

2020 AGM Questions

Question	Answer
Have you found out the unvarnished truths which you promised even before joining M&S? If you have, what are those? If you have not what is your reason?	The genesis of any turnaround starts with the recognition of the unvarnished truth, the ability of the management to set corporate vanity to one side and communicate the urgency of change and the true state of the business internally and externally. This is something that we are continually addressing and our progress with the transformation and the lessons we are learning are reported on in our Annual Report and Accounts.
How is the Company addressing the challenge of changing consumer behaviour and the drop in share price?	<p>We have been clear that the focus of our transformation is to return M&S to sustainable, profitable growth and in doing so we will deliver value for our shareholders. However, a number of macro factors such as the Covid-19 pandemic have influenced our share price and profoundly impacted the wider retail sector in recent months.</p> <p>In the new landscape – where the way we work and how customers shop may never be the same again – we are learning from the crisis to ensure that M&S is changed for good. We are determined to accelerate the aspects of our transformation necessary to thrive in this new consumer landscape so we can emerge a stronger, more streamlined business. This is why we have drawn up our “Never the Same Again” programme to harness our new habits and use the lessons of the crisis to make what feels like three years progress in one.</p>
Can you ensure that a staff is available in a traditional checkout for elderly and vulnerable customers?	Customer assistants are always on hand in our stores to help customers at whichever type of till they are using.
How is the Company addressing the style, range and quality of its clothing?	<p>Until the onset of Covid-19, we had seen improvements in the performance of Womenswear and Kidswear, whilst Menswear saw improving sales trends and Lingerie held its market leading share.</p> <p>We know that customers have often found our sub-brands confusing and we have offered too many variations of similar products. The team has worked on this extensively and we now have clarified our sub-brands. For example, in Womenswear we have two clear brands, Autograph and Per Una, each with its</p>

	<p>own designers and brand managers to ensure each provides a bespoke offering. Per Una was relaunched last year, supported by its first standalone marketing campaign in five years, and the response from customers has been extremely encouraging.</p> <p>In terms of quality, we maintain industry leading standards to ensure we're offering customers the quality they expect from M&S. Over the past year we've continued to bring great talent into our clothing team, including in areas such as product technology, and are focused on ensuring we provide great quality from the offset. For example, when developing new products we work with proven materials and trims and work in close collaboration with our sourcing offices and key manufacturing partners.</p>
<p>COVID has created demand shock but as a brand we seem to have lost our values of being responsive, being empathic, trusted and innovative. Instead, we are focusing on Sparks and Victoria's Secret, both of which don't feel a priority in the current climate. M&S used to lead the way in times of national crisis. What are we prioritising to uphold values and drive business for customers in current climate - at present customers feel very forgotten especially as other retailers are doing a much better job in comms, initiatives and experience.</p>	<p>Yes there has been a demand shock and coping with the crisis has been our priority. But the way we've responded as an organisation has been fantastic, thanks in large part to our people. Our colleagues have been instrumental in our response to the crisis - they've improvised, kept customers safe, kept stores running and gone the extra mile for our customers. Many of them have made personal shopping deliveries after work for vulnerable and elderly customers. There has never been more empathy at M&S. We were also the first retailer to make sure that vulnerable colleagues were furloughed, made sure our lowest-paid people were paid 100% of their salary, and gave a 15% pay increase to those that continued to work throughout the crisis.</p> <p>As for Sparks, it is not a distraction. Sparks has been a big problem for M&S over the past 5 years; people have accrued lots of points and not really understood what they can do with them. As a trusted retailer, we can't continue giving out points and pretending that they're useful; so we're relaunching Sparks as an exciting new programme and replacing points so that people feel engaged and rewarded every time they shop with us. From money going to good causes, to customers having their shopping paid for, we want our customers to know that good things happen every time they shop at M&S.</p>

