TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

This section outlines how M&S has complied with the requirements of LR 9.8.6(8)R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. The below disclosure also complies with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

TCFD DISCLOSURES INDEX

TCFD pillars	TCFD recommendation	Consistency status	Reference
Governance	A) Describe the board's oversight of climate-related risks and opportunities.	●	Read more on **page 45.**
	B) Describe management's role in assessing and managing climate-related risks and opportunities.	●	
Strategy	A) Describe the climate-related risks and opportunities the organisation has identified over the short-, medium-, and long-term.	●	Read more on **pages 48-53.**
	B) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	●	
	C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	●	Read more on **pages 54-56.**
Risk Management	A) Describe the organisation's processes for identifying and assessing climate-related risks.	●	Read more on **page 47.**
	B) Describe the organisation's processes for managing climate-related risks.	●	Read more on **pages 62-63 in Risk Management.**
	C) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	●	
Metrics and Targets	A) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	●	Read more on **pages 57-58.**
	B) Disclosure Scope 1, Scope 2 and, if appropriate Scope 3 greenhouse gas emissions and the related risks.	●	
	C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	●	Read more in the **ESG Report.**

● Consistent
○ Partially consistent

Last year, M&S highlighted our focus areas for the 2023/24 year; progress against these are highlighted below.

2023/24 action	Progress update
Develop detailed financial framework for carbon reduction initiatives	Built a model to map carbon reduction initiatives and relevant costings for our near-term target. The resulting costs have been incorporated into the three-year plan. This model will continue to be refined as we deepen our understanding of our emissions and explore additional initiatives to reduce them.
Work towards plan for transition in line with TPT[1] guidance	This is a continued area of focus. As we work towards resubmitting our science-based target, we will build out this plan, including the consideration of agriculture emissions. More information on page 53.
Enhance Scope 3 reporting	The emissions from Food and Clothing & Home products we purchase are over 85% of our Scope 3 emissions. Reporting for both has been enhanced with more robust data for emissions calculations. More information on this on page 57.

GOVERNANCE

BOARD'S OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES (TCFD GOVERNANCE A)

The Board has ultimate responsibility for both risk management and our ESG framework, including those risks and opportunities related to climate change.

Responsibilities in relation to risk management are discharged to the Audit & Risk Committee. The Committee reviews the principal risks twice a year, including climate change and environmental responsibility. As part of the Group's risk management framework:

- the Board sets risk appetite for key areas of activity across the business, including ESG.
- the Audit & Risk Committee receives periodic updates from the leadership team responsible for overseeing ESG commitments and responsibilities, including performance against risk appetite through key reporting metrics.

An overview of our risk management process and governance, including for climate change, is set out on pages 62-63. More information of the Audit & Risk Committee's responsibilities can be found in the Governance Structure on page 46.

In addition to the role played by the Board and the Audit & Risk Committee, responsibilities in relation to ESG matters are discharged to the ESG Committee. The ESG Committee meets at least quarterly and is responsible for:

- ensuring that the Company's ESG purpose aligns with the business strategy and customer proposition;
- ensuring the Company's ESG strategy and associated governance, including management of climate-related issues, is fit for purpose;
- overseeing progress against targets via a quarterly ESG report;
- overseeing control activities mitigating climate risks; and
- supporting the risk management process by reviewing and providing the Audit & Risk Committee with recommendations on all ESG-related risks.

All members of both the ESG and Audit & Risk Committees are non-executive directors (Committee membership and meeting attendance is outlined in the respective Committee Reports on page 87 for the ESG Committee and page 89 for the Audit & Risk Committee).

MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES (TCFD GOVERNANCE B)

As outlined in our risk management process (see page 47), climate risks, including emerging areas, are considered as part of each business and functional risk review. Each business area considers the capital expenditure required for projects to mitigate the likely near-term climate-related risks within the annual budget.

Executive Committee members are individually responsible for reviewing and confirming climate risks in their own areas and subsequently reviewing the Group's principal risks and uncertainties at the half year and year end. This process provides the Audit & Risk Committee with assurance that significant risks are appropriately monitored and managed throughout the year.

The ESG Business Forum, chaired by a member of the Executive Committee, is made up of the accountable business leaders for ESG-related issues. The Forum is responsible for managing climate-related risks and opportunities and driving progress against targets of the Company's ESG programme, which mitigate our climate risks. Updates on key ESG issues and trends including those related to climate change are shared with the Forum via the central ESG team. The Forum meets on a quarterly basis to review progress against targets. Quarterly updates from these meetings are provided to the Executive Committee and the ESG Committee (see Governance Structure for further detail on the Management Forums on page 46).

1. Transition Plan Taskforce: https://transitiontaskforce.net/

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

GOVERNANCE STRUCTURE

BOARD

Ultimate responsibility for both risk management and ESG framework, including those risks and opportunities related to climate change. Approves the Company's ESG strategy, including the business-wide target to become net zero.

