

2019 AGM Questions

Question	Answer
<p>Why was the timing of the Rights Issue and the dividend so close together?</p>	<p>The announcement of the Rights Issue coincided with the announcement of our final, full year results on 22nd May, since this was the point at which the Company was able to make a formal announcement regarding the deal with Ocado following an intense period of discussion and negotiation between both organisations. Before we could launch the Rights Issue, we were required to produce a prospectus that contained financial information first which was published by the Company in the full year results press release. The prospectus received FCA approval on 24th May and the Rights Issue was formally launched on 31st May, running for a period of ten days through to 10th June, in line with the timetable agreed between M&S and Ocado.</p> <p>Although aligned, neither the timing of the full year results announcement nor the final dividend timetable was directly impacted by the Rights Issue since both were agreed well in advance of the conclusion of talks with Ocado.</p>
<p>Could the Chairman comment on the racial diversity of the Board in the context of the retirement of non-executive director Vindi Banga, a capable Indian businessman?</p>	<p>We do take diversity very seriously. We have a Board that is diverse in its talent base, its background and what it brings to the Company. We are a business that is in the process of turnaround and transformation, and the most important thing for me is to have a Board with great expertise that is actively committed to making the business succeed again. You are absolutely right in saying that Vindi Banga did bring us additional piece of diversity and we would like to make sure that in the future we have that.</p>
<p>You say that M&S now stands on a burning platform - would you blame those whom you describe in the Annual Report as “highly capable management teams who have come and gone with perfectly sensible plans and yet the long-term downward trajectory of business has continued”?</p>	<p>We have set out in incredible detail both this year and last of the challenges we face. We are very straightforward about that. I think it is very important, because you have all said it to us, too. We all know that we have a hill to climb, and we are climbing up that hill. What I do think is that we are putting together an extremely capable and hardworking management team that have faced the facts. What I do promise you is that we will be very straightforward with you, not just at this meeting, but in future years about the progress we are making, the progress we are not making and the issues we face.</p>

<p>How can sizing and availability of basic merchandise be improved? Being able to buy online is not the answer.</p>	<p>That is a really relevant question to our trading issues today. It is fundamental to the business that we get the basics right. The basics are the wardrobe staples that our customers expect from us, with great fit, great quality and great value. These are real retail basics: having the right product in the right place at the right time. Too often in this season, I am afraid, we have not done that. Our ratios have not been correct, which is why you have experienced certain key lines selling out, and we are introducing a new ratio tool to tackle that. Secondly, we need to buy fewer lines in more depth. Importantly, in things like trousers, we need a broader range of fits, which we are doing. We also need to offer more natural fibres, not just cotton but others such as wool, in the range for the autumn. This is absolutely fundamental to us and we are taking action.</p>
<p>I'm a regular Ocado customer and see the partnership with M&S as a great step forward. Will the Board bring forward a plan with Ocado that will make us promote your commitment to the environment and ethical standards: avoiding plastic, increasing vegetarian and vegan options and reduce food miles?</p>	<p>We are transforming M&S for the long term into a sustainable and profitable business which is both commercially successful and socially and environmentally responsible, and this includes how we work with our partners. It is entirely right that one of the benefits of the Ocado tie up is that we have agreed with them that it is completely open book. We are going to share all information on both sides: their customers and our customers etc. That also gives us great information as to how customers are behaving and how we can adopt new products. They might be vegetarian, meat free or dairy free. Where they are selling, we can pick them up and sell them into our shops as well. There is a benefit in every direction, so thank you for that.</p>
<p>What is M&S doing to incentivise healthy eating and disincentivise the purchase of foods high in calories and sugar?</p>	<p>We have had a dedicated Health Strategy for many years and offer a broad range of healthier options in our stores, including our newer, meat-free 'Plant Kitchen' range. We want to continue to inform and support our customers in making healthier choices. We were the first retailer to introduce colour coded on-pack nutritional information on prepared food and we include the 'Eat Well' sunflower logo on our products that comply with the UK Government's Eat Well guide. We have also replaced snacks that are high in fat, sugar and salt at our checkouts with healthier alternatives to discourage impulse purchases. We understand that this is an area of increasing concern for our customers and we are always looking to develop new, healthier products to ensure these needs are met.</p>

<p>Why has the M&S share price declined in value and the Ocado has increased in value?</p>	<p>The share price has been impacted by the dilutive effect of the Rights Issue as 325 million new shares were issued into the market.</p> <p>Since the JV announcement on 27 February 2019. The M&S share price is down 25%, while the Ocado Group share price is up 18%. However, the FTSE index of general retailers is down 15% over the same period.</p> <p>Economic and political uncertainty has caused volatility in the market and put pressure on share price of consumer-focused companies. It is important to note that the Ocado Group are now principally a fast-growing technology and solutions business which helps offset any weaknesses in consumer confidence. They have also successfully executed several deals selling their technology internationally.</p> <p>We are focused on building long term, sustainable, profitable growth for our investors and the JV with Ocado will help to realise that aim.</p>
<p>I am 59 and about to draw my preserved DB pension. Can I be confident that M&S will be around to pay it for the next 30 years or so?</p>	<p>The M&S Pension Trust (the Trustee) is legally responsible for managing the M&S Pension Scheme and acting in the best interests of members and their beneficiaries. The Trustee is independent, and the Scheme's assets are held separately by the Trustee.</p> <p>The Scheme is well funded and, as at the date of the last actuarial valuation (at 31 March 2018), it had a surplus of £652m. This represented a funding level of 107% and a continued improvement in funding level from a surplus of £204 million (102%) as at the previous actuarial valuation (at 31 March 2015). As a result of the funding level of the Scheme, no additional contributions are currently required from M&S.</p> <p>The Trustee receives regular financial updates from M&S plc so that it can, with independent expert advice, keep a close eye on the financial health of the business. The Trustee's prudent investment strategy continues to protect and</p>

