As I’ve already noted in my Chairman’s letter on pages 2 to 3, the events of this past year have left a profound mark on the business – changing how our customers choose to shop and the way that we operate as a result, and having an impact on our ongoing strategic priorities.

The Board’s primary objective has been to navigate the business through this time of uncertainty, ensuring that we emerge in a strong position, having continued to drive forward with our strategy despite the persistent difficulties. It has been essential for us to be highly engaged, flexible with our time to support and challenge senior leadership, and committed to securing the financial stability underpinning our recovery and accelerated transformation into 2021 and beyond. We, of course, continue to fulfil our other core duties to oversee M&S’s culture, governance, financial controls, risk and change management.

The Governance section that follows is by intention concise, in keeping with our approach in previous years. Further detail on the Board, its Committees and our governance framework are available at marksandspencer.com/thecompany.

We noted last year the significance of the scale and pace with which the Board had coordinated the Company’s response to the Covid-19 pandemic (detailed on pages 50 to 53 of our 2020 Annual Report). That pace and agility has continued this year, with the Board joining weekly calls right up until March 2021, to collaborate with, support and guide senior management.

Elsewhere in the business, operating processes and management forums have been consolidated, and the number of opportunities for discussion have been increased, to allow for proactive engagement between the Board and its Committees, the Executive Committee and senior management. Ultimately, this is improving our responsiveness and streamlining our decision-making processes.

An outline of our governance framework and how these bodies interacted during the year can be found on page 60. The reports of the Audit, Nomination and Remuneration Committees for 2020/21 are available on pages 77 to 83, 71 to 72, and 84 to 105 respectively.

A BALANCED BOARD

We saw substantial change during the year on our Board and executive team. Two new non-executives, Sapna Sood and Tamara Ingram, joined us last June, as did our new Chief Financial Officer, Eoin Tonge. Alison Brittain and Katie Bickerstaffe stepped down from the Board at the 2020 AGM last July, with Katie having joined our Executive Committee as Chief Strategy and Transformation Director. Richard Price also joined the executive team in July 2020 as Clothing & Home Managing Director.

In February 2021, Evelyn Bourke joined our Board as a non-executive director, while Pip McCrostie retired from the Board in March. She left us with our very heartfelt thanks for her candour, insight and committed contribution to the Company. We were saddened to hear that she passed away after leaving the Board, and we offer our condolences to her family.

More recently, we have welcomed Fiona Dawson as a non-executive director to the Board, and look forward to working with her in the years ahead.

With these considerable changes, and noting that his tenure is approaching nine years, we are pleased that Andy Halford will be staying with us for an additional year. Having reviewed and established that Andy remains independent, the Nomination Committee agrees that his role as Senior Independent Director is an important constant while new Board members settle into their roles.

Full details of these Board and executive changes, and our talent and succession processes, can be found in the Nomination Committee Report. Board and Executive Committee biographies and our assessment of the balance of skills and experience on these bodies can be found on pages 62 to 65.
Change has not been limited to the Board and senior leadership this year though. The refreshed Executive Committee has prioritised a review of talent, development and succession throughout the business, supported by the Nomination and Remuneration Committees, and more detail can be read in the respective Committee reports.

Since the financial year end, the Executive Committee has also realigned itself and its member responsibilities. As announced on 18 May 2021, Katie Bickerstaffe and Stuart Machin have become Joint Chief Operating Officers, adding additional oversight and impetus to our core businesses, while Eoin Tonge is now responsible for strategy and transformation planning as part of his CFO remit. The overall composition and duties of the Committee remain unchanged.

**BOARD ACTIVITIES AND CONSIDERATION OF STAKEHOLDERS**

The Board’s focus during the year has been to accelerate the Company’s pursuit of its strategic priorities, while managing the ongoing uncertainties associated with Covid-19 and Brexit. In our weekly calls, we have heard updates on operating challenges and advised on proposed measures to address them urgently. In our formal monthly meetings, we have been presented with “strategic deep dives” by all areas of the business, which we have then considered, debated and challenged. All while being mindful of the impact of any decisions made on the business’ various stakeholders and on its long-term, sustainable success, in line with Section 172(1) of the Companies Act 2006 (“s.172(1)”).

Our colleagues in particular were significantly impacted by our decisions this year. We placed thousands of colleagues on furlough, rewarding those continuing to work in stores with a 15% uplift in pay and those in our support centres with an equity grant of 5% of salary for the first lockdown period. There were, of course, unfortunate job losses as a result of our organisational restructure, but these were necessary to right-size the business for a post-Covid world.

An overview of the range of matters that the Board discussed and debated at its meetings during the year can be found on pages 66 to 67, with examples of the Board’s key decisions and s.172(1) considerations on pages 68 to 69.

The Company’s s.172(1) statement is available on pages 34 to 36.

**CREATION OF AN ESG COMMITTEE**

In the latter part of the year, the Board and Executive Committee’s attention was drawn to the refresh of our Plan A sustainability programme. In part prompted by the events of the last year, we have agreed that it is imperative to ensure that Plan A is once again central to our customer story, so that we can continue to help our colleagues, customers and communities lead happier, healthier and more fulfilling lives.

The Board’s Environmental, Social & Governance (“ESG”) Sub-Committee was established to assist the Board in providing focus and oversight of the Plan A programme, both in its reinvigoration and its ongoing effectiveness. The report of the ESG Committee for 2020/21 is available on pages 73 to 76.

**DIVIDEND**

Whilst a difficult decision, we continue to agree, in line with our approach last year, that non-payment of a dividend is appropriate for the 2020/21 financial year. This continues to be one of the proactive steps we have taken to strengthen our balance sheet and maximise liquidity for our recovery beyond the pandemic.

**DIGITAL AGM**

We know our Annual General Meeting (“AGM”) provides investors with a valuable opportunity to communicate with us. In recognition of this, and building on the unprecedented success of last year’s meeting, we will be conducting this year’s AGM digitally once again. In addition to being able to vote and submit questions electronically in advance, all shareholders will be able to join the meeting online to hear from Steve and me, ask questions and vote on our resolutions.

This year, we’ll be joined by Kamal Ahmed who will be acting as your shareholder advocate, sharing your views and questioning me and the Board on your behalf. If you would like us to hear from you directly, you also have the option of submitting a video question to be played to the Board for response during the meeting. I look forward to hearing from you all then.

Information on how to participate electronically, both in advance and on the day, can be found on pages 207 to 209.

Archie Norman, Chairman

The UK Corporate Governance Code 2018 (the “Code”) which is available to view on the Financial Reporting Council’s website is the standard against which we measured ourselves in 2020/21.

The Board confirms that we complied with all of the provisions set out in the Code for the period under review. Details on how we have applied the principles set out in the Code and how governance operates at M&S have been summarised throughout the Directors’ Report. Our full Corporate Governance Statement outlining our compliance is available on marksandspencer.com/thecompany.
During 2020/21 and dealing with the evolution of the Covid-19 pandemic, our governance framework was significantly compressed to increase our responsiveness to the changing situation and streamline our decision-making process.

With an increase in the frequency of Board meetings and a rationalisation of the number of operating meetings and management processes, the Board and its Committees, the Executive Committee and senior management were able to collaborate proactively, consider issues and respond in the face of unprecedented uncertainty.

**BOARD COMMITTEES**

The Board is supported by its sub-committees in discharging its duties. Following each Committee meeting the Chairs of the Committees provide an update on their activities at the next Board meeting.

- **Audit Committee** see p77-83
  - Responsible for monitoring the integrity of the financial statements, reviewing the Group’s framework of internal controls and maintaining the auditor relationship.

- **Remuneration Committee** see p84-105
  - Responsible for remuneration policy, performance-linked pay schemes and share-based incentive plans.

- **Nomination Committee** see p71-72
  - Responsible for reviewing Board composition and diversity, proposing new Board appointments and monitoring the Board’s succession needs.

- **ESG Committee** see p73-76
  - Responsible for ensuring the Company’s ESG strategy remains fit for purpose, identifying inside information for the treatment of material information and providing executive input to support the Company’s strategic and operational decisions, ensuring strong executive alignment on business priorities and actions, including business case investments. The ExCo’s authority is conferred on it by the Group Delegation of Authority, as approved by the Board.

- **Disclosure Committee**
  - Responsible for determining the disclosure treatment of material information and identifying insider information for the purpose of maintaining the Company’s project (insider) lists.

  As with the Board and ExCo, the Board’s sub-committees have adapted to the business’ need for more responsive decision-making, often meeting or reviewing proposals outside of its usual meeting cycles.

**EXECUTIVE COMMITTEE**

The Executive Committee (“ExCo”) is the leadership team responsible for executing strategy, by managing, monitoring and providing executive input to support the Company’s strategic and operational decisions, ensuring strong executive alignment on business priorities and actions, including business case investments. The ExCo’s authority is conferred on it by the Group Delegation of Authority, as approved by the Board.

Consisting of the CEO, CFO, Chief Operating Officers, and the Managing Directors of each business unit, the ExCo reviews strategic opportunities and initiatives from the five key businesses and Group centralised functions, ensuring that these align with the overarching strategy as mandated by the Board. In addition, and in support of the Board’s purpose, values and culture setting, the ExCo is responsible for all colleague matters, including the structure and operation of the HR function throughout the business, the development and monitoring of culture and values, and reviewing talent and leadership development and succession plans below ExCo level. Post year-end, the division of responsibilities within the ExCo changed, as announced on 18 May 2021. However, the overall composition and duties of the Committee remain unchanged.

Having been established as part of our Never the Same Again programme, drawing on learnings from the Covid-19 crisis and capitalising on the opportunities, the ExCo (formerly the Operating Committee) has remained in constant contact, meeting as and when required to respond quickly to the changing situation. Initially on a weekly basis, as the crisis has transitioned to being the new normal and with the business set up to succeed with new operating procedures, this has moved to monthly meetings.

**SENIOR LEADERSHIP FORUMS**

Additional forums have been established and disbanded throughout the year as part of our more responsive governance framework, with the intention of supporting specific projects, business needs, or strategic priorities, and meeting as and when required. Examples include:

- **Property Committee**
  - For reviewing and approving property investments.

- **Digital Board**
  - For driving the Company’s Digital First agenda across the Group.

- **Brand Forum**
  - For reviewing use of the M&S brand, as well as considering use of third-party brands.

**Crisis Management Team**

For determining and directing actions required in response to crises. This team was especially prominent during the first Covid-19 lockdown, which we explored on pages 50 to 53 of our 2020 Annual Report. The team has since been demobilised until another crisis requires it to reconvene.

**People Forum**

For driving the People and Culture agenda across the Group.

**Compliance Monitoring Committee**

Newly established to support the Audit Committees’ oversight of credit broking activities within the Group, as regulated by the Financial Conduct Authority.
GOVERNANCE

BOARD COMPOSITION
AND MEETING ATTENDANCE

BOARD MEETING ATTENDANCE AND DIRECTOR RESPONSIBILITIES IN 2020/21

During the year, the Board held 11 scheduled meetings and an additional 12 Board calls in response to the Covid-19 pandemic, for which individual attendance is set out below. Additional unscheduled meetings were held as and when required, typically on a weekly basis throughout the year. Sufficient time is provided, periodically, for the Chairman to meet privately with the Senior Independent Director (“SID”) and the non-executive directors to discuss any matters arising.

For information on what the Board did during the year, see p66-69.

CHAIRMAN

<table>
<thead>
<tr>
<th>Attended</th>
<th>Max possible</th>
<th>Responsibility in 2020/21</th>
<th>Linked to remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Archie Norman*</td>
<td>11 12</td>
<td>Board governance and performance, shareholder engagement.</td>
<td></td>
</tr>
</tbody>
</table>

* Considered independent on appointment.