EXECUTIVE COMMITTEE

- The CEO is responsible for overseeing the development of business-wide ESG strategic goals and is accountable for the delivery of the Company's business-wide ESG programme (including the roadmap towards net zero).
- Executive Committee members are individually responsible for setting the ESG strategy in their respective areas to achieve business-wide strategic goals, and putting in place mechanisms to deliver their strategy. This supports the management of the climate-related risks and opportunities impacting their business areas.
- Executive Committee members are individually responsible for reviewing and confirming risks in their own areas as part of our risk management process, including climate risks.
- The Corporate Affairs Director, a member of the Executive Committee, is responsible for the coordination, reporting and aggregation of the business-wide ESG programme, as well as horizon scanning and issues management. The Corporate Affairs Director is also accountable for governance and overall delivery of the ESG strategy.

BOARD COMMITTEES

ESG COMMITTEE

- Responsible for ensuring that the Company's ESG strategy aligns with the business strategy and customer proposition.
- Responsible for ensuring the Company's ESG strategy and associated governance is fit for purpose, and that plans are in place and reported on.
- Advises the Audit & Risk Committee on ESG-related risks and opportunities, including climate-related issues.

AUDIT & RISK COMMITTEE

- Responsible for ensuring the effectiveness of the risk management process.
- Receives updates from the business leadership on how principal risks and uncertainties of the business are being appropriately addressed.
- Reviews the principal risks twice a year, of which climate change and environmental responsibility is one.
- Receives periodic updates on business performance against ESG objectives, as well as compliance and responsibility metrics.

MANAGEMENT FORUMS

BUSINESS AND FUNCTIONAL LEADERSHIP

- Responsible for managing risks within their areas, including those relating to climate, and implementing appropriate mitigation activities.
- Responsible for monitoring emerging risks.
- Responsible for monitoring and reporting on key ESG-related indicators.
- Responsible for ensuring climate-related opportunities are realised as part of their ESG strategy.

ESG BUSINESS FORUM

- Responsible for driving progress against the targets of the Company's ESG programme, which mitigate our climate risks. Meets quarterly to review progress and agree the right metrics and targets on a forward-looking basis.
- Updates the Executive Committee and ESG Committee on a quarterly basis on progress against targets and emerging risks.
- Accountable for managing climate-related risks and opportunities. Includes representatives from Group Finance and Group Risk to ensure ESG considerations are reviewed and considered within risk management and financial planning.

RISK MANAGEMENT

PROCESS FOR IDENTIFYING, ASSESSING AND MANAGING CLIMATE RISK, AND HOW THIS IS INTEGRATED INTO OVERALL RISK MANAGEMENT (TCFD RISK MANAGEMENT A, B AND C)

The identification, assessment and management of climate-related risks is integrated into our overall Group risk management process, with climate risks being assessed and measured using consistent criteria that is applied to all other risks. A description of the Group risk management process can be found on pages 62 to 63.

As part of this process, specifically linked to climate, each of the accountable businesses and functions have evaluated the potential consequences of risks using the TCFD Guidance Tables A1.1 and A1.2 for reference. Specifically, they:

- considered how current and emerging climate-related issues may impact their strategy both in the near-term and beyond;
- used stakeholder insight to assess the potential size and scope of the climate risks in line with our Group risk assessment criteria;
- prioritised risks based on materiality and time horizon;
- evaluated the design and operating effectiveness of mitigating controls in place;
- allocated a designated risk owner; and
- engaged the relevant leadership teams of the relevant business or function.

The summary output of this process can be found in Table 1 on pages 49 to 53.

At a Group level, management oversight of the overall process is provided by the ESG Business Forum, which supports an aggregated view of the different risks faced by the business as well as transparency of progress against underlying priorities. Updates are provided to the Executive Committee following each ESG Business Forum.

At a Board level, governance over the output of this overall process is provided by the ESG and Audit & Risk Committees.

Climate change and environmental responsibility continues to be considered one of the principal risks and uncertainties for the business, as set out on page 69.

STRATEGY

OUR NET ZERO AMBITION

We have committed to being net zero across our entire value chain by 2039/40. The relevant net zero priority areas can be found below and the net zero tag highlights how the specific priority areas support the impacts identified in Table 1.

OUR TRANSITION PLAN

Looking ahead we will continue to build upon our 10 priority areas and work towards a detailed transition plan that is aligned with the Transition Plan Taskforce. More information on page 53.

NET ZERO TRANSITION ROADMAP

OUR BASELINE
5.5m
tonnes of carbon emitted in 2016/17[1]

Near-term: <3 years
2025/26 TARGET
34% reduction
in carbon emissions (1.9m tonnes)

Medium-term: 3-10 years
2029/30 TARGET
55% reduction
in carbon emissions vs our baseline
SBTi APPROVED[2]

Long-term: 10+ years
2039/40 TARGET
Net zero
across entire value chain

10 IMMEDIATE PRIORITY AREAS FOR TRANSFORMATION

NET ZERO

NET ZERO

1. Restated in line with methodological changes and improved data.
2. See Metrics and Targets C) for official science-based target wording.