	<p>enhance the security of members' pensions. But it's important to be aware that a surplus doesn't necessarily mean that the Trustee has too much set aside, as over the life of the Scheme's members the value of the Scheme's assets can go up or down over time and the assumptions used to work out the liabilities might change in the future too.</p> <p>For more information on the results of the last actuarial valuation please see: https://www.mandspensionscheme.com/financial-health-check.</p>
<p>Will the quality and availability of M&S food be maintained when the Ocado JV is underway? Will volume and profit targets affect the allegiance of Ocado customers who like Waitrose quality? Will stock supplied to food stores be sacrificed to ensure sufficient stock to meet demand via the Ocado channel? Will the loss of custom from closures to the store estate be more than offset via online ordering?</p>	<p>Our partnership with Ocado is about bringing the best together, combining our highly rated food quality with Ocado's market leading proprietary technology, and we have no intention dropping the quality of our products.</p> <p>Our 'Fuse' programme is focused on making sure we improve our availability and we are committed to working with our partners to drive ongoing improvement in this area.</p> <p>Our store reshape strategy is about ensuring that our stores are in the right places for our customers and not simply reducing our overall number of stores. Of the stores that have closed, we continue to see good recapture rates of over 20% and we expect our partnership with Ocado to support this via an additional sales channel. However, we believe in the growth potential of the JV rather than simply seeing it as an off-setting.</p>
<p>What happens to questions that were registered via the app or in the meeting but did not get answered during the meeting?</p>	<p>All registered questions will have answers posted to the corporate website by the close of business on 10 July 2019.</p> <p>The website also contains the archive of all shareholder questions asked at AGMs since 2012.</p>
<p>What is being done to address the ongoing poor performance of ladies wear in particular and who is being held to account for that poor performance?</p>	<p>Our aspiration is to be famous for contemporary, wearable style at great value. In the year ahead, we expect to deliver a marked reduction in lines and range duplication, improved availability with a substantial increase in the number of '£1m+' lines for Autumn, a significant improvement in size ratios, further focus</p>

	<p>on style and fashion and additional investment in value. We are also updating our sub brand strategy, including the re-launch of the Per Una range where the initial customer reaction to early changes we have made has been positive.</p> <p>We hope to shift to a 'first price, right price' trading philosophy, and further reduce the percentage of Clothing & Home sold at discount which remains too high.</p> <p>Finally, we will see the first full collections from the leadership team brought in to overhaul the Clothing & Home business. Jill Stanton, Womenswear and Kidswear Director and Wes Taylor, Menswear Director first full collections will be launched later this year for Autumn Winter 19.</p>
Why is the ladies department of Zara at Kensington High Street positively buzzing compared to M&S who are very quiet?	<p>It is essential that we have the right products in stores in order to create a buzz. At our full year results, we said we're making substantial changes in Clothing & Home to improve 'shape of buy', sizing, customer focus and style. We have to create that buzz in stores by giving customers what they want: good store environments, great service and great product and we are working on that. As we get it right, we hope that customers come into stores and reappraise our brand.</p> <p>It's important to note that although Kensington High Street was quiet the day the shareholder visited, it is a great store, with a great team and does very well.</p>
My local store recently closed. I went to an alternative store that is further away and was pleasantly surprised and will be returning again.	<p>We are glad you like the store and appreciate your feedback. It is interesting that you mention being pleasantly surprised. Many customers are telling us the same and that is why we must modernise the estate. With regard to store closures, it is extremely difficult to close stores, but we are paying the price for not having closed stores 10, 20 or 30 years ago. We have an estate that goes back many years, with 75 stores that were opened before the Second World War.</p>