EXECUTIVE DIRECTORS

<table>
<thead>
<tr>
<th>Role at Board meetings</th>
<th>Attended</th>
<th>Max possible</th>
<th>Responsibility in 2020/21</th>
<th>Linked to remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Executive</td>
<td>Steve Rowe</td>
<td>11 12</td>
<td>Strategy and Group performance.</td>
<td></td>
</tr>
<tr>
<td>Chief Financial Officer</td>
<td>Eoin Tonge (appointed 8 June 2020).</td>
<td>9 2</td>
<td>Group financial performance, investor relations and risk management.</td>
<td></td>
</tr>
</tbody>
</table>

NON-EXECUTIVE DIRECTORS

<table>
<thead>
<tr>
<th>Role at Board meetings</th>
<th>Attended</th>
<th>Max possible</th>
<th>Responsibility in 2020/21</th>
<th>Linked to remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full Year</td>
<td>Andrew Fisher</td>
<td>11 12</td>
<td>Independent non-executive directors assess, challenge and monitor the executive directors’ delivery of strategy within the risk and governance structure agreed by the Board.</td>
<td></td>
</tr>
<tr>
<td>Andy Halford</td>
<td>11 12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justin King</td>
<td>11 12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retired in 2020/21</td>
<td>Katie Bickerstaffe</td>
<td>3 9*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alison Brittain</td>
<td>3 10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pip McCrostie</td>
<td>11 12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appointed in 2020/21</td>
<td>Sapna Sood</td>
<td>9 6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tamara Ingram</td>
<td>9 6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evelyn Bourke</td>
<td>2 –</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Unable to attend one meeting due to other business commitments.

STANDING ATTENDEES

<table>
<thead>
<tr>
<th>Responsibility</th>
<th>Attended</th>
<th>Max possible</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nick Folland – General Counsel and Company Secretary</td>
<td>11 12</td>
<td>Advising the Board on all legal and corporate governance issues, including sustainability and Plan A.</td>
<td></td>
</tr>
<tr>
<td>David Surdeau – Interim Chief Finance Officer*</td>
<td>3 10</td>
<td>Led the Finance function and attended Board meetings in line with the responsibilities of the Interim CFO.</td>
<td></td>
</tr>
</tbody>
</table>


ATTENDED BY INVITATION

<table>
<thead>
<tr>
<th>Role at Board meetings</th>
<th>Attended</th>
<th>Max possible</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sacha Berendji</td>
<td>9</td>
<td>The ExCo comprises the Company’s senior leadership team below Board level and is tasked with running the day-to-day operations of the business and facilitating delivery of the strategy as approved by the Board. Members of the ExCo attend Board meetings by invitation to present and discuss matters of strategic importance.</td>
<td></td>
</tr>
<tr>
<td>Katie Bickerstaffe*</td>
<td>6</td>
<td>Direct Reports to ExCo members also attend Board meetings by invitation as and when input is required on their specific areas of expertise.</td>
<td></td>
</tr>
<tr>
<td>Paul Friston</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stuart Machin</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richard Price</td>
<td>6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Became Chief Strategy and Transformation Director (post year-end, Chief Operating Officer), and stepped down from the Board in July 2020.

Note: The tables above provide details of scheduled meetings held in the 2020/21 financial year and additional Board calls in response to the Covid-19 pandemic.

Monitoring non-executive director independence

The Board reviews the independence of its non-executive directors as part of its annual Board Effectiveness Review. The non-executive directors also meet annually, led by the SID, to conduct the Chairman’s appraisal. The results of the meeting are then fed back to the Chairman by the SID.

The Chairman was considered to be independent on appointment and is committed to ensuring that the Board comprises a majority of independent non-executive directors who objectively challenge management, balanced against the need to ensure continuity on the Board.

The Company maintains clear records of the terms of service of the Chairman and non-executive directors to ensure that they continue to meet the requirements of the UK Corporate Governance Code. Neither the Chairman nor any of the non-executive directors have exceeded the maximum nine-year recommended term of service set out in the Code,

with our longest-serving non-executive director, Andy Halford, having served on the Board since January 2013.

As such, the Board considers that all of its non-executive directors continue to demonstrate independence.

For information on the skills and experience of each director, see p62-p64. For more information on director tenure see p72.
OUR BOARD

Archie Norman
Chairman
Appointed: September 2017
Career and external appointments: Archie is an experienced Chairman and former Chief Executive having led major transformation programmes at ITV, Lazard, Asda, Energis and Hobbycraft. He was previously Deputy Chairman of Coles Limited, and was the Lead Director at the Department for Business, Energy & Industrial Strategy from 2016 to 2020. Archie is also the Chairman of Signal AI and Non-Executive Vice Chairman of Global Counsel.

Steve Rowe
Chief Executive
Appointed: April 2016
Career and external appointments: Steve joined M&S in 1989 and worked in senior roles across all areas of the business prior to his appointment as CEO, including Director of Home, Director of Retail, Director of Retail and E-commerce, Executive Director, Food, and Executive Director, General Merchandise. Steve is Chair of the Business in the Community (‘BITC’) Place Leadership Team. In addition, he sits on the Board of the Consumer Goods Forum, which brings together leaders from global retailers and manufacturers.

Eoin Tonge
Chief Financial Officer
Appointed: June 2020
Career and external appointments: Eoin joined the business from Greencore, where he had been CFO since 2016. At Greencore, he oversaw the divestment of their US operations, strengthening the company’s balance sheet, returning capital to shareholders and simplifying the business. Prior to that he was MD of Greencore’s Grocery business and also worked in a variety of roles across strategy, finance, treasury and capital markets at Greencore and previously Goldman Sachs.

Andy Halford
Senior Independent Non-Executive Director
Appointed: January 2013
Career and external appointments: Andy’s strong finance background and broad knowledge of the UK and international consumer market was gained from CFO positions held in global listed companies. He is Chief Financial Officer of Standard Chartered, which he joined after 15 years at Vodafone, nine of which were spent as Chief Financial Officer.

Andrew Fisher OBE
Independent Non-Executive Director
Appointed: December 2015
Career and external appointments: Andrew was instrumental in establishing mobile lifestyle app Shazam, where he was Executive Chairman until October 2018, as a leading mobile consumer brand. Andrew brings over 20 years’ experience leading and growing numerous technology-focused enterprises, and is currently Chair of Rightmove PLC.

Justin King CBE
Independent Non-Executive Director
Appointed: January 2019
Career and external appointments: Justin was Vice Chairman of Terra Firma until May 2021, acting as adviser to the General Partner. Between 2004 and 2014, he was the CEO of Sainsbury’s, leading the business through a major transformation. He has also previously held senior positions at M&S as Head of Food, as well as Asda, Häagen-Dazs, PepsiCo and Mars.

Sapna Sood
Independent Non-Executive Director
Appointed: June 2020
Career and external appointments: Sapna was, until recently, a senior executive at Compass Group, as the Group Director for International Clients and Market Development business. She has in-depth knowledge of running complex supply chains, including in food and clothing, as well as experience of leading large transformation programmes. She has led leading operational roles in the building materials and industrial gas sectors in Europe and Asia Pacific, latterly as CEO and President of LafargeHolcim in the Philippines. Sapna was also a non-executive director at Kering from 2016 to 2020.

Tamara Ingram OBE
Independent Non-Executive Director
Appointed: June 2020
Career and external appointments: Tamara has a longstanding leadership career in advertising, marketing and digital communications, having held leadership roles at WPP since 2002. Prior to this, she worked at Saatchi & Saatchi where she held the roles of CEO and Chair. Tamara has led renowned marketing campaigns for household brands around the world and delivered cultural and business transformation at pace within her own businesses as well as on behalf of clients. She is a non-executive director of Marsh McLennan and Intertek Group, and a Trustee of Save the Children.

Please see p60-61 for more detail on the Board and Committee governance structure, and meeting attendance.

Full biographical details of each director are available on marksandspencer.com/thecompany.

A breakdown of the Board’s key skills and experience can be found on p64-65.
OUR EXECUTIVE COMMITTEE

The Executive Committee leads the operational and day-to-day management of the Group in line with the strategy set by the Board. The Committee reflects the Company’s businesses model, comprising the managing director of each business unit along with the joint COOs, the CEO and CFO.

Evelyn Bourke
Independent Non-Executive Director (newly appointed)
Appointed: February 2021
Career and external appointments: Evelyn retired from her role as CEO of Bupa in December 2020 where she led transformative change during her nearly five-year tenure. She also has extensive experience in financial services, risk and capital management and mergers and acquisitions, having spent three and a half years as Bupa’s CFO and in leadership roles at Standard Life, Friends Provident and the Bank of Ireland, where she is currently a non-executive director. Evelyn is also a non-executive director of Admiral PLC and will join AJ Bell PLC on 1 July 2021.

Fiona Dawson CBE
Independent Non-Executive Director (newly appointed)
Appointed: May 2021
Career and external appointments: Fiona is part of the Mars, Inc. Leadership Team, where she rose from the Graduate Trainee scheme to one of the top roles in the company. Her leadership roles have included President of Global Retail and Mars Chocolate UK and European Marketing Vice President. Fiona also has a strong track record in sustainability, health and wellbeing, particularly women’s entrepreneurship and human rights. She was recently awarded a CBE for services to women and the economy.

Pip McCrostie
Independent Non-Executive Director (outgoing)
Appointed: July 2018
Retired: March 2021
Career and external appointments: Pip was a member of Ernst and Young’s Global Executive Board from 2008 until her retirement in 2016. At EY she gained extensive financial experience and led and transformed the Global Corporate Finance business. She was founder and co-founder respectively of the Global Transaction Tax Network and UK Transaction Tax Group and a non-executive director of Inmarsat from 2016 to 2019. Pip retired from the Board in March 2021 with our heartfelt thanks. We were saddened to hear that she passed away after leaving the Board, and we offer our condolences to her family.

Katie Bickerstaffe
Chief Operating Officer
Career summary: Katie joined M&S as Managing Director of Food on 30 April 2018 with nearly 30 years’ experience in the food, fashion and home retail sector. Along with Steve Rowe and Eoin Tonge, Stuart is also a Director of Ocado Retail Ltd. Stuart has held senior operational and commercial roles in UK retailers Sainsbury’s, Tesco and ASDA and more recently spent 10 years in Australia working in Wesfarmers as COO and CEO of Coles and Target respectively. On 18 May 2021, Katie became joint Chief Operating Officer.

Stuart Machin
Chief Operating Officer
Career summary: Stuart joined M&S as Managing Director of Food on 30 April 2018 with nearly 30 years’ experience in the food, fashion and home retail sector. Along with Steve Rowe and Eoin Tonge, Stuart is also a Director of Ocado Retail Ltd. Stuart has held senior operational and commercial roles in UK retailers Sainsbury’s, Tesco and ASDA and more recently spent 10 years in Australia working in Wesfarmers as COO and CEO of Coles and Target respectively. On 18 May 2021, Stuart became joint Chief Operating Officer.

Richard Price
Clothing & Home Managing Director
Career summary: Richard joined M&S on 7 July 2020 as Clothing & Home Managing Director. Prior to this, Richard spent three years as Managing Director of BHS before becoming CEO of F&F Clothing at Tesco in 2015. From 2005 to 2012, Richard was Head of Merchandise and Menswear Trading Director at M&S. Earlier in his career he spent 15 years at Next in a range of merchandising roles. Richard’s career demonstrates his proven track record of delivering growth through stylish, great value product.