RESPONSIBLE SOURCING

Zero deforestation
- 100% of soy to be sourced from verified deforestation and conversion-free regions by 2025/26.
- 100% segregated responsibly sourced palm oil by 2025/26.

Sustainable sourcing
100% verified recycled polyester by 2025/26.

Low-impact farming
Support our farmers to enable them to grow low-carbon, responsible food, use fewer pesticides, enhance their soil, protect natural resources and drive innovation.

SUSTAINABLE MANUFACTURING

Increasing the range of plant-based protein
Double the sales of vegan and vegetarian products by 2024/25.

Suppliers and business partners on net zero journey
Look beyond our own operations to spark change and support decarbonising across our full value chain.

WASTE AND CIRCULARITY

Circular economy
Support Oxfam with Shwopping, our clothes recycling scheme.

Reduce food waste
- 100% of edible surplus to be redistributed by 2025/26.
- Food waste reduced by 50% by 2029/30.

Reduce and recycle packaging
- 100% of packaging to be recyclable by 2025/26.
- Remove 1bn units of plastic packaging by 2027/28.

OPERATIONAL EFFICIENCIES

Zero emissions property
Deliver a more efficient store estate.

Zero emissions transport
Move to low-carbon logistics with reduced dependency on diesel and increased use of new technologies and cleaner fuels. Contribute to cross-industry action through collaboration.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

IDENTIFIED CLIMATE-RELATED RISKS AND OPPORTUNITIES (TCFD STRATEGY A)

We continue to monitor our climate-related risks and opportunities, considering both physical and transition risks and opportunities and how we manage these over the near-, medium- and long-term time horizon. The following definitions of time horizons were used for the purposes of identifying and managing climate risks and opportunities and were informed by the Paris Agreement, which influences global policy responses, the UNFCC data on physical risks and our own Company's science-aligned net zero target.

TIME HORIZONS

Near	<3 years

Aligned to our risk management and financial planning processes.

Medium	3-10 years

Captures transition risk and opportunities, linked to both our science-based target and the emerging risks included in our risk management disclosure.

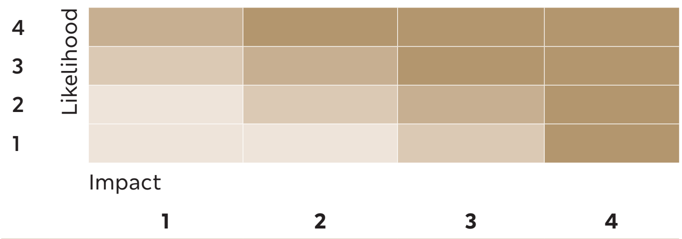
Long	>10 years

Captures physical risks and opportunities over the long-term. Linked to our long-term net zero goal and the emerging risks included in our risk management disclosure.

Processes used to determine which risks and opportunities could have a material financial impact on the organisation
Last year, workshops were held with risk, finance and sustainability leads across the accountable businesses to identify key risks and opportunities. The outcome of this was mapping potential impact and likelihood over the different time horizons to determine relative materiality. This year, as part of the risk management process, we reviewed these climate risks and opportunities over the near-, medium- and long-term to ensure relevance and consideration of any key changes.

The business determines the severity of a risk by considering two factors: the likelihood of the risk materialising in a given timeframe and the potential impact(s) such as financial, reputational, operational or regulatory. A combination of these two factors provides an overall risk severity score of either "minor", "moderate", "major" or "critical" which aids the business in determining the materiality of a risk. We ensure this is the same criteria used for both business-wide risks, and climate-related risks.

GROUP RISK ASSESSMENT CRITERIA



Key

Minor Moderate Major Critical

A summary of our climate-related risks and opportunities in line with TCFD Guidance Table A1.1 and A1.2 can be found in Table 1 on the next page. M&S splits risks by sectors into Agriculture, Food, Clothing & Home, Property, Fleet and International. In line with the previous year, given this sectoral focus is more relevant to our organisation, the decision has been made that it is not appropriate to break risks and opportunities down geographically.

IMPACT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES ON OUR BUSINESSES, STRATEGY, AND FINANCIAL PLANNING (TCFD STRATEGY B)

In addition to summarising the risks and opportunities identified in Strategy A), Table 1, found on the next page, outlines our business response to the impact on our businesses, strategy, and financial planning. In line with 2022/23, we also show relevant targets and metrics mapped to the impact areas to highlight how we are building resilience into our business strategy.

Quantified | Immaterial | No meaningful quantification

Near-term: <3 years | Medium-term: 3-10 years | Long-term: >10 years

TABLE 1: BUSINESS-WIDE RISK AND OPPORTUNITY SUMMARY

1. Current and new environmental compliance including legislation and tax.

Transition Risk: Policy and Legal

SECTOR

Group-wide | Agriculture | Food | Clothing & Home | Property | Fleet

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Increase in operating costs to manage environmental compliance such as carbon tax.

