

Only at
YOUR M&S

Governance Meeting - June 2014

Agenda

- Business highlights 2013/14
 - Key Board activities
 - Audit and Risk
 - Remuneration
 - Plan A
 - Questions
-

2014: Group Financial Highlights

YOUR *Only at* M&S

	TY	vs. LY
Revenue	£10.3bn	+2.7%
Underlying PBT	£623m	-3.9%
Statutory PBT	£580m	+6.1%
Underlying EPS	32.2p	+0.9%
Dividend	17p	LY 17p
Net Debt	£2.46bn	-£151m

Note: Results are stated on a constant currency basis and prior year comparatives are restated for the impact of changes to IAS19 where applicable.

Balance Sheet and Pensions

- Net debt down £151m at £2.46bn
- Credit metrics remain strong
- Net debt / EBITDA 2.0x (LY 2.1x)
- Fixed charge cover 3.4x (LY 3.5x)
- Average interest rate 5.2% (LY 5.5%)
- IAS 19 pension surplus £189m (LY £236m)

3 Years of Transformation

● Focus on the UK

- Currently rolling out phase two of store refurbishment programme
- Repositioned Food to become more specialist
- Relunched clothing ranges with focus on quality and style
- Built foundations of a robust infrastructure through new IT systems and logistics developments
- Reshaping distribution network to a single-tier network

● M&S.com

- Launched the new .com website February 2014
- Opened the UK's largest e-commerce distribution centre in Castle Donnington

● International

- Opened 55 new stores overseas
- Opened a flagship store in the Hague forming part of the 'bricks and clicks' strategy for the Netherlands
- Introduced fresh foods to some overseas regions
- 9 International territories can now buy products from in-language local currency websites

● Plan A

- Over half of the products we sell have a Plan A attribute
- Employees and customers raised £4.2m this year alone
- Helping young people gain confidence and skills for their career

Board

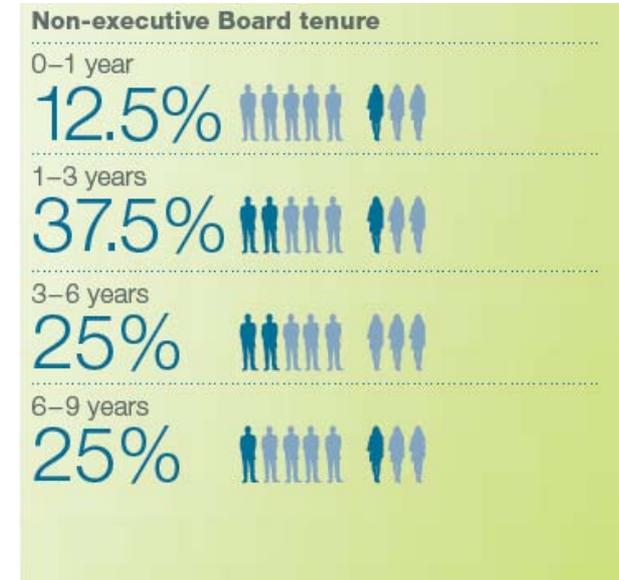
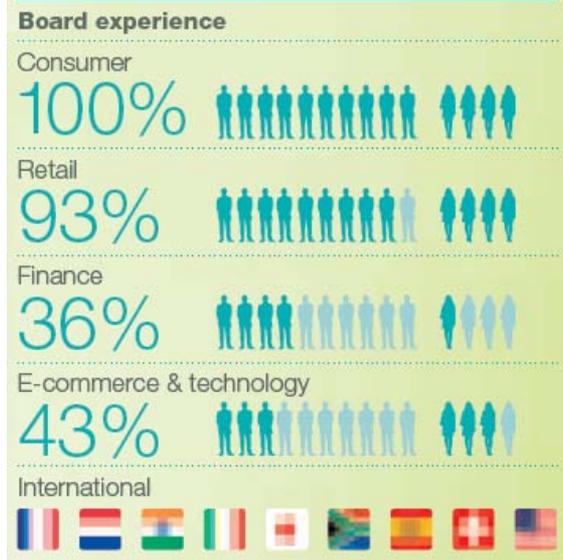
2013/14 Key Activities

Only at
YOUR M&S

- Board changes
- Awayday strategic review and other activities
- Key discussions:
 - Corporate Strategy
 - Brand and values
 - GM and food strategy
 - Opportunities and risks of multi-channel and international
 - Retail and property
 - Three year plan and operating plan
 - Funding plan for the DB pension fund
 - Capital structure
 - Property portfolio and the impact of multi-channel



Diversity Update



2014/15 Action Plan

- Driving performance review of KPIs and benchmarking
- Clarity around key business and strategic risk and our risk approach
- Improve tracking, review and debate on quality of past decisions
- Continue to develop our succession planning, insights into high potential individuals and their development
- Encourage greater interaction with the Non Executive Directors to benefit from their experience