Paul Friston
International Director
Career summary: Paul began his M&S career on the Finance graduate programme in 1996 and qualified as a management accountant in 2000. He held a variety of roles during his time at M&S, including Interim CFO and Executive Assistant to former CEO, Marc Bolland. Paul was appointed to his current position in May 2016 and became Chair of the M&S Inclusion Group in April 2018.

Sacha Berendji
Group Property, Store Development and IT Director
Career summary: Sacha joined M&S in 1994 through the graduate programme. He undertook various appointments, including General Manager of Marble Arch Store, Regional Manager for London, Head of Property Planning & Store Development, Executive Assistant to the Chief Executive, and Director of Merchandising. Sacha took up his position as Retail, Operations and Property Director in November 2012, before moving to his current position in May 2021.
Improving trend line
Events in the last year have refocused public consciousness on diversity, and M&S has been no exception. In line with the acceleration of the transformation and our Board diversity policy (the “Policy”), we have taken further steps to deliver our ongoing diversity ambitions. There have been a number of changes to our Board during the year and up to the publication of this report, including the appointment of four non-executive directors. In addition to the diverse wealth of skills and experience they bring, our newest Board members contribute to the improving trend line in gender and ethnic diversity, which are two key objectives of the Policy.

Strategic alignment: Never the Same Again
The refreshed Board skills and experience matrix demonstrates three key points and beliefs. Firstly, our Never the Same Again priorities have been a critical consideration in the composition of the Board and its Committees, making our leadership more equipped than ever before to drive our strategy. Secondly, the matrix highlights key development areas for consideration in our continued succession planning, such as sustainability and technology. Thirdly, and crucially, M&S strongly believes that improving gender and ethnic diversity in our leadership is not only the right thing to do, but is invaluable to the success of our business. The correlation between improving diversity and the simultaneous improvements in strategically considered competencies attests to the benefits of our Policy.

<table>
<thead>
<tr>
<th>Gender identity*</th>
<th>0-2 years (62.5%)</th>
<th>3-5 years (25%)</th>
<th>6-8 years (12.5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female (40%)</td>
<td>Male (60%)</td>
<td>Female (80%)</td>
<td>Male (20%)</td>
</tr>
</tbody>
</table>

* As at 25 May 2021.

Never the Same Again priorities:
1. Faster Food growth with Ocado Retail
2. Capture value in Food supply chain
3. Simplify range and value in C&H
4. Turbocharge growth at M&S.com
5. Store estate for the new world

<table>
<thead>
<tr>
<th>Skills and experience</th>
<th>Retail and consumer</th>
<th>Food and beverage</th>
<th>Supply chains</th>
<th>Marketing and media</th>
<th>Technology and digital</th>
<th>Transformation and strategy</th>
<th>Finance</th>
<th>Risk management</th>
<th>People and culture</th>
<th>Organisational design and corporate culture</th>
<th>Sustainability</th>
<th>Corporate governance and regulatory compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Archie Norman</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Andrew Fisher</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Andy Halford</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Tamara Ingram</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Justin King</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Sapna Sood</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Steve Rowe</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Eoin Tonge</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Evelyn Bourke</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Fiona Dawson</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Pip McCrostie</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Nick Folland</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

- Newly appointed
- Outgoing
- General Counsel & Company Secretary
Our objective of driving the benefits of a diverse board, senior management team and wider workforce is underpinned by the Policy, which can be viewed on our corporate website at marksandspencer.com/thecompany.

In addition to the above mentioned commitments to promote gender diversity, ethnicity (BAME), sexual orientation (LGBTQ+), and disabilities and health conditions, we have highlighted the gender balance of direct reports to the Executive Committee, for which more information can be found on page 27.

### Targets met, ambition to surpass

Last year, we met the target set out in the Hampton-Alexander Review, ensuring at least 33% of Board members identified as female. This year, new appointments focused on this area and remained compliant throughout, surpassing the target towards the end of the year. We also voiced our ambition last year, in line with the Parker Review, to appoint at least one Board member from an ethnic minority background by 2021, which we were proud to achieve with the appointment of Sapna Sood in June 2020. In addition, the independence and tenure of our directors strikes a considered balance, ensuring stability while meeting the guidance set out in the Code. However, meeting these external targets is a milestone and not an end destination, and we remain mindful and committed to driving progress.

#### Hampton-Alexander Review

- **Target:** 33% female Board

#### Parker Review

- **Target:** One Board member from an ethnic minority background by 2021

#### UK Corporate Governance Code 2018

- **Target:** Non-executive director tenure not exceeding nine years

#### Wider leadership

While formal targets have focused on the Board, our ambition to strengthen diversity extends throughout senior leadership. We recognise that there is significant work to do in this area, and believe that the talent pipeline and succession planning are key. For that reason, we have highlighted the gender balance of direct reports to the Executive Committee, for which more information can be found on page 27.

### Executive Committee

**Skills and experience**

<table>
<thead>
<tr>
<th>Skills and experience</th>
<th>Retail and consumer</th>
<th>Food and beverage</th>
<th>Sustainability</th>
<th>Transformation and strategy</th>
<th>Technology and digital</th>
<th>Marketing and media</th>
<th>Finance</th>
<th>Risk management</th>
<th>Property and real estate</th>
<th>Sustainability</th>
<th>Organisational design</th>
<th>Corporate transactions, legal and regulatory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steve Rowe</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Eoin Tonge</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Katie Bickerstaffe</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Paul Friston</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Sacha Berendji</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Stuart Machin</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
<tr>
<td>Richard Price</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
</tr>
</tbody>
</table>

* As at 25 May 2021. Please see p27 and p62-63 for more detail.

### Our Commitment

- Continued involvement in the 30% Club campaign, which continues to support young people, the homeless, lone parents and those with disabilities in Finding work at M&S.
- The Marks & Start programme, which remains key to our Community for Change strategy.
- Continued active involvement in key campaigns including LGBTQ+ Pride celebrations, International Women’s Day, Black History Month, National Inclusion Week, Mental Health Awareness Week and World International Day of Disability, raising awareness and our profile as an inclusive place to work.
- Launched mandatory Inclusion and Diversity training on our Learning Hub and updated our line manager guide for gender identity to make sure it follows the latest terminology.
- Added our first LGBTQ+ charity partnership to Sparks for our customers and colleagues to support AKT, a charity supporting LGBTQ+ young people aged 16-25 in the UK who are facing or experiencing homelessness or living in a hostile environment.
GOVERNANCE

BOARD ACTIVITIES

WHAT WAS ON THE BOARD’S AGENDA IN 2020/21?

Board meetings are an important platform for the Board to debate robustly and challenge management on elements of the Company’s performance, specific projects or areas of strategic significance.

Meeting agendas, agreed in advance by the Chairman, CEO and Company Secretary, combine a balance of regular standing items, such as reports on current trading and financial performance, with one or two detailed “deep dives”. These pages give an overview of the main topics on the Board’s agenda throughout the year.

For more information, see p34-36 for our Section 172(1) statement and p68-69 for decision case studies unpacking the Board’s Section 172(1) considerations.

Updates on the progress of the transformation programme were provided at each meeting, supplemented by deep dives presented by the relevant business areas. These updates enabled the Board to monitor and drive the transformation programme forwards, while also providing guidance and challenge where needed. At the start of the year our transformation programme was already under way with improvements in all core areas of the business. Covid-19 and Brexit, two major uncertainties, brought new challenges but added further pace and acceleration to our transformation. In response, we created our five priorities under the Never the Same Again (“NTSA”) programme, as announced at our half-year results. All of the Board’s strategic discussions have been principally focused on the NTSA priorities, while being contextualised and shaped by these two major uncertainties. To drive change and navigate these additional uncertainties, the Board has continued to hold unscheduled calls as required, often on a weekly basis, supplementary to scheduled meetings during 2020/21.

Read more about the Board’s condensed governance cadence on p60.

For more information on our strategic priorities, see p7.

COVID-19

The Board has continued to reflect on, and direct the Company’s response to, the ongoing impacts on the business resulting from the Covid-19 pandemic. In each of its strategic discussions, it has considered how best to manage the uncertainties associated with Covid-19 (and therefore this has not been repeated in the Strategic Deep Dives section below). Most notably, the Board has discussed during the year the importance of improving and accelerating the shift to online in the C&H business, especially during various lockdowns in the UK and internationally when non-essential retail has been closed; the urgency in future-proofing the UK store estate, incurring our responses to it, covering product range and packaging, store layout, and plans for the hospitality business.

BREXIT

As with Covid-19, Brexit preparedness and its potential impact has been continually discussed across all strategic areas. The negotiations with the EU were monitored closely, but the Board and management’s focus has remained resolutely committed to mitigating the impact and ensuring that the businesses remained focused on providing the best possible service to customers. The Board has considered in detail throughout the year the potential financial impact on profits of the various scenarios of leaving the EU with or without a trade agreement; post-deal, the need to reshape our supply chain and overcome the logistical difficulties of sending product from the UK, specifically to the island of Ireland, and finally, coming to terms with the new operating model for the International business, due to the increase in tariffs and administrative burden Brexit caused.

STRATEGIC DEEP DIVES

At each meeting, the Board discussed strategically significant matters in greater depth to evaluate progress, provide insight and, where necessary, test, challenge and decide on appropriate action. These included:

Clothing & Home

– Discussed the C&H proposition, brand framework and supply chain, monitoring and challenging against agreed transformation milestones.

– Debated investment and development in areas such as product design and development to drive the C&H strategy, with particular regard to sustainable change and future-proofing.

Third-party brands

– Guided and supported management to develop the approach to third-party brands and debated the criteria brands would need to meet in order to be considered for investment, highlighting the importance of the customer lens and Plan A alignment.

Food

– Discussed changing customer behaviour and our responses to it, covering product range and packaging, store layout, and plans for the hospitality business.

Ocado

– Challenged and supported management’s operational and marketing plans for the September 2020 launch and subsequently evaluated the success of the transition.

– Discussed Ocado’s trading performance and plans to develop the joint venture relationship with an absolute focus on the customer and driving growth.
STRATEGIC DEEP DIVES CONTINUED

Bank & Services
- Provided feedback on the updated commercial framework and strategy for M&S Services and discussed how this would support driving the Group’s strategic priorities, including customer proposition, plans for growth and partner relationships.

Property
- Reviewed plans and received updates on cost-saving initiatives, leases and rent arrangements. Offering guidance on negotiations with landlords and challenging management to bring difficult questions for the Board’s consideration.
- Took an active role in shaping the Company’s response on business rates and the store closure and renewal programmes.

Digital & Data
- Endorsed the MS2 concept to develop digital talent in CX/MX, providing insight and guidance on the critical success factors, and encouraging the ExCo to proactively oversee the process.
- Monitored transformation progress on M&S.com customer experience, personalisation and growth, and on plans to integrate digital capabilities and new technology in stores.

Sustainability and Plan A
- Debated a new approach to Plan A and agreed to modernise the framework of principles, closely aligning this with the Company’s strategy and stakeholder priorities, and embedded more strongly into the M&S brand. The ESG Committee was formed to support this, acknowledging growing stakeholder interest in the topic.

Sparks
- Evaluated the success of the Sparks relaunch and discussed ambitions to integrate Sparks more deeply throughout the business, driving further growth through the loyalty offer.
- Discussed the merits of various Sparks initiatives aimed at improving the customer offer and loyalty, through non-financial rewards including Sparks Live and SuperX Sparks.

International
- Against a backdrop of uncertainties across owned and franchise markets, reviewed progress in the International transformation programme.
- Focused management on understanding the urgency of growing online, culminating in the online launch in 46 new countries, increasing agility in the supply chain, and modernising the store portfolio.