Summary of relevant quantitative scenario analysis which looked at the impact across different sectors (Food, Clothing & Home, Fleet and Property) can be found in Strategy C) on page 54.

Increase in capital expenditure required to address emissions areas in M&S-owned assets such as refrigeration, energy consumption and diesel fleet.

Capital expenditure on LED lighting, store controls upgrades, voltage optimisation, fridge doors, electric vehicles and other areas are included in the budget and three-year plan used to support asset impairment reviews, details of which can be found on pages 164-165 of the Financial Statements.

BUSINESS RESPONSE

Group

- Working towards our 2029/30 science-based target, which guides our goal setting process for net zero targets as part of our business transformation.

Supply chain

- Built net zero as a consideration into our sourcing strategy for Food and Clothing & Home.
- Identified the suppliers who have greatest impact on emissions in our supply chain as a key focus for engagement and measure impact through Higg Index and Manufacture 2030.

Our operations

- Capital investment through proactive asset replacement which is integrated into a three-year financial plan to phase out our F-gas refrigeration systems. New store specifications include being 100% electric, with full LED lighting in Foodhalls.

NET ZERO PRIORITIES

NET ZERO

- Impacts all 10 net zero priority areas.

TARGETS

- 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year.
- 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year.

2. Ability to keep pace with customer trends and behaviours as we see an increase in consumer preferences towards more sustainable product choices.

Transition Risk: Market & Reputation

Opportunity: Products and Services

SECTOR

Food | Clothing & Home

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Revenue loss if we do not keep pace with customer trends and develop suitable low-carbon product offerings.

Whilst we have considered quantifying this risk, we are not disclosing a financial impact as there is no clear methodology or set of assumptions that would lead to a meaningful financial quantification.

Revenue opportunity from climate conscious customers who want to choose low-carbon products.

BUSINESS RESPONSE

Our products

- Quarterly review of ESG preferences and perceptions through our ESG Reputation Tracker.
- Ongoing investment in innovation and new product and proposition development to ensure we develop suitable low-carbon products to maximise customer preferences.
- In Food, we achieved our sales from plant-based product target and currently over two-thirds of our food sales (tonnage) comes from fruit and vegetables (24%), vegetarian and vegan products.
- For Clothing & Home we are focusing on alternative raw materials. We also continue exploring circular solutions for our customers.

NET ZERO PRIORITIES

NET ZERO

- Increasing the range of plant-based protein
- Circular economy
- Sustainable sourcing
- Low-impact farming

TARGETS

- 100% of cotton used in Clothing & Home (C&H) products from more responsible sources by 2025/26 (% of all cotton used).
- 100% of polyester used in C&H products from verified recycled sources by 2025/26 (% of all polyester used).
- 100% of MMCF used in C&H products from more responsible sources by 2025/26 (% of all MMCF used).
- Remove 1bn units of plastic packaging by the end of 2027/28 from 2016/17.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

TABLE 1: BUSINESS-WIDE RISK AND OPPORTUNITY SUMMARY CONTINUED

3. Availability of low-carbon technological solutions and infrastructure to support low-carbon activities for example low- and zero-carbon fleet options.

Transition Risk: Technology

SECTOR

Group-wide | Property | Fleet

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Increase in capital and operational expenditure required to source the necessary low-carbon technology and infrastructure to achieve our net zero goals.

Potential impact of £50m-£60m in 2030 if not mitigated.

BUSINESS RESPONSE

Group

- Mapping our roadmap to achieve our science aligned 2029/30 target, and focus on proactively managing the need for new low-carbon technological solutions and infrastructure to support our journey to net zero.

Our operations

- Trialling bio-LNG and electric vehicles in our logistics network to understand emission reduction impact. More information in our ESG Report.

NET ZERO PRIORITIES

NET ZERO

- Zero emissions property.
- Zero emissions transport.

TARGETS

- 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year.
- 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year.

4. Energy efficiency and resilience in our operations and supply chain.

Transition Risk: Market

Opportunity: Resource Efficiency & Energy Source

SECTOR

Group-wide | Food | Clothing & Home | Property

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Increase cost in our supply chain caused by increasing energy costs if energy efficiency or greener solutions are not put in place.

Potential impact of £0m-£10m in 2030 if not mitigated.

Reduction in operational costs if energy consumption is effectively managed. Opportunity to reduce reliance of grid electricity by facilitating on-site renewable energy generation.

BUSINESS RESPONSE

Supply chain

- Working with suppliers to reduce energy consumption and move to the use of renewable energy. Examples of this include our participation in the Carbon Leadership Programme and our six key asks from Food suppliers. More information in our ESG Report.

Our operations

- Continue to integrate energy efficiency measures such as improved metering across property estate and investment in energy efficiency projects such as doors on fridges, to lower energy consumption.

NET ZERO PRIORITIES

NET ZERO

- Zero emissions property.
- Zero emissions transport.
- Low-impact farming.
- Suppliers and business partners on net zero journey.