	<p>Wherever we possibly can, any colleague in any store we are closing will be offered a role elsewhere in the business. We understand they can't all relocate but we are very committed to making this work well. We are not just closing stores but opening stores to ensure our estate is modern, inspirational and has accessible stores that appeal to our target grow customers.</p> <p>The last thing I will just say on this is that I think you will see, in the months ahead, some pretty spectacular new stores opening too. The publicity is generally around the closures; of course it is, but really it is rotation out of old legacy stores and into good new stores that will hopefully bring a great return to shareholders.</p>
When the joint venture with Ocado becomes operational, will M&S deliveries be made using plastic carrier bags, or is there a plan for reusable delivery containers to be used?	Ocado currently uses plastic carrier bags for deliveries, as this protects products from damage during the picking process. Since 2007 though, Ocado's Bag Recycle Bonus scheme incentivises customers to return carrier bags to delivery drivers and now 87% of bags are returned to be recycled into new bags. While Ocado continues to research and trial viable alternatives to plastic, we will continue to work with them in line with our Plan A values.
How certain are you that the Ocado distribution system will be worth the money, and how will this improve the company's floundering performance?	<p>We do not believe our businesses are floundering; while we have lots of issues, we are making good progress.</p> <p>The joint venture with Ocado will combine the strengths of our brand and leading food quality and innovation with Ocado's unique proprietary technology to create an unrivalled online offer for customers. The value creation opportunities for the combined business include £70 million in anticipated synergies for the M&S Food business, from an uplift in volume achieved, improvements to our contractual terms with branded suppliers, and the ability to sell the full M&S range to customers.</p>
Is M&S still supporting the Arts in these difficult times?	M&S has a rich heritage and supports the arts via a number of different initiatives from our Archive in Leeds which has worked creatively with children to telling the story of the history of the business via a performance at the West Yorkshire Playhouse.

Will we be seeing more senior management on the shop floor?	We are committed to bringing back the voice of the stores, and ultimately the best interests of our customers, in our decision making. To assist with this, store managers have been provided with portable tablets so that they can spend more time with customers, and the leadership team is spending more time in stores with colleagues.
Is the company happy with its latest maintenance contract in stores?	We partner CityFM for our maintenance and their experience and best in class systems are helping to improve service levels across our stores, distribution sites and offices, helping us to deliver a better shopping experience for our customers.
Are you content that the delivery schedules and software for food and clothing are working well, and how do you intend to divide the ratio of products between online and instore? (via Lumi)	We are focussed on ensuring our products are in the right places at the right times for our customers, and we are in the early stages of modernising our supply chain network. Through our new FUSE programme, we are looking at how we better plan, buy and manage stock availability across both Clothing & Home and Food, for both stores and online.
If online deliveries through the Ocado joint venture will just be for food, what is the vision for Clothing & Home?	<p>There is an opportunity to extend our Clothing & Home reach by selling our products to customers through the Ocado joint venture, particularly as Ocado already offer products that we are market leaders in, including lingerie.</p> <p>The wider Clothing & Home vision includes concentrating on improving merchandise and growing in areas where we are market leader, such as lingerie, denim, schoolwear and men's suits, which we have achieved. We are now looking to branch out into more casual wear and having a third of our Clothing sales online. Last year, 22% of our UK Clothing business was online, so we are on the right trajectory to meet this target.</p>
As Julian Richer is working with us, and following his news to share the ownership of the Richer Sounds company with colleagues, are we looking at ways we can increase share ownership amongst our colleagues, such as free shares?	<p>Julian Richer has recently done an amazing thing, to agree to pass on his business, Richer Sounds, to his employees through an employee-benefit trust. Over time, they will come to own a majority of the business.</p> <p>We do not currently have plans to give free shares to employees, but we are strong advocates of colleague share ownership. We operate a number of share schemes for our colleagues, including 2 schemes for all employees: Sharesave,</p>

	<p>which has around 32,000 participants with an average monthly saving of £110; and, Sharebuy, with around 2,820 participants with an average monthly saving of £60.</p> <p>We regularly review our colleague offering to make sure our schemes are relevant, provide value for money and drive the business strategy.</p>
How are newly opened stores performing, and is there an end in sight to store closures and associated costs?	Reshaping our store estate is challenging – but we continue to open new stores and invest in our estate as part of our transformation, to offer modern, inspirational and accessible stores in the right locations that appeal to our customers. We're making good progress against our plan to close or relocate 100 C&H stores.
Will the company publish a plan about the actions it is taking to reducing the use of plastic in its operations?	<p>Plastic plays an important role in protecting products and preventing food waste – we do, however, have a plan in place and are taking clear action to reduce, reuse and recycle. Last year we removed 1,000 tonnes of plastic – plastic cutlery in stores have been replaced with wooden cutlery, plastic straws have been phased out for paper, and plastic produce bags have been removed.</p> <p>We plan to remove another 1,000 tonnes this year, and we are helping customers to play their part, through our plastic take-back scheme where non-recyclable packaging can be brought back to stores and we will recycle it into playground equipment.</p>
What is the Board's vision for the company's future, in the context of declining high street business, trying to catch up with online peers, and efforts to tackle climate change? (via Lumi)	We are in the process of reshaping our store estate and ensuring that we are positioned in the right places; the Ocado deal fundamentally transforms our online capability as a food retailer; and, we are taking action on climate change across our entire value chain, having reduced CO2 emissions by 75% as compared to 2007.
Does boosting digital shopping at M&S and delivering faster home delivery put pressure on infrastructure in the UK that is environmentally unfriendly? (via Lumi)	We have reduced our carbon emissions by 75% since 2007, and 16% in the last year alone, and the reduction of gross carbon dioxide emissions remain a priority commitment for us in line with Plan A.