ORGANISATION CULTURE AND BUSINESS INVOLVEMENT GROUP (‘BIG’)
- Focused on trading and operating safely, as well as rewarding colleagues continuing to work during the first lockdown, with store colleagues given a one-off 15% pay increase for the period and support centre colleagues given a one-off share award amounting to 5% of salary for the period.
- The Board felt strongly that colleagues placed on furlough should not experience a decline between their ordinary pay and the government grant, and therefore agreed to fund the difference to ensure that colleagues received 100% of pay. This informed later Remuneration Committee discussions and approval for paying the national living wage to all colleagues, effective from June 2021.
- Debated organisational restructuring in Retail & Property and C&M, considering the terms and impact on the business over the long term and the impact on and views of stakeholders, chiefly colleague views. A voluntary redundancy programme was regretfully agreed upon. A consultation was communicated and managed via BIC that culminated in 7,000 voluntary redundancies.
- In addition to the annual standing invite to three Board meetings and one Remuneration Committee meeting, the Chair of National BIC was invited to make use of attending in full and seeing all papers in order to provide colleague insight and sentiment in focused BIC deep dives, and to input on agenda items throughout Board meetings.
- The Board gave thanks to the outgoing BIC Chair, and welcomed the newly elected Chair to its meeting in December 2020.

CHIEF EXECUTIVE OFFICER UPDATE

The CEO’s monthly presentation to the Board focuses on operational activities of strategic significance across the business. In addition to deep-dive items, transformation updates and People matters covered elsewhere, the Board discussed trading in each business unit, including sales trends, supply base performance, regional activity and performance against competitors. Insight was also provided on events throughout the year such as brand launches, seasonal trading at Christmas and Easter, and Black History Month.

CHIEF FINANCIAL OFFICER UPDATE

Financial updates, provided by the CFO, are considered by the Board at every meeting and cover monthly sales performance, profit, cash flow, cost base, capital expenditure, and outlook for the year. The CFO updates during the year also included discussion on “key event” items, such as budget setting, dividend decisions, share price movements, measures to secure liquidity, feedback from investors and changes in the finance leadership team.

GOVERNANCE

PRINCIPAL COMMITTEES

The Board and Committee calendar is arranged by the General Counsel & Company Secretary in conjunction with the Chairman to ensure the agility of information flow and decision-making. The principal Committees usually meet within the week before the Board to provide the latest updates and recommendations for approval at each Board meeting, with the following discussed by the Board in respect of the principal Committees:

Audit Committee
- Agreed the proposed Group-level principal risks and the appropriate treatment and mitigating activities.
- Discussed, agreed and made plans to communicate and disclose the Group’s risk appetite and tolerance, and evaluated the risk profile against this.
- Reviewed half year, Q3 and full year results, including exceptional items and the audit timetable and plans of the external auditor.
- Evaluated Internal Audit activity, and approved plans to appropriately reflect Covid-19 impacts.

Remuneration Committee
- Reviewed updates on senior leadership objectives, targets and remuneration, including how these would be communicated to key stakeholders.
- Discussed remuneration activities relating to Covid-19, including furlough, store colleague pay uplift and the 5% share award.

Nomination Committee
- Approved recommendations to appoint four new non-executive directors and reviewed updates on inductions.

ESG Committee
- Discussed the need for, and approval of, the formation of the ESG Committee, announced in December 2020.
- Considered the development of the Plan A programme refresh.
- Received updates on the ESG communications framework and approved recommendations for ESG-related disclosures within the annual report, including preparations for adopting the Task Force on Climate-related Financial Disclosures (“TCFD”) recommendations.
- Invited the Board to attend external speaker sessions to develop insights on ESG issues.

OTHER GOVERNANCE

The General Counsel & Company Secretary provides a legal and governance update at every Board meeting, covering ongoing litigation, confidential project status updates and closed periods, share register analysis, shareholder insight and priorities, delegation of authority updates, and updates to related parties and potential conflicts of interest.

Building on the success of hybrid meetings in previous years, the Board took the decision against the Covid-19 back-up to run an ostensibly digital Annual General Meeting (“AGM”) in 2020, seeing participation treble and all resolutions passed, with votes ranging from 90.89% to 99.97% in favour.

Board impact
- Discussed insights and development plans from the external evaluator, including one-to-one mentor pairing between non-executive directors and ExCo members.
KEY BOARD DECISIONS & S172(1) CONSIDERATIONS

In addition to the considerations, debates and decisions outlined already, the Board made some crucial decisions during the year, promoting our purpose, strategy and long-term sustainability. All Board decisions, whether iterative and complex, or immediate and straightforward, are made having considered the matters set out in Section 172(1) of the Companies Act 2006, and here we analyse some of these decisions and considerations in detail.

Covid-19 working & colleague redundancies

There has not been a stakeholder who has been unaffected by this global pandemic, both directly and indirectly. We detailed the Company’s initial response to the crisis in last year’s report (pages 50 to 53 of the 2019/20 Annual Report), and the Board continued to make decisions throughout this year to ensure that the business not only dealt with a prolonged pandemic but also prepared itself to emerge into a changed world in a very different, Never the Same Again, shape.

Stakeholder considerations

Despite customs embargoes or changes in our buying volumes, our suppliers have responded dynamically and robustly to support the pivot into categories and products that our customers have required over the past 12 months. The Board has therefore striven to support suppliers, and balance their often conflicting interests. When the Clothing & Home (“C&H”) business anticipated being severely constrained during lockdown, the Board needed to act to secure the Company’s liquidity for the likely duration of the crisis, and its options to do so included amending our supplier payment terms. In considering the impact that this would have on them, the Board resolved to ask our larger suppliers to accept less favourable payment terms, to help offset the cost of providing improved financial terms to our smaller suppliers who rely on prompt payment to remain economically viable. In exchange, the Board committed to standing by our larger, long-term suppliers, pledging that no fabric would go to waste and all orders placed before halting production would be paid for on normal terms.

Our category mix has had to adapt to customer demands during Covid-19, pivoting away from formalwear and schoolwear towards loungewear and home accessories. This trend has been compounded by the evolution of how customers shop, and the growth in online sales has stretched the capacity of our suppliers and distribution network. The Board considered this impact at length when contemplating the appetite for, and ways in which to maximise the online opportunity, which it had already agreed would be in the best interests of customers (to keep pace with their demands) and shareholders (to ensure the sustainability of the C&H business). When it was ultimately agreed to introduce third-party brands to the M&S online offer, the Board had contemplated both the need to substantially increase our online capacity to avoid unnecessary strain on warehouse colleagues (leading directly to the Board’s later decision to build a new automated online warehouse within the Bradford distribution centre, creating 300 new jobs), and the need to nurture productive and effective relationships with third-party brand partners. These arrangements were then individually tailored to reflect the level of M&S involvement and support that the brand would require (either through new concession or wholesale arrangements, or in the case of Jaeger, an acquisition). By being both a C&H and Food retailer, with C&H deemed non-essential retail for a significant part of the various lockdowns, continuing to trade Food from stores also selling C&H was a complex and constantly evolving issue. Maintaining close working relationships with local authorities has been a constant consideration of the Board as a result. Only by considering and consulting with the UK and international governments, the devolved UK administrations, and local authorities, was the Board able to navigate the variety of trading rules, ensure our colleagues and customers feel safe in our stores, and continue to trade the business as much as possible in the UK and internationally.

Our colleagues have been remarkable throughout the Covid-19 crisis, demonstrating time and again what a hugely important part they play in maintaining the M&S brand. When the Board has discussed measures to preserve liquidity and ensure that the business is right-sized for the future, it has done so with the need to support and protect colleague interests as a constant consideration:

- Given that a sizeable portion of our C&H store estate was not trading during the various lockdowns, the Board took the decision at the start of the pandemic to place 27,000 colleagues on furlough, agreeing that all furloughed colleagues should receive their full pay. Colleagues needing to shield for medical reasons were awarded a temporary 15% uplift in pay, while support centre colleagues received a share award equivalent to 5% of their salary over the same period.
- As part of the more digital and flexible approach to working, and the need to ensure that the business is fit for purpose to operate in a more digitally enabled world, the Board considered options for streamlining the business and reducing costs, which included the possibility of colleague redundancies. Noting that this was the only viable option for right-sizing the business for the future and therefore in the best interests of shareholders, the Board was nonetheless mindful of the potential impact on colleagues and communities. As such, the Board agreed that colleague choice should be a factor as far as possible and that the Business Involvement Group (“BIG”) should play a pivotal role in communicating with and supporting colleagues through any job losses. When the Board decided to make 7,000 roles redundant, they stipulated that these were to be made first by a voluntary redundancy programme ahead of any compulsory redundancies. All 7,000 redundancies were made voluntarily by colleagues as a result.
Stakeholder considerations

It was clear from the start of lockdown that the impact of the Covid-19 pandemic would leave the C&H business forever changed. To ensure the business’ ongoing viability for shareholders, the Board considered the importance of continuing to trade online and meeting customer expectations, despite C&H store closures as a result of being classified as non-essential retail. To assist with clearing store stock and to keep pace with the growth in online orders, the Board approved plans for the “buy online, ship from store” ("BOSS") system of delivery to be rolled out across C&H stores, allowing for online orders to be picked from store stock. While the initial results of the BOSS roll-out achieved the aim of clearing surplus stock in stores, the Board and management received feedback from colleagues that store operations were being impacted. In considering this feedback, the Board approved plans to move BOSS order picking outside store opening hours and introduce night shifts for colleagues. Further feedback relayed to management and the Board from customers outlined issues with delays and multiple deliveries arising from a single order. On consideration of this, and of the increasing distribution costs and environmental impacts of running the BOSS system more widely, the Board ultimately agreed that a complete solution to rapid fulfilment needed to be developed, deciding to increase capacity at Castle Donington in the first instance.

Alongside the rapid growth of online and fulfilment, the Board considered customer demands and the corresponding pressure on our suppliers to meet changing customer trends in product mix. It therefore turned to the question of whether to meet these demands by introducing other brands into the product mix. Having seen unprecedented demand for the Nobody's Child collaboration, and considering the short-term shareholder and customer benefits of being able to quickly diversify into new product areas at considerable scale, the Board decided to introduce third-party brands to the online C&H offer.

Establishing an ESG Committee

The Board agreed that the ESG Committee should be created, effective from 16 December 2020, to assist with the refresh of the Plan A sustainability programme in the first instance, before monitoring its ongoing execution and wider ESG initiatives and compliance with regulations.

Stakeholder considerations

In deciding to reinvigorate Plan A and establish the ESG Committee for oversight, the Board considered:

- The growing contingent of our investors expecting to see environmental, social and governance matters embedded within our overarching strategy.
- Our customers, who are becoming increasingly concerned with ESG issues, including climate change, sustainable sourcing and ethical trading, to the point where we risk losing their loyalty if we cannot demonstrate that we are addressing these concerns.
- The mounting pressure from our wider community including current and prospective colleagues, voiced through the media, to “do more” and be a better corporate citizen.
- The need to minimise our impact on the environment and ensure that we do not contribute any further to the climate crisis.
The 2021 external Board Effectiveness and Developmental Review was conducted according to the principles of the UK Corporate Governance Code 2018 (the “Code”) and the supporting Guidance on Board Effectiveness, and was facilitated by Gurnek Bains of Global Future Partners (“GFP”). Gurnek Bains, and GFP, has no other connection with the Company, other than the work that he is doing to support the development of the Executive Committee (“ExCo”) members as part of their individual and collective development plans.