TARGETS

- 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year.
- 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year.

Quantified		Near-term:	<3 years
Immaterial		Medium-term:	3-10 years
No meaningful quantification		Long-term:	>10 years

5. Failure to meet our public climate change commitments.

Transition Risk: Reputation

SECTOR

Group-wide

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Reputational impact due to failure to meet our net zero targets. Leads to lower sales and makes it harder to attract and retain customers and colleagues.

Whilst we have considered quantifying this risk, we are not disclosing a financial impact as there is no clear methodology or set of assumptions that would lead to a meaningful financial quantification.

BUSINESS RESPONSE

Group

- Net zero has been incorporated into the strategic pillars of our Business Transformation with a set of clear metrics for accountable business owners.
- Quarterly updates on our climate targets at our ESG Business Forum, which then feed into updates to the ExCo and our ESG Committee. More information on our Governance structure found on page 46.
- Continue supporting innovation with suppliers and partners on reducing emissions through our "Plan A Accelerator Fund".

TARGETS

- 34% (1.9m tonne) reduction in carbon emissions by 2025/26 from 2016/17 base year.
- 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year.
- 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year.

6. Reliance on third parties, local government and broader infrastructure to achieve our mitigation actions.

Transition Risk: Market

SECTOR

Group-wide

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Increase capital and operational expenditure required to meet our net zero goals e.g. increased cost in renewable energy procurement if grid decarbonisation is not delivered.

Whilst we have considered quantifying this risk, we are not disclosing a financial impact as there is no clear methodology or set of assumptions that would lead to a meaningful financial quantification.

BUSINESS RESPONSE

Group

- Collaborate closely with industry trade associations to ensure we are working towards the same goals, such as the British Retail Consortium (BRC) and Institute of Grocery Distribution (IGD).
- Engage with non-government organisations such as WWF, RSPCA and WRAP.
- Proactively engage with governments to ensure that broader policy and infrastructure will support us on our net zero journey.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

TABLE 1: BUSINESS-WIDE RISK AND OPPORTUNITY SUMMARY CONTINUED

7. Failure to meet the requirements of our franchise partners based on the impact of climate change on our supply chain.

Transition Risk: Reputation

Physical Risk: Acute & Chronic

SECTOR

International

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Reputational impact due to failure to meet the requirements of our partners. Loss of revenue from not being able to provide necessary stock to partners.

Whilst we have considered quantifying this risk, we are not disclosing a financial impact as there is no clear methodology or set of assumptions that would lead to a meaningful financial quantification.

BUSINESS RESPONSE

Our operations

- Plan and targets to reach net zero across our entire value chain.
- Carry out risk reviews on the resilience of our supply chain, including climate impact.
- Ensuring we have a business continuity team who apply learnings from crises, such as the invasion in Ukraine, as to how we are able to adapt our supply chain to ensure we are able to meet partner requirements, irrespective of the cause of the disruption.

TARGETS

- 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year.
- 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year.

8. Volatility in the supply of raw materials caused by the impact of climate change.

Physical risk: Acute & Chronic

SECTOR

Agriculture | Food | Clothing & Home

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Increase in sourcing costs based on supply chain disruption caused by increased likelihood of extreme weather.

Loss of revenue if we are not able to source specific products due to the impact of physical climate risks.

Summary of relevant quantitative scenario analysis can be found in Strategy C) in Table 2 on pages 54-56.

BUSINESS RESPONSE

Supply chain

- Track financial impact of climate change on fresh produce to identify hotspots and the impact on the business.
- Strengthened our focus on supporting producers as they transition to net zero. Putting a greater emphasis on resilience in our standards and partnerships, such as Fairtrade.
- Increased focus on regenerative agriculture, through our Farming with Nature programme and work with the Better Cotton Initiative. More information in our ESG Report.

NET ZERO PRIORITIES

NET ZERO

- Low-impact farming
- Sustainable sourcing

TARGETS

- Maintain 100% Fairtrade-certified tea and coffee (% of all M&S tea and coffee products).
- 100% of cotton used in Clothing & Home products from more responsible sources by 2025/26 (% of all cotton used).
- 100% of MMCF used in Clothing & Home products from more responsible sources by 2025/26 (% of all MMCF used).

Quantified	Near-term: <3 years
Immaterial	Medium-term: 3-10 years
No meaningful quantification	Long-term: >10 years

9. Managing infrastructure and operations (both owned and supply chain) in extreme weather.

Physical Risk: Acute

SECTOR

Group-wide | Property | Fleet

TIME HORIZON

POTENTIAL FINANCIAL IMPACT ON THE BUSINESS

Loss of revenue from increased likelihood of extreme weather events (e.g. flooding, extreme temperatures) leading to closures of shops, distribution centres and key transport hubs.

Summary of relevant quantitative scenario analysis can be found in Strategy C) in Table 2 on pages 54-56.