Audit

2013/14 Key Activities

- External auditor tender
- Financial controls review
- Compliance
- Business area reviews:
 - Plan A
 - Integrated controls framework
 - Food safety
 - E-commerce (EDC) and National Distribution Centre (NDC)
 - Multi-Channel Foundation Programme
 - International operations
- Effectiveness review
- Action plan

Risk

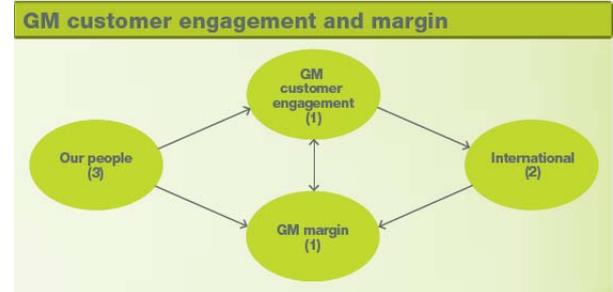
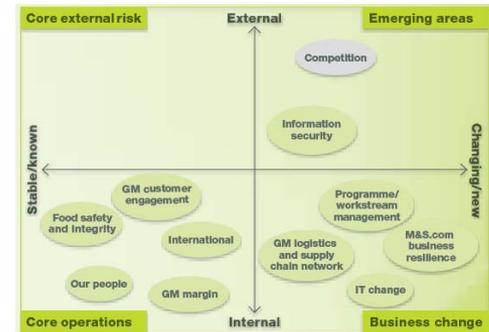
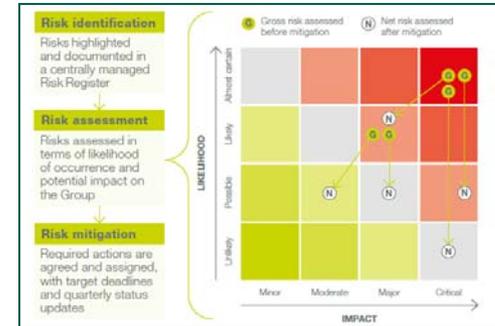
Risk process

Key risks:

- GM customer engagement
- Food safety and integrity
- Our people
- Programme and workstream management
- GM logistics and supply chain network
- M&S.com business resilience
- International
- GM margin
- Information security
- IT change

Interconnectivity

Link to assurance plan



2014/15 Action Plan

- Ways of working and assurance following appointment of Deloitte as the new statutory auditor
- The recommendations identified through the external auditor effectiveness review
- Assurance plan, design and scope, with particular focus on key strategic priorities
- Specific business presentations relating to risks within the Group Risk Profile

Remuneration

2013/14 Key Activities

- Remuneration policy
- DRR reporting and disclosure
- Remuneration review and targets
- Alignment – internal / external
- Engagement and feedback
- Market / external developments
- Ongoing training

2014 Remuneration

Base pay / annual salary review	No increase for Executive Directors
Annual Bonus Scheme	No payment for either PBT or individual objectives
<i>Individual objectives</i>	<i>19.0-30.0%</i>
<i>PBT</i>	<i>0%</i>
2011 Performance Share Plan	7.6% vesting

2015 Performance Share Plan Targets



	% of award	EPS growth	ROCE	UK	M&S.com	Inter-national
		50%	20%	10%	10%	10%
Threshold	20%	5.0%	15.0%	£8,900m	£1,100m	£1,400m
Maximum	100%	12.0%	16.5%	£9,600m	£1,300m	£1,800m

2014/15 Action Plan

- Ensuring smooth transition to new Chair of Committee
- Review and retender of independent external advisors
- Review executive remuneration structures and targets to ensure balance with Company-wide offering
- Review the Performance Share Plan and Executive Share Option Scheme design, structure and rules as the current plans reach the end of their 10 year life
- Review the effectiveness and transparency of disclosures and reporting

Plan A Update

Adam Elman: Head of Global Plan A Delivery
Carmel McQuaid: Head of Sustainable Business

Plan A progress report & new strategy launched



planareport.marksandspencer.com

Introducing
Plan A 2020

With the launch of Plan A 2020 we're now focused on engaging with millions of our customers, nearly 86,000 employees and 1,000s of other businesses by making Plan A the way we do business. Through Inspiration, being Intouch, Integrity and Innovation we will build towards our long term goal of being a truly sustainable retailer.

[Download full report](#)

Overview
Plan A comments
Inspiration
Intouch
Integrity
Innovation
Downloads

Overview

Plan A is at the heart of our ambition to become a sustainable, international multichannel retailer. It is a vital part of how we run our business.

This report launches a new set of Plan A commitments. It represents another step along our journey towards becoming a sustainable business.