The Company’s last externally facilitated Board Review occurred in the previous year and was detailed in the prior year’s annual report on page 56.

One of the outcomes of last year’s Board effectiveness review was to retain GFP for this year, in part to review progress against the previous year’s findings.

**THE PROCESS**

As with the previous year, in making its assessment of the Board and principal Committees’ effectiveness, GFP observed proceedings of at least two Board meetings. GFP was also given access to a full year’s worth of Board and Committee papers via a secure portal, to assist them in assessing the quality of the information that had been provided to the Board and Committees during the year.

However, the key change from the prior year was the number of one-on-one sessions that Board members and key Board contributors had with GFP. Due to the travel restrictions imposed by the Covid-19 pandemic, a host of these interviews were conducted electronically, and the one-on-one style worked for the Board members and contributors, who commented that they found the format relaxed yet focused.

“The Board had maintained its existing strengths while making excellent progress on developing the ExCo and ensuring that, collectively, there was effective oversight of key strategic themes.”

Gurnek Bains, Global Future Partners

These interviews were conducted with Board members and the General Counsel & Company Secretary, and feedback was provided on GFP’s observations of the Board and its Committees and the papers. For the first time, and as a direct result of one of the findings of the previous year’s Board Effectiveness Review, interviews were also held with the ExCo members to gain insight into their performance, and their relationships with the Board. GFP provided observations and recommendations on how these relationships could be developed to become more effective. These meetings also provided Board members with the opportunity to discuss further themes that had emerged from the Board action plan from last year, as well as addressing topics that emerged from sessions held this year.

**OUTCOMES**

The Chairman received feedback from all Board members on his performance, as well as on the effectiveness of the General Counsel & Company Secretary, with a particular focus on the onboarding of new directors, and the Board involvement programme. The Chairman was also provided with feedback on the performance and effectiveness of each Board member, with particular attention being paid to Committee Chairs and the Senior Independent Director. These assessments focused on the role, skills and contributions made by individual members and the Boardroom dynamics at play.

The final GFP report was shared and discussed with Board members separately, in advance of the Board meeting held on 24 May 2021. At that meeting, the conclusions and insights gained were formally agreed and an action plan for the year ahead was developed and approved.

**BOARD REVIEW INSIGHTS**

This review established that the Board had maintained its existing strengths while making excellent progress on developing the ExCo and ensuring that, collectively, there was effective oversight of key strategic themes, the transformation programme and the cultural and people agenda.

There was recognition of the effectiveness of the increased involvement of the Board during the pandemic, and acknowledgement of the meaningful contribution made through the Covid-19 crisis. New Board members have been successfully integrated and describe a “best in class” induction process. Board members also expressed continuing confidence in the operation of the Board Committees and welcomed the creation of the ESG Committee.

**Committees**

Board Committees were also reviewed and, overall, were considered to function well in terms of their effectiveness, decision-making and the rigorous manner in which they addressed any issues brought to their attention.

**Chairman**

It was noted that the Chairman had driven the transformation at pace, and had strengthened the link between the Board and senior leadership during the course of the year, by encouraging the mentorship of senior management by non-executive directors. His leadership of, and recruitment onto, the Board was classed as purposeful.

**Senior Independent Director**

Due to the significant change over recent years at Board level, the role played by Andy Haldford has been noted as having an important stabilising effect on the Board while new Board members settle into their roles.

**BOARD ACTION PLAN**

The Board action plan for 2021/22 includes:

- Working closely with the senior executive team on reporting into the Board and monitoring of the transformation programme.
- Continuing to increase the level of engagement between the Board and senior executives and making progress with the ExCo mentoring programme.
- Ensuring that the culture and people agenda are at the heart of the Company’s transformation.
- Monitoring and building on the work done following the creation of the ESG Committee.
COMMITTEE ROLE AND MEMBERSHIP

The Committee reviews the leadership and succession needs of the organisation and ensures that appropriate procedures are in place for nominating, inducting and evaluating directors. In addition, the Committee ensures that the Group’s governance facilitates the appointment and development of effective management that can deliver shareholder value over the longer term. The full Terms of Reference for the Committee can be found at marksandspencer.com/thecompany.

The Committee comprises the non-executive directors and is chaired by Archie Norman. Individual meeting attendance and changes to membership are displayed in the adjacent table. More information on the skills and experience of all Committee members can be found on pages 62 to 64.

MEETINGS HELD IN 2020/21

<table>
<thead>
<tr>
<th>Member since</th>
<th>Number of meetings attended</th>
<th>Maximum possible meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Archie Norman</td>
<td>1 Sept 2017</td>
<td>5</td>
</tr>
<tr>
<td>Andy Halford</td>
<td>1 Jan 2013</td>
<td>5</td>
</tr>
<tr>
<td>Andrew Fisher</td>
<td>1 Dec 2015</td>
<td>5</td>
</tr>
<tr>
<td>Justin King*</td>
<td>1 Jan 2019</td>
<td>4</td>
</tr>
<tr>
<td>Sapna Sood</td>
<td>1 Jun 2020</td>
<td>4</td>
</tr>
<tr>
<td>Tamara Ingram</td>
<td>1 Jun 2020</td>
<td>4</td>
</tr>
<tr>
<td>Evelyn Bourke</td>
<td>1 Feb 2021</td>
<td>1</td>
</tr>
</tbody>
</table>

* Former non-executive directors who served on the Committee for part of 2020/21

1. Justin King was unable to attend the meeting on 12 April 2020 for personal reasons.
2. Pip McCrostie was unable to attend the meeting on 25 June 2020 for medical reasons.

More information on the Nomination Committee is available in our full disclosure of compliance with the UK Corporate Governance Code at marksandspencer.com/thecompany.

REVIEW OF THE YEAR

2020/21 was a busy year for the Committee, which oversaw the induction of a new Chief Financial Officer and the appointment of four non-executive directors. This was in addition to the Committee’s usual talent and succession activities which, as covered on pages 64 and 65, had particular focus on strengthening diversity and aligning our leadership team’s skills with the post-Covid strategy. The Committee’s performance was reviewed as part of the 2020/21 externally facilitated Board Evaluation, which is covered on page 70.

The review established that the Committee functions well in terms of planning succession to Board roles and other senior positions. For directors and senior leaders, developmental feedback and support has also been provided as part of the evaluation process.

BOARD UPDATES

Towards the end of last year, the Committee discussed and guided the creation of the role of Chief Strategy and Transformation Director, which Katie Bickerstaffe took up in April 2020.

As announced on 18 May 2021, Katie’s role has now evolved into joint Chief Operating Officer, along with Stuart Machin.

Also towards the end of last year, the Committee was embarking on the detailed process to appoint and induct a new Chief Financial Officer, culminating in the arrival of Eoin Tonge in June 2020.

Shortly after, the Committee identified Sapna Sood and Tamara Ingram as valuable additions to the Board and ensured both non-executive directors undertook comprehensive induction processes on their joining the business in June 2020, despite Covid-19 restrictions. Their value was quickly demonstrated, and the two became the first members of the newly formed ESG Committee.

At the 2020 AGM, the Board gave thanks to Alison Brittain, who stepped down after six years of service as a non-executive director.

More recently, the Committee recommended to the Board the appointment of Evelyn Bourke, who formally joined the business in February 2021. As well as joining the Nomination Committee, Evelyn is the newest member to join the Audit Committee and brings extensive financial and risk-related experience, the value of which has already been felt throughout the year-end process.

At the very end of the financial year, Pip McCrostie retired from the Board with our heartfelt thanks for her active and committed contribution to the Company.

The Committee was keen to maintain the balance of diversity and skills at Board level, and quickly commenced the process

The Committee’s activities had particular focus on aligning our leadership team’s skills with the post-Covid strategy.

Archie Norman, Chair of the Nomination Committee
to identify our newest Board colleague. In April 2021, the Committee was pleased to recommend the appointment of Fiona Dawson, who joins as a non-executive director on 25 May 2021. Fiona joins from Mars, Inc. with a wealth of global marketing and sales experience and a skillset which aligns with our accelerated transformation strategy. Fiona’s appointment ensures that the Company maintains a 40% female Board, exceeding both internal and external targets.

**DIRECTOR TENURE**

As at the publication of this report, all directors have a tenure not exceeding nine years. During the year, the Committee considered the tenure of Andy Halford, who will have served for nine years in January 2022. On review, it was established that Andy remains independent, and provides a key point of stability during a period of significant change. It was further agreed that Andy’s skills and experience remain relevant, and his capabilities as Chair of the Audit Committee are greatly valued by the Company.

**EXECUTIVE COMMITTEE AND TALENT MANAGEMENT**

One of the key leadership changes supported by the Committee has been the transition of the Operating Committee into the Executive Committee (“ExCo”), which is covered in more detail on page 60.

The Committee agrees with management that the composition of the ExCo improves the efficiency and effectiveness of decision-making, mirroring the Board’s approach to a more condensed set of governance arrangements.

The establishment of the ExCo included the assignment of a Nomination Committee mentor to each ExCo member. In addition, the Committee supported the CEO in his appointment of three new members to his senior team, with Richard Price joining Eoin and Katie on the ExCo in July 2020 as Clothing & Home Managing Director.

As part of a wider programme to assess talent and succession in the business, the Committee members have been available to advise the ExCo in its review of all senior leaders.

The focus on talent assessment and development has extended throughout the organisation and has culminated in a different-shaped business with improved controls around talent management. While discussions have principally taken place at the Board, ExCo and Remuneration Committee, the Committee believes that this reflects the vital alignment between performance and reward.

**DIRECTOR SUCCESION AND INDUCTION PROCESS**

In light of the Committee’s active year, we have taken the opportunity to outline our approach to recruiting and inducting non-executive directors. The process is designed to ensure the search for and appointment of our directors is thorough and inclusive, and that their inductions provide an effective introduction to the M&S boardroom and, more crucially, facilitate a comprehensive understanding of the business.

![Diagram of the Director Succession and Induction Process](image)

Before arrival:
- Board procedures and PLC/Listed Company duties.
- Comprehensive pre-read of Board and relevant Committee papers from the previous 12 months.

Within the first month:
- Business unit leadership team introductions.
- Stakeholder priorities analysis and overview, including introductions to Investor Relations, Corporate Communications and Plan A.

Within the first three months:
- Store visits, including visits to renewal stores and a morning spent working in store.
- Logistics depot visit, Castle Donington distribution centre visit and website demonstration.
- Partner introductions and visit to Ocado’s offices.
- Customer services visit and customer data insight overview.
- Meeting the external auditors and board development adviser.

Some activities included in this year’s inductions have been:

- Attend National BIG meeting and colleague services overview.
- Introduction to our heritage and visit to the M&S Company Archive.
- Attendance at management meetings and product previews.
Sustainability is about securing the long-term future of a business and protecting the resources we all depend on.

Tamara Ingram,
Chair of the Environmental, Social & Governance Committee

ESTABLISHMENT

I was delighted to be asked to set up the new Board Sub-Committee (the "Committee") on Environmental, Social & Governance ("ESG") matters. M&S is a very special business – with loyal customers, passionate committed colleagues and a wonderful legacy of caring service, environmental leadership and deep-rooted community values. As Chair of the Committee, I’m pleased to present our report for the year covering activities from our establishment in December 2020. These have been focused on reviewing our activity and ensuring our strategy continues to lead the way and communicates the M&S point of difference.

