/20	71	15	2	88
Katie Bickerstaffe (to 27 April 2020)	2020/21	6	0	0	6
	2019/20	71	0	3	74
Pip McCrostie (to 24 March 2021)	2020/21	71	0	0	71
	2019/20	71	0	0	71
Justin King	2020/21	71	0	1	72
	2019/20	71	0	0	71
Tamara Ingram (from 1 June 2020)	2020/21	60	5	0	65
	2019/20	0	0	0	0
Sapna Sood (from 1 June 2020)	2020/21	60	0	0	60
	2019/20	0	0	0	0
Evelyn Bourke (from 1 February 2021)	2020/21	12	0	0	12
	2019/20	0	0	0	0

NON-EXECUTIVE DIRECTORS' REMUNERATION CONTINUED

FIGURE 27: 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 upon joining M&S.

The table opposite details the shareholding of the non-executive directors who served on the Board during the year as at 3 April 2021 (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 25 May 2021 (or upon their date of retiring from the Board) are shown in the table opposite.

Director	Number of shares held as at 3 April 2021	Number of shares held as at 25 May 2021
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	24,800	No change
Pip McCrostie	7,200	No change
Justin King	64,000	No change
Tamara Ingram	0	2,000
Sapna Sood	2,000	No change
Evelyn Bourke	50,000	No change
Fiona Dawson	0	12,352

FIGURE 28: 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
Archie Norman	01/09/2017	6 months/6 months
Andy Halford	01/01/2013	3 months/3 months
Andrew Fisher	01/12/2015	3 months/3 months
Justin King	01/01/2019	3 months/3 months
Tamara Ingram	01/06/2020	3 months/3 months
Sapna Sood	01/06/2020	3 months/3 months
Evelyn Bourke	01/02/2021	3 months/3 months
Fiona Dawson	25/05/2021	3 months/3 months

NON-EXECUTIVE DIRECTOR CHANGES TO THE BOARD DURING 2020/21

DIRECTORS APPOINTED TO THE BOARD

Evelyn Bourke joined the Board as a non-executive director on 1 February 2021. Evelyn receives the standard annual non-executive director fee of £71,500 (increasing to £72,215 with effect from 1 July 2021) and is a member of the Nomination and Audit Committee.

Fiona Dawson joined the Board as a non-executive director on 25 May 2021. Fiona receives the standard annual non-executive director fee of £71,500 (increasing to £72,215 with effect from 1 July 2021) and is a member of the Nomination Committee.

ROLE CHANGES WITHIN THE BOARD

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

DIRECTORS RETIRING FROM THE BOARD

Pip McCrostie retired as a non-executive director and stepped down from the Board on 24 March 2021. As is required from a reporting perspective, we can confirm that there were no payments made for loss of office to Pip.

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 particular the Committee, in its support of the Nomination Committee, expanded its remit to specifically discuss the talent and succession in the senior leadership group and associated pay arrangements. 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, the Executive Committee and that of colleagues across M&S, ensuring that the senior remuneration 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. The responsibilities are broadly 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 are 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 with 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 the Executive Committee, 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 directors and Executive Committee.
- 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 inclusion and diversity are considered.

REMUNERATION COMMITTEE AGENDA FOR 2020/21

REGULAR ITEMS

Pay arrangements

- Within the terms of the M&S Remuneration Policy, approval of the remuneration packages for the executive directors, the Executive Committee, 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 2020/21 performance objectives for executive directors and the Executive Committee.
- Approval of targets for the 2021/22 Annual Bonus Scheme ensuring that the performance conditions are transparent, stretching and rigorously applied.
- Approval of the 2021/22 individual performance objectives for executive directors and the Executive Committee.

- Noting of the total budgeted expenditure for the Annual Bonus Scheme across M&S.

Long-term incentives

- Approval of 2021 PSP awards for the executive directors and the Executive Committee, following engagement with key stakeholders.
- Approval of the vesting level of the 2018 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 Executive Committee level.

Governance and external market

- Review of the M&S Remuneration Policy, ensuring that it continues to support the long-term success of M&S and is aligned with the 2018 UK Corporate Governance Code, other external governance and emerging best practice.
- 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 2020/21 and review of the AGM voting outcome for the 2019/20 Report.
- Review of the Committee's performance in 2020/21, 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 the Executive Committee.
- Review the effectiveness and transparency of remuneration reporting.
- Noting of direct feedback from the Business Involvement Group (BIC), 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.

Talent planning

- Noting the performance management process across the business.
- Discussing senior leadership talent and succession planning.

EFFECTIVENESS OF THE REMUNERATION COMMITTEE

The Committee's performance was reviewed as part of the 2020/21 externally facilitated Board Evaluation. The review found that the Committee functions effectively and ensures a sound independent review of remuneration policies across the business.

2021/22 ACTION PLAN

- Approve the 2021 PSP targets ensuring appropriate alignment between driving exceptional performance and motivating and retaining top talent.
- Review and discuss the link between ESG, executive pay and incentives to ensure appropriate focus on Plan A goals with strategic and transformational performance.
- Continue to review the pay framework for senior leaders of the business with those in the wider workforce to ensure a fairness of principles in line with M&S's values.
- Support the work of the Nomination Committee through the assessment of senior leadership talent, succession planning and associated pay arrangements.

REMUNERATION COMMITTEE CONTINUED

FIGURE 29: REMUNERATION COMMITTEE MEETINGS

The table opposite details the independent non-executive directors that were members of the Committee during 2020/21.

MEMBER	Member since	Maximum possible meetings	Number of meetings attended	% of meetings attended
Andrew Fisher (Committee Chair)	1 October 2018	8	8	100%
Archie Norman	3 November 2017	8	8	100%
Katie Bickerstaffe (to 27 April 2020)	10 July 2018	2	2	100%
Tamara Ingram	11 September 2020	5	5	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 £54,000 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, CFO, General Counsel & Company Secretary and the Head of Executive Reward & Pay Governance as necessary. All may attend the Committee meetings by invitation but are not present for any discussions that relate directly to their own remuneration.

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

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 & Pay Governance, 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 raise their views with the Remuneration Committee via the BIG chair. 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, dialogue continued during the year, on the PSP proposed measures and weightings. Shareholders were positive in their feedback and confirmed that the targets set aligned with their expectations.

SHAREHOLDER SUPPORT FOR THE REMUNERATION POLICY AND 2019/20 DIRECTORS' REMUNERATION REPORT

At the Annual General Meeting on 3 July 2020, 97.65% of shareholders voted in favour of approving the Directors' Remuneration Report for 2019/20. In addition, 97.14% of shareholders voted

in favour of the Remuneration Policy. The Committee believes that this illustrates the strong level of shareholder support for the senior remuneration framework. The table below shows full

details of the voting outcomes for the 2019/20 Directors' Remuneration Report and Remuneration Policy.

FIGURE 30: VOTING OUTCOMES FOR THE REMUNERATION POLICY AND 2019/20 REMUNERATION REPORT AND REMUNERATION POLICY AT THE 2020 AGM

	Votes for	% Votes for	Votes against	% Votes against	Votes withheld
Remuneration Policy	1,125,697,134	97.14%	33,187,602	2.86%	942,792
2019/20 Remuneration Report	1,131,776,274	97.65%	27,184,460	2.35%	867,638

APPROVED BY THE BOARD

Andrew Fisher, Chair of the Remuneration Committee
London, 25 May 2021

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.