	<p>Relaunching it is very exciting but customers will have to judge it during the months ahead. This is all about moving to a much more modern way of marketing - a digital first personalised approach where people feel rewarded and engaged with M&S, which is really important.</p>
<p>What steps are being taken to accelerate the progress of the Clothing transformation programme? M&S needs Clothing experts leading the business unit.</p>	<p>The Covid-19 crisis has illustrated how differently we can use technology, run stores and make decisions quickly, and as part of our accelerated transformation we have a number of important focuses for Clothing & Home, including:</p> <ul style="list-style-type: none"> • Reducing the range and shifting towards fast moving product at great value – resulting in a permanent reduction in Autumn/Winter store option count of 20%. • Developing a faster, ‘near-sourcing’ supply chain to enable the test and re-order of seasonal fashion lines. • Expanding the role of sourcing offices to deal with sampling, ordering and quality issues quickly. <p>We have also created a significantly renewed management team to implement this, with Richard Price joining on 6 July as Managing Director, Clothing & Home, having previously been CEO of F&F Clothing for Tesco plc.</p>
<p>Does the commitment to increasing the sale of healthier products remain a priority – previously referenced as part of Plan A?</p>	<p>Yes, we remain committed to increasing sales of healthier products and are doing so using our existing strengths in innovation, quality, and time-saving fresh food to make delicious, nutritious food available to more families. A priority for 2019/20 was to reset our Plan A strategy to better reflect the operating model of the business. We made good progress on this and clearly identified health and nutrition as a priority within the simplified framework shown on page 22 of our 2020 Annual Report. Our refreshed health commitments will be part of our Food strategy and be reported alongside our other Plan A targets.</p>
<p>Food is a great strength and as can be seen by this recent pandemic, it is a basic need that has to be available despite any</p>	<p>We're really excited about our Food business and we were outperforming the competition before the crisis impaired us. Ocado will be hugely beneficial for M&S as it will increase our volume and give us access to Ocado's ability to buy</p>

emergency. Ocado should add even more strength but how soon can we expect to see Food Halls with wider ranges on the high st?	branded products, which we hope to take advantage of. In terms of stores, Stuart Machin and the Food team have developed an exciting new format called the Renewal store, which we've implemented at Hedge End and Clapham Junction. Hedge End has been our number one store during the Covid-19 crisis, which gives us confidence to push this format out further.
How will M&S address the environmental impact of increasing online deliveries?	We are committed to driving down greenhouse gas emissions and air pollution as part of our Plan A framework and working with our third-party contractors on logistics and home deliveries is a key area of focus. M&S Food has for many years been an early adopter of green technology in our retail delivery fleet, using electric vehicle technology where possible and enabling zero emission refrigeration of food on some store deliveries. From September, M&S Food will be available for home delivery via Ocado, who already operate a number of electric vehicles in their delivery fleet.
Could the Company provide an update on the shareholder voucher scheme?	<p>The Shareholder Voucher scheme was discontinued with effect from January 2020. There were numerous factors that ultimately led to this decision, including ever increasing print and mail costs, declining voucher redemption rates and our re-emphasis towards digital communication methods and away from paper mailings.</p> <p>This change was communicated to all registered shareholders in the interim dividend mailing sent in January 2020. However, we were unfortunately unable to directly notify those with holdings in third party 'nominee' accounts as we do not have visibility to the beneficial owners' names, addresses or any information about their shareholdings. This data is held by the relevant nominee company and is not accessible to M&S. There are no plans to replace the scheme at this time.</p>
While waiting for the Ocado venture to go live, why has M&S not managed to put together a delivery service like Sainsbury's Chop Chop or Waitrose Rapid during Lockdown?	During lockdown and until our partnership with Ocado goes live in September, we have engaged in a limited partnership with BP and Deliveroo, so that customers can order via the Deliveroo app from BP shops stocking M&S product and 90 of our owned stores too.

	<p>In the absence of a full online food offer though, we looked for quick solutions to help us reach and support our isolated customers. In under two weeks we set up an online food box business, which we prioritised to customers over 70 via Sparks, selling over 100,000 of them in the first month. In addition, we were the first retailer to launch a volunteer gift card to make it easier for those shopping on behalf of self-isolating customers.</p>
<p>Please would you give an update on Brexit preparedness. Will M&S support local produce if domestic producers are hindered by the eventual Brexit deal?</p>	<p>Like all other retailers, we're planning for the end of the Brexit transition period and are continually monitoring the ongoing negotiations. All business units have Brexit working groups which meet regularly and report progress to the Executive committee. We also continue to engage with the government and industry bodies to ensure M&S's views are represented.</p> <p>On domestic producers, we do extensively support British producers and our commitment to supporting UK farming, through sourcing from select farms we know and trust and promoting the highest animal welfare standards, will not waiver. We currently work with around 10,000 British farmers and pay a leading price for milk and have renewed our commitment to British sourcing.</p>
<p>Please could M&S consider selling Fairtrade and organic cotton clothing?</p>	<p>We currently source around 50,000 tonnes of cotton each year, so it's important that it's produced in the right way. We recognise four types of sustainable cotton that our buyers can use – organic, recycled, Fairtrade and Better Cotton Initiative. Today 100% of our cotton for clothing comes from one of these sources.</p> <p>Most of the cotton we source (approx. 95%) is grown to Better Cotton Initiative (BCI) standards, while the rest is made up of organic and recycled cotton. The BCI is a not-for-profit initiative that trains farmers on how to use water efficiently, care for the health of the soil and natural habitats, reduce use of the most harmful chemicals and apply decent work principles.</p>
<p>Although the Shareholder Card has been in existence for some years now, I find that some members of staff do not appear to have seen one before. What training is being given to staff on this?</p>	<p>The Equiniti Payment Plus Scheme, through which M&S Shareholder Cards were available, closed to new participants in 2017 following a successful trial. Whilst shareholders with a Shareholder Card can continue to use it, cards are no</p>