PLAN A

The importance of Plan A to the M&S brand and culture cannot be overstated. The programme, appropriately named Plan A “because there is no Plan B”, was a ground-breaking venture in 2007, creating a fully integrated sustainability plan reflective of the M&S values of helping our colleagues, customers and communities lead happier, healthier and more fulfilling lives. It is through Plan A – our multi-year sustainability action plan – that we address the risks and opportunities that environmental and societal issues present to us as a business. It drives us to make better choices to ensure that M&S, and the precious resources and planet we rely on, are in better shape for the future.

How a business approaches social and environmental challenges is of increasing importance to all stakeholder groups. In recognition of this, the Committee has met on a monthly basis in its first six months, with an update to the Board after each meeting. The Committee has been frequently attended by members of the Executive Committee (“ExCo”) and senior management. As a Committee, our role is to provide the additional rigour, support and challenge for the business as we reinvigorate our Plan A programme to uphold its leadership and keep it at the very heart of M&S customer proposition. As part of that role, we’ve looked at industry benchmarking, consumer insights and future trends, discussed marketing and communications frameworks, ways to embed Plan A more deeply within the business, as well as the framework against which progress will be measured.

ESG-RELATED RISKS AND RESPONSE

In addition to overseeing the governance underlying the various projects for Plan A reinvigoration, the Committee has supported the Audit Committee in its review of new and existing risks relating to ESG topics. Specifically, the Committee reviewed a new “social, ethical and environmental responsibility” risk, confirming its appropriateness to the Audit Committee as a distinct risk from the "corporate compliance & responsibility" risk that previously covered a range of ethical considerations. This new risk includes a broad spectrum of issues; environmental, human rights, animal welfare and ethical standards and commitments. In identifying these issues, we acknowledge the trust that customers place in the M&S brand to source sustainably and ethically, and their ongoing concern around issues like deforestation and animal welfare. We also recognise the increased focus from regulators and investors on these issues, particularly following ongoing interest in human rights abuses in supply chains in the UK and abroad.

As well as overseeing related risks, the Committee has recognised that these changes in the external environment are current and require responsive action now, and has advised management accordingly. This wider support for management has covered advising the business ahead of signing the ‘Exit the Uyghur Region’ Call to Action to address human rights abuses. The Committee has also critically reviewed, and subsequently monitored progress with actions raised by, the business’ co-authored Oxfam report.

COMMITTEE ROLE AND MEMBERSHIP

The Committee is responsible for ensuring that the Company has an ESG Strategy ("Plan A") that is both inspiring and differentiates M&S from its competitors, while also remaining fit for purpose. The Committee will also review the effectiveness of Plan A, including the governance arrangements for ensuring the successful delivery of the strategy and monitoring its overall performance. The full Terms of Reference for the Committee can be found at marksandspencer.com/thecompany.

The Committee comprises Tamara Ingram as Chair and Sapna Sood, with Archie Norman, Eoin Tonge and Nick Folland standing attendees at Committee meetings. Steve Rowe will also be a standing attendee for 2021/22. Individual meeting attendance is displayed in the table below. More information on the skills and experience of Committee members can be found on pages 62 to 64.

MEETINGS HELD IN 2020/21

<table>
<thead>
<tr>
<th>Member since</th>
<th>Number of meetings attended</th>
<th>Maximum possible meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tamara Ingram</td>
<td>16 Dec 2020</td>
<td>3</td>
</tr>
<tr>
<td>Sapna Sood</td>
<td>16 Dec 2020</td>
<td>4</td>
</tr>
</tbody>
</table>
| By standing invite
| Archie Norman | N/A | 4 | 4 |
| Eoin Tonge | N/A | 4 | 4 |
| Nick Folland | N/A | 4 | 4 |

* Tamara Ingram was not present at the meeting on 18 January due to last-minute rescheduling and time zone differences, but provided input in advance of the meeting and debriefed with members and attendees immediately following the meeting.
PREPARING TO ADOPT TCFD

Alongside the coordination of the Plan A refresh, the Committee has been briefed on the Listing Rule, which the Group is required to adopt from FY 2021/22, for UK premium listed companies to include a statement in their annual financial report setting out whether their climate-related financial disclosures are consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). While the Listing Rule will not be applied by the Group until FY 2021/22, the Committee has recommended that the Group provides disclosure on its progress towards adoption of the TCFD recommendations, to demonstrate to our investors and wider stakeholders that the Company takes its disclosure obligations and climate change seriously. Accordingly, our progress on future TCFD reporting is set out below.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT

INTRODUCTION

This report sets out our climate-related financial disclosures and demonstrates how the Group has been working to integrate the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). We recognise that this is a complex issue and that the TCFD recommendations are stretching for the business to report more accurately. It needs to build a compliance framework that provides the Board and the ESG Committee with the assurance that disclosures are robust. This is complicated by the fact that the majority of the commitments involve medium- to long-term forward-looking statements and, therefore, tracking progress against future targets will be vital.

As a result, in this first TCFD report, we have attempted to explain our current position, state our expectations for the future and, importantly, identify where additional work is required for us to disclose fully against all TCFD recommendations next year.

STRATEGY

The Board has considered climate change as an emerging risk for a number of years. However, it has previously concluded that it should not be a standalone principal risk as the impacts, and therefore mitigations, are better served by incorporating climate change into other existing principal risks. This year, the Board, with input from the Executive Committee (“ExCo”), ESG and Audit Committees, has concluded that, while this overall approach remains correct, the Company should be more overt in positioning climate change risk separately. This is due to the urgency of the climate crisis, the increasing demands from stakeholders, and the forthcoming introduction of new regulatory obligations and reporting requirements.

The ESG Committee reviewed a new “social, ethical and environmental responsibility” principal risk and recommended that it should be called out as a new and distinct risk from the “corporate compliance & responsibility” risk.

During the development and research phase for the refresh of Plan A, our stakeholders, particularly customers, highlighted the concerns they expect M&S to be addressing, with a broad spectrum of issues including climate change and the environment at the forefront of their expectations of M&S.

Furthermore, we have identified the need to better understand transition risks as a consequence of increasing regulation and changing societal expectations. This will be the focus of our scenario analysis work in 2021/22, which will be carried out to update our understanding and quantify the impacts of climate-related transition risks, as well as physical risks and market opportunities in line with the TCFD recommendations. The results of this assessment will be reported in next year’s Annual Report.

ENGAGING SUPPLIERS IN CLIMATE-RELATED RISKS AND OPPORTUNITIES

An important part of our strategy on climate change is to engage suppliers and build greater awareness, action and resilience to changes in climate across the food and clothing industry. In the food supply chain, we have worked in partnership with tea, coffee and produce suppliers to ensure that they are building capacity in their producer and grower networks on climate change resilience. This has included projects focused on improving water management for coffee growers in Peru and increasing resilience of British growers through our Farming with Nature programme, with an emphasis on enhancing biodiversity and pollinator protection programmes. To meet changing customer demands for more vegan offerings due to climate considerations, M&S also started a vegan financial statement in 2019 (Plant Kitchen). Furthermore in 2020, a new Food Innovation Hub was established to spearhead sustainability solutions, including soya-alternative proteins for plant-based foods and the latest in material science to reduce plastic packaging.

The Hub enables us to track emerging trends and insights, and respond to our customers’ needs in the future. In the textile industry, M&S is taking part in a range of collaborative supply chain programmes focused on reducing greenhouse gas emissions, including WRAP’s Textiles 2030 and the Sustainable Apparel Coalition (“SAC”). As a signatory to Textiles 2030, we are committed to reducing the aggregate greenhouse gas footprint of new products by 50% by 2030. The SAC has collaborated with industry partners to develop and define a robust methodology to measure the climate impacts of the apparel industry annually using the Higg Index.

We have asked our top clothing suppliers to adopt this index to provide us with data visibility on environmental KPIs, including greenhouse gas emissions. Our Clothing & Home business also increased its vegan footwear ranges in 2019.

Plant Kitchen

Food Innovation Hub partnerships will help M&S Food build on its market share of plant protein ranges.
M&S has a strategic ambition to enhance our climate change commitments from carbon neutral operations today to net zero emissions by 2035. We are currently developing our targets and delivery roadmap. This work will be completed in FY2021/22 and will update our position on the use of renewable energy and the role of carbon removals (offsets). This strategic ambition builds on earlier actions taken on climate change as part of Plan A and on the existing approved science-based targets to reduce greenhouse gas emissions; 80% reduction by 2030, 90% reduction by 2035, and a cumulative project-based target for our wider value-chain of 13.3 million tonnes CO₂ by 2030.

The adjacent chart demonstrates that this has been an issue we have taken seriously, and we have already made demonstrable progress on reducing our operational emissions (scope 1 and 2) against the baseline of 2006/2007. Our scope 3 baseline will be set against our 2016 position, in line with our science-based target. Modelling indicates that our total value-chain greenhouse gas emissions at that time were c.6.4 million tonnes.

We intend to track our progress against scope 1 and scope 2 emissions in future years using the adjacent chart, and will incorporate and track progress against scope 3 emissions in the coming years, building on our science-based target in this area.

In addition to this, we will undertake scenario analyses during 2021/22 to update our understanding of climate-related risks, including transition risks and opportunities arising from the transition to a low-carbon economy in line with the Paris Agreement.

**WHAT HAVE WE ALREADY DONE**

Over a decade ago, M&S recognised climate change as a shared and potentially existential environmental threat, and one that could pose a challenge to our global business operations and supply chain. In addition to our clear corporate responsibility for cutting emissions to avoid the worst consequences of climate change, we recognised that our energy costs could increase over time and we could be required by law to cut emissions. We also acknowledged that a changing climate could make some raw materials scarce and more expensive. It was our view that, by responding effectively, we would build greater business resilience and be better placed to benefit from shifting market demands for lower emission products and services.

That is why, in 2007, we committed to making our UK and Republic of Ireland operations (stores, offices, warehouses, business travel and logistics) carbon neutral by 2012. M&S has been a leader on climate change transparency, being one of the early companies to make a full submission to the Carbon Disclosure Project and to publish GHG emissions, assured by a third party under their proprietary methodology, in 2008. Since then, we have transparently reported on the progress we have been making on reducing our greenhouse gas emissions in our annual Plan A reports and through the Carbon Disclosure Project. Greenhouse gas emissions data for M&S operations (scope 1 and 2) in 2020/21 can be found within the streamlined energy and carbon reporting section on page 32 and in our Plan A Report on pages 30-32, available on our corporate website at marksandspencer.com/plana.

We also took early action to understand the physical risks associated with climate change, commissioning specialist consultancies to carry out reviews on our food and clothing supply chain in 2012 and our property estate in 2015. We knew we would have to revisit our plans periodically to ensure they are keeping pace with the need for decisive action on the climate emergency.

Since then, much has changed. The increased focus and awareness on climate change in the investor community is noticeably different from 2007. While this is our first year on the journey to aligning our climate related disclosures to the TCFD framework, these disclosures will evolve to become even more comprehensive as the Company implements the actions outlined on page 76 during 2021/22. We believe we have made good progress towards TCFD recommendations this year and plan on delivering a fully compliant disclosure for FY2021/22.

**KEY MILESTONES IN OUR CLIMATE CHANGE JOURNEY**

- **2007** Full submission to Carbon Disclosure Project
- **2008** Established our global greenhouse gas emissions reporting boundary
- **2009** Launched Plan A, our sustainability programme. Set an ambition to be carbon neutral in operations by 2012
- **2012** Achieved carbon neutrality in UK and ROI operations and reduced emissions by 22%  
- **2013** Achieved carbon neutrality in International operations
- **2017** New targets approved by the Science Based Targets Initiative. Signed up as a supporter to TCFD
- **2020** Reduced emissions by 70% against our 2006/7 baseline. Signed up to British Retail Consortium’s Climate Action roadmap
- **2021** Began preparations for the future adoption of TCFD reporting

“M&S is already taking action to address the implications of climate change, having had emission reduction plans in place for our own operations for over 14 years.”