BUSINESS RESPONSE

Our operations

- To support with the management of extreme weather events in stores, distribution centres and key transport hubs such as Chittagong port, Bangladesh, we have in place robust business continuity procedures.

NET ZERO PRIORITIES

NET ZERO

- Zero emissions property
- Zero emissions transport

How climate-related issues serve as an input to our financial planning process

As outlined in our introduction, this year we worked towards creating a financial model for our emissions reduction initiatives. Where required, spend associated with certain projects linked to climate-related risks and opportunities is incorporated into the 2024/25 budget and the three-year financial planning process, both approved by the Board. We have done so by including the capital expenditure required to manage the impact of our climate-related risks in our operations and the profit impact from climate-linked products and services. For example, capital investment in our store estate to improve energy efficiency. This financial planning process forms the cash flow projections within our going concern and impairment assessments (see page 71 for more details).

Our Transition Plan

Last year, to support us on our journey to net zero, our 2029/30 reduction target was validated by the Science Based Targets Initiative (SBTi).

As outlined on page 47, looking ahead we will continue to build upon our 10 priority areas and work towards a detailed transition plan that is aligned with our science-based targets and the Transition Plan Taskforce. We aim to submit updated targets to the SBTi this year, with a separate target considering Forest, Land and Agriculture (FLAG) emissions. We will also submit our net zero target and plans to achieve it, noting there are challenges that we cannot solve on our own. More information on this can be found in our ESG Report.

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

THE RESILIENCE OF OUR STRATEGY, TAKING INTO CONSIDERATION DIFFERENT CLIMATE-RELATED SCENARIOS (STRATEGY C)

Quantitative scenario analysis
Quantitative scenario analysis is a valuable tool to help understand the potential impact of risks and opportunities identified by the business. Last year we undertook scenario analysis on four areas of our business; Property, Fleet, Protein and Cotton. These areas were selected following a materiality assessment which considered the potential climate-related impact and the impact on financial performance to M&S, while ensuring fair and balanced reporting across the accountable businesses. The analysis looked at the impact of two plausible future states. We chose to use a low-carbon transition scenario (average global temperature increases of 1.5°C due to climate change by 2100) and a physical climate impact scenario (average global temperature increases of 4°C due to climate change by 2100). These scenarios were chosen to show the impact of both a high level of transition risk (1.5°C pathway), assuming the implementation of a carbon tax, and physical risk (4°C pathway) assuming low levels of Government intervention leading to more frequent and impactful weather events.

Consistent with last year, the results of the scenario analysis are included in Table 2. We have aligned our financial impact criteria to our Group risk assessment criteria as follows:

FINANCIAL IMPACT

Minor	<1% on sales and profit before tax (PBT)
Moderate	1-3% impact on sales 1-5% impact on PBT
Major	3-5% impact on sales 5-10% impact on PBT
Critical	>5% impact on sales >10% impact on PBT

TABLE 2: QUANTITATIVE SCENARIO ANALYSIS SUMMARY

AREA & SCOPE

PROPERTY
UK Property Estate (including Gist properties)

Risk/Opportunity category (as identified in Table 1)	
TRANSITION RISK Current and new environmental compliance including legislation and tax	**PHYSICAL RISK** Managing infrastructure and operations (both owned and supply chain) in extreme weather
Risk modelled	
– Carbon tax on Scope 1 & 2 emissions	– Flood risk
Impact of climate risk on our organisation's financial performance in 2030, assuming no mitigating actions	
– Potential operating profit impact of £20m to £30m	– Immaterial
Quantification of impact	
Moderate to Major	Minor
Targets in place to manage these risks	
– 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year	

AREA & SCOPE

FLEET UK fleet (including Gist)	
Risk/Opportunity category (as identified in Table 1)	
TRANSITION RISK Current and new environmental compliance including legislation and tax	
Risk modelled	
– Carbon tax on Scope 1 & 2 emissions	
Impact of climate risk on our organisation's financial performance in 2030, assuming no mitigating actions	
– Potential operating profit impact of £15m to £25m	
Quantification of impact	
Moderate to Major	
Targets in place to manage these risks	
– 55% reduction in absolute Scope 1 & 2 emissions by 2029/30 from 2016/17 base year	

AREA & SCOPE

PROTEIN UK and Ireland sourced beef, lamb, pork, chicken and turkey products	
Risk/Opportunity category (as identified in Table 1)	
TRANSITION RISK Current and new environmental compliance including legislation and tax	**PHYSICAL RISK** Volatility in the supply of raw materials caused by the impact of climate change
Risk modelled	
– Carbon tax on agricultural emissions (to the farm-gate)	– Extreme weather events and chronic climate change impact on agricultural production
Impact of climate risk on our organisation's financial performance in 2030, assuming no mitigating actions	
– Potential operating profit impact of £35m to £50m	– Immaterial
Quantification of impact	
Moderate to Major	Minor
Targets in place to manage these risks	
- 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year	

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

TABLE 2: QUANTITATIVE SCENARIO ANALYSIS SUMMARY CONTINUED

AREA & SCOPE

COTTON

Globally sourced raw material used in our clothing

Risk/Opportunity category (as identified in Table 1)