	longer being distributed and it is no longer possible to join the scheme. Cards are used in stores in the same way as any M&S gift card and should be retained by the customer after use.
How has Covid-19 impacted your overseas suppliers? What has been your response to the pandemic and what have you been doing to support your suppliers?	Covid-19 has significantly impacted everyone around the world, and M&S and our suppliers have been no exception. We have worked closely with the UK government as well as other governments in countries where we operate to ensure we can continue to trade and serve customers safely. We have also worked closely with our suppliers to support them as much as we can during these unprecedented times, and fully support the efforts of the Ethical Trading Initiative and International Labour Organization in facilitating the coordination and distribution of emergency relief funds. Further information on our response to Covid-19 can be found on pages 50-53 of the 2019/20 Annual Report and Accounts.
Do Board members regularly wear M&S suits and other garments to promote the company? Why do M&S continue to stock "slim" sizes that end up in the sale?	The Board members present in the meeting were all wearing M&S. In terms of sizing, as Steve said at full-year results, we've made good progress in menswear and product is improving – for example knitwear is up 6%. We have introduced new cuts which have received positive feedback, but we said when we introduced them that the balance between classic and contemporary fits wasn't quite right and we've corrected this.
How is the Company increasing opportunities for women and for people of ethnic minority backgrounds?	We have taken a range of steps and implemented a number of initiatives, such as our colleague-led networks on gender, ethnicity (BAME), sexual orientation (LGBT+), and disabilities and health conditions. During 2019/20 we held our fourth Diversity & Inclusion Festival, engaging thousands of colleagues across M&S, and have continued our involvement in the 30% Club to promote increasing female representation on UK company Boards. We also launched our Breakthrough Leaders programme, which aims to develop and accelerate the progression of our business's diverse talent pool, and continue to be actively involved in key campaigns including LGBT+ Pride celebrations, International Women's Day, Black History Month, National Inclusion Week, Mental Health Awareness Week and World International Day of Disability. Additionally, through our Marks & Start and Marks & Start International programmes, we continue to

	<p>support young people, the homeless, lone parents and those with disabilities in finding work in our stores and distribution centres.</p> <p>However, we recognise that there is more to do and we will continue to take action to become a truly diverse and inclusive business.</p>
When our joint venture with Ocado starts in September will M&S shareholders get priority delivery slots?	At this stage, there is no plan for priority slots for shareholders. Ocado operates robotic Customer Fulfilment Centres, and they are currently running at capacity, so slots are likely to be very limited when we first launch. However, we have plans with Ocado to substantially increase capacity, thanks to expansion at new and existing CFCs currently in progress. We should start to see results from these in the new year, but this expansion plan is a 3-5 year process.
In view of the changes to retail this year and the dawn of the "new world", what effect will this have on the Company's stores?	As we said in our Annual Report, one of our key priorities is addressing our ageing store estate to meet rapidly changing customer behaviours. Through our 'Never The Same Again' programme we have committed to accelerating this in a number of ways. These include, relocating ageing stores as opportunities arise to move to new sites, maintaining clear dialogue with landlords, focusing our expenditure on growth by extending our Food renewal formats and proposals to redevelop some of our older, larger city centre stores, and accelerating the expansion and integration of technology into our store environments to support store colleagues. However, there is still a great deal of uncertainty surrounding the post-Covid-19 retail environment, making it exceptionally difficult to forecast the medium to long-term impact on our stores.
Will M&S please consider cutting the number of womenswear fashion lines, to concentrate on what sells best? Why are there never enough of the popular sizes in stock in store?	<p>Last year in Womenswear, reshaping the buy and offering more contemporary style resulted in improving performance up until the onset of Covid-19. In denim for example, our market leading position was extended with a sales uplift of over 10% over two years.</p> <p>However, we recognise that there is more to do, and much of this has already been brought forward by the Covid-19 pandemic. The reduction in range and shift towards fast moving product at great value will result in a permanent</p>