Steve Rowe, Chief Executive
PREPARING FOR TCFD – IMPROVING GOVERNANCE

Goverance

At the end of 2020, in response to increasing stakeholder interest and pressures relating to environmental, sustainability and governance matters, we announced the creation of a new Board Sub-Committee on ESG. While the creation of this new Committee provides enhanced visibility at the top of the organisation, it is only part of the wider governance arrangements in place to support the Committee, and ultimately the Board, in leading the Company’s response to these issues and discharging our responsibilities, particularly in this area of increasing focus and regulation.

As with all matters delegated by the Board, the CEO is ultimately tasked with the delivery of the Company’s ESG programme. To effectively discharge these duties, his executive leadership team, the ExCo, have collective responsibility for the delivery of the ESG targets, as approved by the ESG Committee on behalf of the Board. The Managing Director of each of the five accountable businesses (Food, Clothing & Home, International, Retail & Property and Bank & Services) has responsibility for the creation and delivery of targets in their business, in addition to the collective responsibility they have as members of the ExCo.

During the course of the year, the Board, ESG Committee and ExCo have made good progress on revitalising Plan A, which includes a strategic ambition to be a net zero business. In addition to this, the ESG Committee recommended that the Group provides disclosure on its progress towards targets. The first science-based target, over the same time period, committed to cut emissions by 22% of 2012 levels. In 2020/21, work is already under way to develop and agree short- and medium-term targets for each of the businesses, as well as the structure to aggregate them at Group level. Performance against these targets will be tracked by our Transformation Project Office team, with quarterly reports being provided to both the ExCo and ESG Committee, as well as at least annually to the Board.

Risk Management

M&S has established a risk management framework that allows consistent adherence to, and application of, risk management principles across the Group, with each business and function accountable for identifying its specific risks. Climate change is considered within two principal risks in the Group risk assessment; “social, ethical and environmental responsibility” has been identified as a new principal risk in our 2020/21 Annual Report, and we have also specified future compliance with mandatory TCFD reporting in our existing “corporate compliance and responsibility” risk. At a business/functional level, climate change considerations also form a part of the Plan A risks that are being managed by our International and Property businesses within their risk registers.

The structure of the Group’s overall risk management framework, including climate-related risks, is the responsibility of the CFO, supported by the Group Risk team. The Managing Directors of the five accountable businesses are responsible for their business’ risk register, and for managing and resourcing mitigating activities. The ExCo members are individually responsible for reviewing and confirming risks in their own areas, with the Executive Directors reviewing the entirety of the principal risks, providing the Audit Committee with confidence that significant risks are appropriately monitored and managed.

As required by the UK Corporate Governance Code, the Audit Committee is tasked with ensuring the effectiveness of the risk management process, as well as confirming that the principal risks and uncertainties of the business are appropriately disclosed externally. However, from this year and as part of our governance and non-financial control arrangements, the ESG Committee has also supported this process by reviewing and providing the Audit Committee with recommendations on all ESG-related risks, including climate change. Further details on the Group’s overall risk management process are available on page 47.

METRICS AND TARGETS – WHAT ARE WE COMMITTING TO?

When we launched Plan A in 2007, we made the commitment to have carbon neutral operations by 2012. In 2012, we achieved our original climate-related goal for our own operations, reducing emissions by 22%, sourcing renewable electricity and investing in offsets to compensate for remaining emissions. Since 2012, we have continued to refine our targets and deliver further emissions reductions. In 2017, we confirmed our science-based targets. The first was a commitment to reduce operational emissions (scope 1 and 2) by 80% by 2030 (compared with 2007 levels). In 2020/21, our market-method emissions were 177,000 tonnes CO₂e, down by 72% on 2006/7 (640,000 tonnes CO₂e), putting us in a good position to achieve our first operational emissions science-based target of 80% by 2030. Greenhouse gas emissions data for M&S operations (scope 1 and 2) in 2020/21 can be found within the streamlined energy and carbon reporting section on page 32 and in our Plan A report on pages 30-32 (available on our corporate website). As detailed in the chart on page 75, these measurements are set against our original baseline year of 2006/7.

The second science-based target, over the same time period, committed to cut emissions in our supply chain (scope 3) by a cumulative 13.3 million tonnes (classified as being “well under 2°C” by the Science Based Targets Initiative). This was set against a baseline of modelled emissions totalling c. 6.4 million tonnes annually.

Our strategic ambition is to enhance our climate change commitments from carbon neutral operations today to net zero emissions by 2035. Over the course of the next 12 months, we will set out what we mean by that and the role that reductions, renewable energy and removals (offsets) play in meeting the overall ambition. Detailed work will be conducted in 2021/22 to determine the delivery roadmap to achieve this ambition in the short, medium and long term, including the contributions required from each of the accountable businesses and our supply chains. The results from our scenario analyses will also inform our proposed metrics and actions to be taken on climate-related risks and opportunities.

CONCLUSION

Playing our part in the retail sector

In September 2020, as part of supporting the low carbon transition, we signed up as supporters to the British Retail Consortium’s Climate Action Roadmap. M&S is committed to working with other retailers, our suppliers, the government and other stakeholders, and to support customers collectively to deliver the retail industry’s net zero ambition.

ACTION WE WILL TAKE IN 2021/22

- Publish the delivery roadmap to underpin our new net zero ambition with clear targets across each of the three scopes.
- Continue to track our performance against the baseline.
- Conduct scenario analysis.
- Publish the climate-related risks and opportunities over the short, medium and long term.
Committee members have guided management on the controls required to navigate Covid-19 challenges and re-position the business for the digital era.

Andy Halford, Chair of the Audit Committee

However, the new environment in which the business now operates has also presented opportunities to drive the scale and pace of change. Committee members have offered guidance and advice to management on the risks involved and controls required in successfully delivering activities in this new digital and data space covering the creation of MS2, the introduction of third-party brands online and the relaunch of Sparks.

The Committee continued its work to strengthen non-financial controls and governance arrangements including: introduction of the Code of Conduct compliance framework; deepening the understanding of responsibilities and accountabilities within the Ocado Retail joint venture; creation of the Compliance Monitoring Committee to support management in discharging their duties relating to M&S Bank; and, ongoing work to improve business unit level risk reporting and monitoring.

The Committee fulfils a vital role in the Company’s governance framework, providing valuable independent challenge and oversight across the Company’s financial reporting and internal control procedures. Ultimately, it ensures that shareholder interests are protected, the Company’s accelerated transformation is supported and long-term value is created. The Committee’s newest member, Evelyn Bourke, brings significant financial and risk experience to drive the continued improvements provided by the Committee. Our thanks go to Pip McCrostie for her valuable contributions over the last three years, having retired from the Board and the Committee in March 2021.

COMMITTEE MEMBERSHIP

The Committee solely comprises independent non-executive directors. At the 2020 ACM, Alison Brittain stepped down from the Board and the Committee. Pip McCrostie also retired at the end of March, following the final Committee meeting of the year, and the Committee welcomed Evelyn Bourke as its newest member in February 2021. Detailed information on the experience, qualifications and skillsets of all Committee members can be found on pages 62 to 64.

INDEPENDENCE AND EXPERIENCE

The Board has confirmed that it is satisfied that Andy Halford and Evelyn Bourke possess recent and relevant financial and commercial experience across various industries, including the retail sector.

The Board has also confirmed that it is satisfied that Andy Halford and Evelyn Bourke possess an appropriate level of independence and relevant financial and commercial experience, as did Pip McCrostie who was a member of the Committee for the duration of the year.

MEETINGS HELD IN 2020/21

The Committee held six meetings during the year, with members of senior management invited to attend and to present as and when specialist technical knowledge was required. The Committee met without management present before each full meeting. It also met privately with the lead audit partners, and separately with the Head of Internal Audit & Risk, after each meeting.

It is important for the Committee Chair to fully understand any topics of particular concern to facilitate meaningful dialogue during Committee meetings. To support him in fulfilling this role during the year, Andy Halford met regularly, on a one-to-one basis, with the Chief Financial Officer, the Director of Group Finance, the Head of Internal Audit & Risk, members of senior management and the lead audit partner from Deloitte.

More information about the Audit Committee is available in our full disclosure of compliance with the UK Corporate Governance Code at marksandspencer.com/thecompany.

<table>
<thead>
<tr>
<th>Member since</th>
<th>Number of meetings attended</th>
<th>Maximum possible meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andy Halford</td>
<td>1 Jan 2013</td>
<td>6</td>
</tr>
<tr>
<td>Justin King</td>
<td>4 Nov 2019</td>
<td>6</td>
</tr>
<tr>
<td>Pip McCrostie</td>
<td>10 Jul 2018</td>
<td>6</td>
</tr>
<tr>
<td>Alison Brittain†</td>
<td>11 Mar 2014</td>
<td>2</td>
</tr>
<tr>
<td>Evelyn Bourke</td>
<td>1 Feb 2021</td>
<td>1</td>
</tr>
</tbody>
</table>

1. Meetings were held with the Interim Chief Financial Officer as required prior to Eoin Tonge joining the business.
2. Alison Brittain stepped down from the Committee on 3 July 2020.
CORE DUTIES
The Committee undertook the following core activities during the year:
- Monitored the integrity of the annual and interim financial statements and any formal announcements relating to the Company’s financial performance, with a focus on reviewing the significant financial reporting policies and judgements within them.
- Reviewed internal controls and risk management processes particularly in the context of challenges posed by Covid-19 and Brexit.
- Reviewed the Board’s approach to assessing the Company’s long-term viability.
- Debated and agreed changes to the principal risks.
- Maintained the relationship with the external auditor, including monitoring their independence and effectiveness.
- Reviewed the effectiveness of the Company’s whistleblowing, fraud, gifts and hospitality procedures.
- Reviewed and approved the Company’s statement of compliance with the Groceries Supply Code of Practice.
- Assessed whether the Annual Report, taken as a whole, was fair, balanced and understandable.
- Reviewed and approved the Company’s Euro Medium Term Note (“EMTN”) programme, including buyback of previously listed medium-term notes, as well as supporting and approving the decision to apply for the government’s Covid Corporate Financing Facility (“CCFF”) programme, which was successfully obtained but remains undrawn.
- Reviewed the effectiveness and independence of the Internal Audit & Risk function.
- Reviewed for the second year the appropriateness of segmental reporting units and assumptions underlying the cost allocations.

INTERNAL CONTROLS FRAMEWORK
The Committee received updates on internal control matters from the Internal Audit team at each meeting, as part of its key duty to review the Company’s internal control processes. This regular monitoring of the internal control framework ensured timely identification of issues and formal tracking of remediation plans.
Instances where the effectiveness of internal controls were deemed to be insufficient were discussed during the year, either by the Audit Committee or the full Board, and the resulting improvement plans were monitored by the Committee.

Risk and control updates
In line with the Group Risk Policy, our accountable businesses and key functions remain accountable for managing and reporting their risks, as well as maintaining their internal control environment. The output of these activities are reviewed by the Audit Committee through annual updates provided directly by management. A summary of each core management update is provided below.

External audit
The Committee also noted the internal control findings highlighted in the external auditor’s report and confirmed that it is satisfied that there is no material misstatement and that relevant actions are being taken to resolve the control matters raised.