TRANSITION RISK	PHYSICAL RISK
Current and new environmental compliance including legislation and tax	Volatility in the supply of raw materials caused by the impact of climate change
Risk modelled	
– Carbon tax on agricultural (seed to farm-gate) and manufacturing (all steps in cotton production) emissions	– Extreme weather events and chronic climate change impact on agricultural production
Impact of climate risk on our organisation's financial performance in 2030, assuming no mitigating actions	
– Potential operating profit impact of £45m to £60m	– Immaterial
Quantification of impact	
Major	Minor
Targets in place to manage these risks	
– 55% reduction in absolute Scope 3 emissions by 2029/30 from 2016/17 base year – 100% of cotton used in Clothing & Home products from more responsible sources by 2025/26 (% of all cotton used)	

Resilience of our business

Our scenario analysis identified that the transition risk associated with the introduction of a carbon tax in 2030 remains a material risk, with a potential operating profit impact across Property, Fleet, Protein and Cotton of between £115m and £165m assuming no mitigation.

This risk highlights the need for continued effort to work towards our 2029/30 emissions reduction target, with a focus on emissions in our value chain, which make up 94% of our total emissions.

In 2023, we worked with climate consultancy South Pole to calculate Scope 3 emissions from manufacturing our Clothing & Home products. This provided greater clarity of emissions hot spot areas which allowed us to produce a roadmap of emissions reduction activities. This year, we also undertook analysis on our property portfolio to gather further insights into our property-related emissions and roadmap to reduce these emissions.

To support the requirement for greater collaboration, research and development, our "Plan A Accelerator Fund" provided funding to over eight projects in 2023/24, that have the potential to reduce emissions in our supply chain. These actions will play a role in strengthening the resilience of the organisation's strategy to the climate-related risks and opportunities identified in the near-term.

Through the work to identify emission reduction initiatives across the business and the projected cost, we have an understanding of the financial impact of meeting our emissions reduction target and have accounted for this in our three-year plan. Moreover, even if there were to be significant issues that meant we were unable to deliver on our mitigations, given the health of our balance sheet, we would be able to absorb the impact of the carbon tax calculated in Table 2.

While the physical risks identified in our scenario analysis are quantified as immaterial, we are aware fresh produce supply is especially vulnerable to unpredictable weather patterns and extreme weather events. In our Food business work has begun to identify root causation, vulnerable hotspots and the impact on the business when we have to use contingency sourcing, to ensure we can identify if physical climate risk is an emerging material risk.

Next year, we will look to update our scenario analysis, capturing the most recent scenario information and considering a broader scope if relevant and material to our business.

METRICS AND TARGETS

METRICS USED TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES (TCFD METRICS AND TARGETS A)

We report against a broad range of ESG metrics and targets, with a number of these relating to our Plan A ambition to be net zero across our entire supply chain by 2039/40.

Within the 10 priority net zero areas, highlighted on page 47, are related targets and metrics. All related ESG metrics and targets linked to our climate-related risks and opportunities are also highlighted in our Strategy section in Table 1. While we consider other climate-related metrics and targets, our focus remains on our GHG emissions metrics, which feed into our near- and medium-term emissions reduction targets that are aligned to the UN ambition to limit global warming to 1.5°C.

This year, we calculated an internal price of carbon per tonne, based on our in-flight emissions reduction initiatives. This gives us an indication of the potential cost of future emissions reduction initiatives to achieve our targets. Looking ahead to 2024/25, we intend to explore mechanics for embedding a carbon price into investment appraisal across the business.

This year the Remuneration Committee discussed the appropriateness of introducing an ESG-related component into the Performance Share Plan (PSP) award. As ESG and climate commitments are embedded in our business operations, they are already reflected in the achievement of our existing bank of PSP strategic measures, so the Committee agreed that inclusion of a separate ESG measure would not further our Plan A ambition. This will remain under consideration in future years, and more information can be found on page 97.

SCOPE 1, 2 AND 3 GREENHOUSE GAS EMISSIONS (TCFD METRICS AND TARGETS B)

Scope 1 & 2

Our Scope 1 & 2 carbon emissions, reported in line with the Greenhouse Gas (GHG) Protocol, result mainly from operating our logistics fleet and powering our sites and offices. The table to the right outlines our 2023/24 Scope 1 & 2 emissions, reported in line with the Streamlined Energy and Carbon Reporting requirements. Across the business, we capture the data and calculate these emissions on technology platform Sphera, and this data has been assured by DNV Business Assurance Services UK Limited. More information can be found in our ESG Report.

Scope 3

Last year, we committed to enhancing our Scope 3 reporting which remains a complex task that will need continuous refinement. This year we are able to report an improved inventory, which includes a greater amount of supplier-specific data within our most material Scope 3 category, Purchased goods and services.