Continue to make good progress



Launched Make Your Mark



Sustainable Learning Stores



57% Products Attributed



506,000 Workers Trained

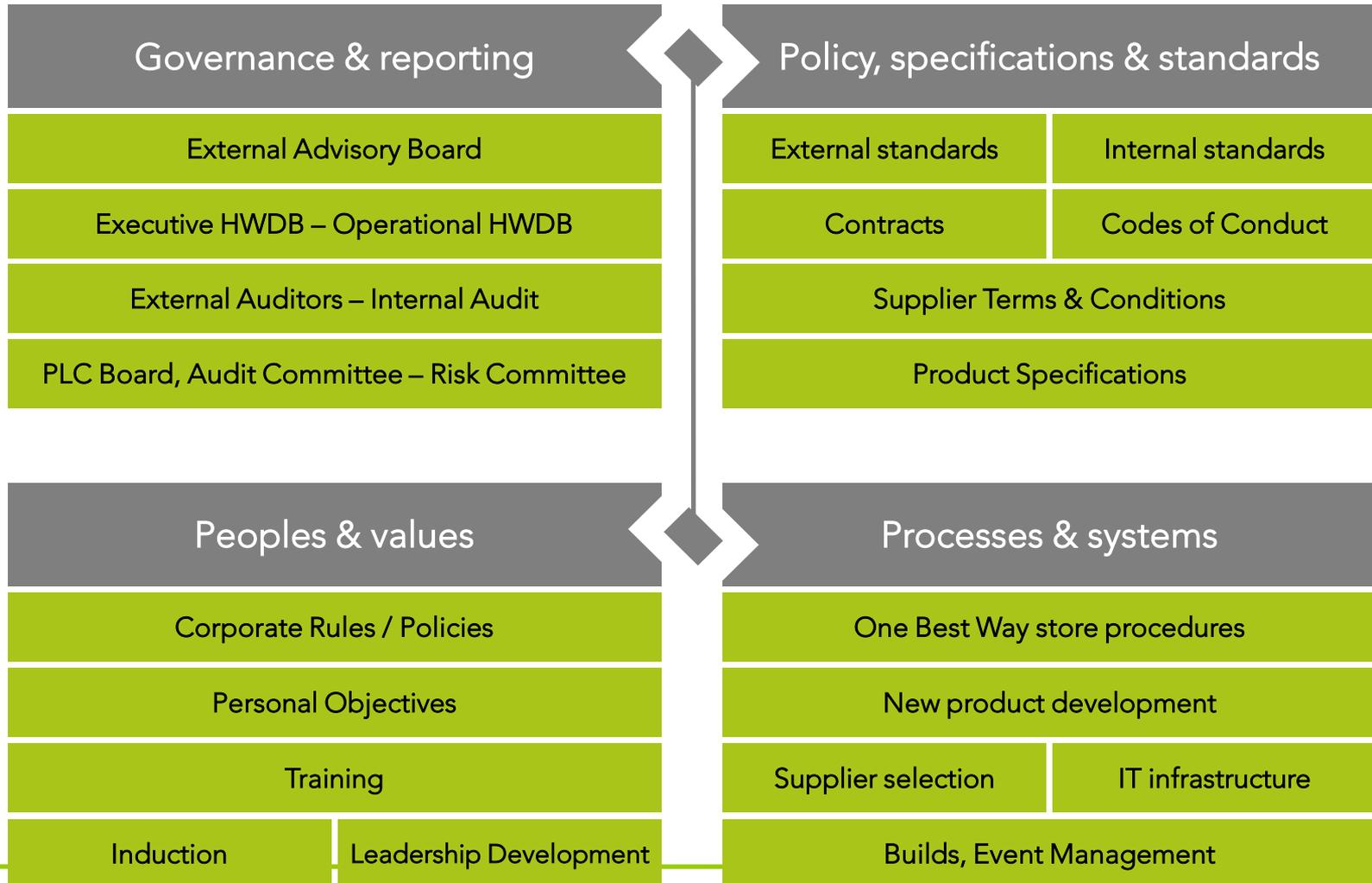


4m Garments Shwopped



Awards

Strong governance controls in place



New strategy

Plan **A** *2020*

PLAN A 2020: We aspire to become the world's most sustainable retailer through engaging customers, employees and suppliers

Plan A 2020

At M&S, we believe there is only one way to do business.

Beautiful design blends with ethics; delicious food combines with transparency, and service are built on trust

What will we be famous for?

Inspiration

In Touch

Integrity

Integrity

We will engage, excite and inspire our customers

We will create a deeper connection with our suppliers, our customers and their communities

We will always strive to do the right thing. We will lead our sector in sustainable consumption and production

We are restless in our aim to improve things for the better

Priorities 2014-15

- Masterbrand integration and customer activation
- Scale partnerships to inspire other businesses

- Lead Movement to Work
- Rollout Plan A internationally
- Launch Global Community Programme
- Stores engaged locally

- Drive Plan A attributes
- Be a leader on transparency

- Put circular economy into practice
- Deliver zero carbon operations

Activity

100 Commitments

Only at
YOUR M&S

Governance Meeting - June 2014