	<p>reduction of 20% in Autumn/Winter store option count, resulting in a reduction equivalent to 30% over the next 2 years.</p> <p>Extensive work has also taken place with sub-brands. We now have two clear sub-brands, Autograph and Per Una, each with its own designers and brand managers to ensure it is a bespoke offering. The relaunch of Per Una last year received a great customer response, having been supported with its first standalone marketing campaign in five years.</p>
How will the company accommodate new working patterns, particularly amongst those with childcare responsibilities, to allow blended home/school education?	Like all businesses, we are working through what the new working patterns look like in terms of office vs remote, be that from home or from one of our stores, and this will be dependent on the needs of individual teams. In terms of childcare, we support flexible working for all parents. In stores, a high proportion of colleagues work on a part-time basis (c.70%), providing flexibility for childcare and, more broadly, we encourage initiatives such as job shares/term time hours.
Will M&S colleague discount be applicable when M&S Food launches on Ocado?	No, M&S colleague discount will not be available via Ocado.
I see an awful lot of plastic packaging in supermarkets, including M&S, since Covid-19. How will M&S reduce plastic packaging, especially soft plastic which can't be recycled, and can compostable plastic be used as well?	<p>Last year we removed over 2,000 tonnes of plastic by either eliminating the need for any packaging, particularly in Food, or improving the design so that less plastic is needed. Our goal is to close the loop on plastic by ensuring 100% of our packaging is widely recyclable by 2022. We're currently at 77% of the way there, and that has been helped by our elimination of black plastic, widely used in ready meals, that is not recyclable by many local authorities. We are also investigating the use of compostable plastic, working in collaboration with Imperial College London to develop this.</p> <p>In addition, we no longer offer single use plastic carrier bags, and all of our multi-use carrier bags are made from recycled plastics. When our partnership with Ocado goes live in September, Ocado will be continuing its practice of recycling all plastic bags from deliveries too.</p>

<p>Please confirm if you are going to continue the pay rise of 15% for store staff beyond the end of July? The staff really do deserve it and work so hard to deliver great results for the company.</p>	<p>We are so proud of the hard work of our colleagues over the last few months, and the 15% uplift in pay that we implemented with effect from 5th April was absolutely well-earned. However, from August 1st the Government is reducing the level of support offered to businesses for colleagues who have been furloughed. This change, coupled with the easing of restrictions and the challenging trading backdrop, means we have reviewed the level of support we are offering to colleagues. The 15% cash award for operational colleagues in stores in recognition of the fantastic effort during those difficult first few months of the crisis will be extended to 31st July but will then end.</p>
<p>How will you specifically change the organisational culture and responsibilities to empower staff?</p>	<p>We want to build on the flexibility and adaptability our teams have shown throughout the Covid-19 pandemic, helping them to be more self-sufficient through better technology, such as Microsoft Teams. As of today over 90% of our support centre colleagues use Teams for chat, calls and meetings. Teams isn't confined to our support centres; it's live at all UK stores too, meaning every colleague in the country is now digitally-enabled. This has helped to instil a digital-first culture across the entire organisation and transform the possibility of communication. Leadership are now talking directly to store managers and section managers at the touch of a button: a two-way street where essential documents can be shared quickly with front-line teams and stores can respond with instant feedback - in turn, making M&S more efficient, and allowing us to act quicker, adapt quicker and learn quicker.</p> <p>We're also empowering our colleagues in other ways, such as our Suggest to Steve initiative which allows colleagues to submit their suggestions (however big or small) on how we can improve the business direct to our CEO.</p>
<p>Why are the Directors only deferring, and not cancelling, their bonuses? The dividend has been cancelled, and it is unfair that shareholders bear the brunt of pandemic financial strain.</p>	<p>It was a difficult decision not to pay a final dividend for the financial year 2019/20, and we therefore appreciate our shareholders' patience. This was one of a suite of cost and capital actions totalling £1bn that the company has taken in response to Covid-19 to help us secure the future of the business.</p>