The chart on the next page discloses our updated 2022/23 Scope 3 emissions data, which has been calculated in line with the GHG Protocol. In order to report more accurate Scope 3 emissions, we are reporting a year in arrears.

In our Food business, we are working with Manufacture 2030 and Mondra to obtain more supplier-specific data and incorporate this into our Scope 3 emissions inventory.

For Clothing & Home, working with third-party South Pole, we have calculated an updated and more granular inventory and baseline, utilising data from the HIGG index. More detail on this can be found in our ESG Report.

STREAMLINED ENERGY AND CARBON REPORTING

Energy consumption (GWh)

	2023/24	2022/23^	% change
UK Operations	1,382	1,402	-1%
International Operations	77	69	10%
Group	**1,459**	**1,472**	**-1%**

^ Performance for last year has been re-stated to reflect data accuracy improvements.

ENERGY EFFICIENCY INITIATIVES IMPLEMENTED THIS YEAR

- Our new store shell specification and model requirements reflect our ESG commitments, and include: 100% electric stores, fully LED and voltage optimisation.
- We have installed energy-efficient fridge doors in 30 of our Foodhalls, which help to regulate temperature and deliver 20%-30% energy savings per store per year.
- Over 2023/24, we invested in LED lighting to cover 76% of our stores, voltage optimisation and store controls, which has reduced emissions by 2300t CO_2e and improved operational efficiencies.
- We have continued to roll-out LED lighting across our owned international store estate with an additional 10 stores 2023/24.
- We have reviewed trading lighting requirements across the our store estate which has saved 1.8m Kwh across the year.

Greenhouse gas emissions (000 tonnes CO_2e)

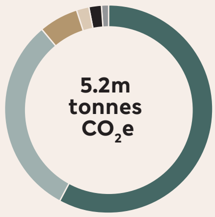
	2023/24	2022/23^	% change
Scope 1 emissions	207	225	-8%
of which UK	203	218	-7%
Scope 2 emissions (location-based)	154	137	12%
of which UK	120	113	6%
Total location-based Scope 1&2 emissions	361	362	
of which UK	323	332	-3%
GHG intensity per 1,000 sq ft of sales floor	18.1	18.5	-2%
Scope 2 emissions (market-based)	233*	20	–*
Total market-based Scope 1&2 emissions	439	245	**80%**
of which UK	407	219	86%

* As outlined in the 2023 M&S Sustainability report we are no longer purchasing Renewable Energy Guarantees of Origin (REGOs) and we now calculate Scope 2 market-based emissions using supplier-specific emissions factors in line with the GHG protocol.

^ Performance for last year has been re-stated to reflect data accuracy and methodology improvements .

TASKFORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

2022/23 SCOPE 3 EMISSIONS



Purchased goods & services – Food (Category 1)	58%
Purchased goods & services – C&H (Category 1)	31%
Upstream transportation & distribution (Category 4)	6%
End-of-life treatment of sold products (Category 12)	2%
Franchises (Category 14)	2%
Other Scope 3 categories	1%

TARGETS USED TO MANAGE CLIMATE-RELATED RISKS AND OPPORTUNITES (TCFD METRICS AND TARGETS C)

In 2022, the Science-Based Targets Initiative (SBTi) approved our target:

Marks and Spencer plc commits to reduce absolute Scope 1 and Scope 2 GHG emissions 55% by 2030 from a 2017 base year. Marks and Spencer plc also commits to reduce absolute Scope 3 GHG emissions 55% within the same time frame.

In support of this, we set ourselves a near-term target to reduce our total emissions by 34% or 2.1m tonnes by 2025/26. This year, we have restated our 2016/17 base year so that our 34% target is now quantified as 1.9m tonnes thanks to improved emissions data providing us with a more accurate base year calculation. We have also been able to calculate delivered emissions reduction by 447,000 tonnes from our base year to 2022/23.

It is important to note that we will, on an ongoing basis, continue to review our externally communicated carbon targets. This will allow us to reflect ongoing business change, the evolution of carbon measurement techniques and guidance and the impact of emerging technologies over the coming years.

We also note the importance of societal change and advocacy needed to overcome industry challenges. We will continue to work with the Government, industry groups and non-government organisations to help address these challenges.

Our ESG report outlines all of our targets used to manage our ESG performance, including those relevant to managing our climate-related risks.

Identifying emissions reduction

Last year, we reported that we had identified emissions reduction initiatives equal to 62% of our near-term target. Thanks to the further data gathering undertaken, we have been able to update the scope of emissions reduction initiatives to an improved 72%.

In 2024/25, we will be re-submitting our targets to SBTi. This decision has been driven by our improved data calculation, greater clarity of where emissions reduction initiatives should be prioritised, as well as the SBTi's published guidance on Forest, Land and Agriculture emissions and the GHG Protocol's Land Sector and Removals Guidance due to be finalised in summer 2024. To support this, we will be creating a detailed transition plan in line with the Transition Plan Taskforce (TPT) to help us deliver our 2029/30 emissions reduction target, as well as our net zero ambition.