	<p>When we announced our full year results, we confirmed that Steve Rowe will receive no bonus for 2019/20. Additionally, the executive annual bonus scheme for the 2020/21 financial year has been cancelled and the maximum opportunities under the Performance Share Plan reduced from 250% of salary to 175%. In March, we also shared that Steve's salary has been frozen, in line with measures implemented across the wider business.</p>
Can you bring in personalised Sparks cards once you reach a certain level of points?	<p>We have announced to all 7 million of our Sparks members that we will be relaunching Sparks from Thursday 9 July 2020. We've made significant investments to improve the personalisation of Sparks for customers, including the regular offers customers told us they love whilst removing those aspects they told us were confusing, such as points. These will continue to be part of the new scheme, alongside new, exciting rewards and regular, personalised 'thank yous' and treats.</p>
What are your specific plans to reduce excess procurement cost by reducing clothing lines, and reducing wastage through excess stock?	<p>We have been working hard to reduce our range complexity. For example we have reduced our range of men's casual trousers from 12 to just 4. We now also offer more differentiation in fit, selling regular, slim and skinny fit. With this drastic reduction in ranges, we understand that some customers are likely to be disappointed having previously bought into ranges that have been discontinued. However, we are doing our best to cater to customers to the greatest possible extent through rationalised ranges and are working tirelessly on our e-commerce proposition, with product differentiation as a key focus.</p>
What is your aim for internal brand differentiation in menswear?	<p>Across menswear, womenswear and kidswear we've worked hard to change what was a very confusing sub-brand structure.</p> <p>In Menswear, as in Womenswear, the vast majority of items are labelled 'M&S Collection' with a real focus on everyday style and value. M&S Collection encapsulates a wide range of product, from outstanding value cotton t-shirts up to more expensive lines such as our feather and down padded jackets, and ensures customers are offered fantastic value at every price point. Our premium Menswear offer falls within the Autograph brand, which is where we</p>

	<p>deliver supima cottons, cashmeres and Italian yarns coupled with a refined aesthetic and additional details.</p>
<p>Many of the big groups are having to close shops due to the growth of online. How will this affect M&S and what do you plan to do with stock you've been unable to sell in lockdown? Will you have a huge sale?</p>	<p>Even before lockdown, closing stores and upgrading our space to reflect how customers want to shop has been a part of our transformation programme. And like many other retailers, during this Covid-19 pandemic we have seen a clear acceleration of customers turning to shopping online. Over 365,000 existing customers shopped M&S.com for the first-time during lockdown, and M&S has seen over 700,000 new downloads of its App since March.</p> <p>In terms of stock, there are a number of ways that we have been managing the surplus. Fortunately, much of our stock is non-seasonal wardrobe staples and can be rolled over into Autumn/Winter, while some of our Spring/Summer stock will be placed into deep storage for future years. We have also launched a Rainbow Sale and will be donating 10% of the purchase price of every sale item to NHS charities together.</p>
<p>Assuming Covid-19 impacted M&S and the wider clothing market similarly, why was our performance below the market? How do you intend to increase profit margins?</p>	<p>Covid-19 rapidly accentuated the headwinds and spending habits the clothing sector had experienced throughout the 2019/20 financial year, whilst the closure of bricks and mortar retailers resulted in a greater shift towards online shopping. The crisis began to have a significant impact on the business in early March and the effect on sales, colleagues and customers became dramatic with the onset of lockdown. In response, we took over £1bn of actions to manage our liquidity, reduce costs and stabilise our cashflow. In Clothing & Home, we have taken steps to manage our backlog of unsold stock and future orders in an environment where demand is likely to remain weak for some time.</p> <p>Looking ahead, through our 'Never the Same Again' programme we are bringing forward the aspects of our transformation necessary to thrive in a changed consumer landscape and become an online winner in Clothing & Home and Food. For example, reducing our ranges and shifting towards fast-moving, great value product will permanently reduce our Autumn/Winter store option count</p>

	by 20%. The role of our sourcing offices will be increased to handle more sampling, ordering and quality issues, while a faster “near-sourcing” supply chain will be developed to enable a test and re-order of seasonal fashion lines.
Operating profit from Clothing and Home was clearly boosted by IFRS 16. What was the impact of the change in accounting rules please?	We applied IFRS 16 for the first time in the 2019/20 financial year and did so using the fully retrospective method, with the date of initial application of 31 March 2019. Note 29 of our financial statements (page 166 of the Annual report), sets out the year-on-year impact of restating the FY18/19 accounts for the impacts of IFRS 16. In FY18/19 at a Group level there was a £135.7m impact to Operating profit as a result of implementing the new accounting standard IFRS 16. As IFRS 16 was adopted with effect for the first time this year we are not required to present a pre and post IFRS 16 view of the FY19/20 numbers. However, a full year-on-year bridge for C&H operating profit, post IFRS 16, can be found in the Full Year Results presentation provided on 20 May 2020, available on our corporate website (slide 9).