Non-financial controls
Finally, the Committee reviewed improvements to the Group’s overarching governance and internal control framework. As reported last year, the Company launched a new Code of Conduct setting a floor of commitments and responsibilities for business conduct based on the Group’s principal risks and regulatory requirements. During the course of the year, the Committee has monitored compliance with the Code on a bi-annual basis via metrics measuring adherence to key policy areas. The Committee believes that this change and the supporting architecture of the compliance metrics has provided sufficient visibility to monitor and assess risk and produced an overall improvement in the Company’s non-financial controls.

MANAGEMENT UPDATES
The Committee received detailed updates from one or more business area at each of its meetings; an overview of each update is summarised below. Each update includes a review of the risk register, including progress made to implement key mitigating actions, emerging risks being monitored and outstanding actions from Internal Audit reviews completed. Management has also confirmed how it continues to maintain key control and assurance activities. These presentations are scheduled on a rolling 12-month basis, with additional matters identified by Internal Audit added throughout the year as they arise.

Retail, Property & Business Continuity
- Evaluated results and agreed actions from business continuity exercises, tests and assurance reviews which had taken place globally. Assessment areas included Covid-19 outbreaks, terrorist threats, disruption caused by Brexit, supplier resilience, cyber-attacks and fire damage.

Clothing & Home
- Reviewed risks arising from rapid growth in online sales and plans to mitigate them, including warehouse capacity and logistics, supply chain preparedness and talent capability.
- Considered and monitored the risk appetite for the third-party brands strategy.
- Discussed changing customer behaviour, the uncertainty within the C&H market arising from the pandemic, and reviewed and monitored product design, stock management plans and related activities.

Food
- Reviewed and assessed the changing nature of risks relating to the Ocado Retail joint venture, from the successful launch of M&S product on the platform through to increasing demand for online groceries and the subsequent strategic impacts.
- Challenged management on GSCOP issues and encouraged proactive engagement with the new Grocery Code Adjudicator.
- Monitored customer health as an emerging risk and the acceleration of our health and nutrition strategy as a mitigating initiative.

International
- Evaluated the mitigating actions presented by management against various Brexit scenarios and differing responses to Covid-19 in local jurisdictions.
- Reviewed and debated the developing maturity of financial controls in each market, including planned enhancements such as sourcing optimisation and SAP implementation.

Digital & Data and Sparks
- Assessed and debated the increasing possibility of hacking and data breaches, specifically the mitigations in place to protect sensitive customer data.
- Discussed data use and ethics, encouraging management to codify internal practices.

Bank & Services
- Considered the regulatory responsibilities and risks associated with having commercial partners operating under the M&S brand.
- Enhanced oversight and assurance of FCA-regulated activities through the creation of the Compliance Monitoring Committee.

Technology transformation
- Reviewed new controls for prohibiting unauthorised technology use, protecting information security and managing critical technology suppliers.

HR
- Challenged the merit of devolving HR responsibilities into each business unit, recommending that the Board review this in detail.
- Scrutinised the methodology and calculation for recording furlough income.
AUDIT COMMITTEE EFFECTIVENESS REVIEW

The Committee's performance was reviewed as part of the 2020/21 externally facilitated Board Evaluation, which is covered on page 70.

The review found that the Committee functions effectively and that issues are dealt with in a thoughtful, clear and rigorous manner.

Feedback on the level of challenge and quality of updates provided by the Committee to the Board was positive.

The Committee was considered to be operating well in terms of meeting structure and the levels of engagement provided by its members, with demands on members' time viewed as extensive but not problematic. The range of assurance provided to the Board by the Committee was deemed appropriate. However, improvements could be made in respect of the pace with which the business actioned certain matters following discussions with the Committee.

The Committee made good progress on the 2020/21 action plan, particularly in relation to increasing the focus on risk reporting, compliance monitoring and emphasising accountability for risk at business unit level.

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Committee has considered whether, in its opinion, the 2021 Annual Report & Financial Statements are fair, balanced and understandable, and whether they provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The structure of the Annual Report focuses strongly on the key strategic messages in the Strategic Report. It was therefore important for the Committee to ensure that this emphasis did not dominate the overall transparency of the disclosures made throughout the report, which it knows stakeholders find useful, and that the messages presented by the business are both clear and reflective of the Company as a whole.

The Committee received a full draft of the report and provided feedback on it, highlighting the areas that would benefit from further clarity. The draft report was then amended to incorporate this feedback ahead of final approval.

The Committee was provided with a list of the key messages included in the Annual Report, highlighting those that were positive and those that were reflective of the challenges from the year. A supporting document was also provided, specifically addressing the following listed points, highlighting where these could be evidenced within the report.

When forming its opinion, the Committee reflected on the information it had received and its discussions throughout the year. In particular, the Committee considered:

**IS THE REPORT FAIR?**

- Is the whole story presented and has any sensitive material been omitted that should have been included?
- Is the narrative in the reporting on the business performance in the front of the report consistent with that used for the financial reporting in the financial statements?
- Are the key messages in the narrative reflected in the financial reporting?
- Are the KPIs disclosed at an appropriate level based on the financial reporting?

**IS THE REPORT BALANCED?**

- Is there a good level of consistency between the narrative reporting in the front and the financial reporting in the back of the report; and does the messaging presented within each part remain consistent when one is read independently of the other?
- Is the Annual Report properly considered a document for shareholders?
- Are the statutory and adjusted measures explained clearly with appropriate prominence?

2021/22 ACTION PLAN

- Review the effectiveness of the Internal Audit function and its activities.
- Continue to increase focus on risk reporting and accountability for risk at business unit level.
- Increase focus on financial and non-financial controls, including monitoring effectiveness of the Code of Conduct, GSCOP compliance, the Financial Controls Framework and master data reviews.
- Review the implications of the BEIS white paper on restoring trust in audit and corporate governance.
- Monitor the progress of improvements to the Company’s information security, including the progress of work taking place to migrate to cloud-based systems.

CONCLUSION

Following its review, the Committee was of the opinion that the 2021 Annual Report & Financial Statements are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.
The Audit Committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates.

Throughout the year, the Finance team has worked to ensure that the business is transparent and provides the required level of disclosure regarding significant issues considered by the Committee in relation to the financial statements, as well as how these issues were addressed, while being mindful of matters that may be business-sensitive.

This section outlines the main areas of judgement that have been considered by the Committee to ensure that appropriate rigour has been applied. All accounting policies can be found in note 1 to the financial statements. Where further information is provided in the notes to the financial statements, we have included the note reference.

Each of the areas of judgement has been identified as an area of focus and therefore the Committee has also received detailed reporting on these matters from Deloitte.

**PRESENTATION OF THE FINANCIAL STATEMENTS**

The Committee gave consideration to the presentation of the financial statements and, in particular, the use of alternative performance measures and the presentation of adjusting items in accordance with the Group accounting policy. This policy states that adjustments are only made to reported profit before tax where income and charges are significant in value and/or nature. The Committee received detailed reports from management outlining the judgements applied in relation to the disclosure of adjusting items. In the current year, management has included in this category: impairments of intangible assets; the implementation and execution of strategic programmes; directly attributable (gains)/expenses resulting from the Covid-19 pandemic; impairments, impairment reversals and write-offs of the carrying value of stores and other property charges; Ocado Retail Limited related charges; the Sparks loyalty programme transition; the reduction in M&S Bank charges incurred in relation to the insurance mis-selling provision; and charges relating to GMP other pension equalisation.

**PROPERTY MATTERS (INCLUDING ASSET WRITE-OFFS, ONEROUS LEASE CHARGES AND USEFUL ECONOMIC LIVES)**

The Committee has considered the assessments made in relation to the accounting associated with the Group's UK store estate strategy. The Committee received detailed reports from management outlining the accounting treatment of the relevant charges, including impairment, accelerated depreciation, dilapidations, redundancy and onerous lease costs (including void periods). The Committee has reviewed the basis for the key assumptions used in the estimation of charges (most notably in relation to the costs associated with property exit/sub-let costs, the sale proceeds expected to be recovered on exit, where relevant, and the cash flows to be generated by each cash-generating unit in the period to closure). The Committee has challenged management and is satisfied that the assumptions made are appropriate. The Committee is also satisfied that appropriate costs and associated provisions have been recognised in the current financial year.

**IMPAIRMENT OF GOODWILL, BRANDS, TANGIBLE AND INTANGIBLE ASSETS**

The Committee has considered the assessments made in relation to the impairment of goodwill, brands, tangible and intangible fixed assets, including land and buildings, store assets and software assets. The Committee received detailed reports from management outlining the treatment of impairments, valuation methodology, the basis for key assumptions (e.g. discount rate and long-term growth rate) and the key drivers of the cash flow forecasts. The Committee has challenged management and is satisfied that these are appropriate.

The Committee has also understood the sensitivity analysis used by management in its review of impairments, including consideration of the specific sensitivity disclosures in the relevant notes. In addition, the business plans detailing management’s expectations of future performance of the business are Board approved. The Committee is satisfied that appropriate impairment of tangible and intangible assets has been recognised.

**INVENTORY VALUATION AND PROVISIONING**

As a direct result of the restrictions on non-essential retail imposed in response to the Covid-19 pandemic, the Group’s ability to sell through existing Clothing & Home stock was deemed to be significantly impacted, and additional Clothing & Home inventory provisioning was required at the end of last year. However, stronger trading particularly in online, albeit at lower margins, has allowed the Group to continue to sell much higher volumes of stock than assumed versus the Covid-19 scenario. As a result, and supported by the certainty provided by vaccines and a clear government Covid-19 re-emergence strategy, a net credit has been recorded. This represents a significant release to the Covid-related inventory provisions recorded in the 2019/20 financial statements, to align with our latest estimates based on current sales performance, offset by charges in the period relating to reassessment of storage and fabric cancellation provisions.

Incremental provisions remain in place where risk remains and include a provision against excess slow-moving personal protective equipment, committed to during the peak of the first Covid-19 lockdown and incurred directly in response to the Covid-19 pandemic.

The Committee considered the Group’s current provisioning policy, the impact of expected future expectations of sell-through impacting the recoverability of the cost of inventories held at the balance sheet date and the nature and condition of current inventory. When calculating inventory provisions, the Group has considered the nature and condition of inventory, as well as applying assumptions around the easing of Covid-19 restrictions. The Committee has concluded that such are appropriate. The assumptions have been disclosed in the financial statements.
GOVERNANCE
Annual Report & Financial Statements 2021

SIGNIFICANT ISSUES CONTINUED

GOING CONCERN AND VIABILITY STATEMENT

The Committee has reviewed the Group’s assessment of viability over a period greater than 12 months. In assessing viability, the Committee has considered the Group’s position presented in the budget and three-year plan recently approved by the Board. In the context of the current challenging environment as a result of Covid-19, a downside scenario was applied to the plan.

This was based on the potential financial impact from business disruption as a consequence of one, or more, of the Group’s principal risks and uncertainties materialising and both the specific risks associated with the Covid-19 pandemic and the uncertain high street trading environment. The Committee has concluded that these assumptions are appropriate.

The Committee has also reviewed the Group’s reverse stress test that was applied to the model. The Committee has reviewed this with management and is satisfied that this is appropriate in supporting the Group as a Going Concern.

In addition, the Committee received regular updates on the steps taken by management regarding liquidity, including the extension of the relaxation of covenant tests with the Group’s lending syndicate of banks providing the £1.1bn revolving credit facility, now up to and including the period to March 2022.

The Committee is satisfied that these measures have reduced liquidity risk.

See note 1 on p129

RETIRED BENEFTS

Following the significant reduction in the pension surplus during the year, the Committee has reviewed the actuarial assumptions, such as discount rate, inflation rate, expected return of scheme assets and mortality, which determine the pension cost and the UK defined benefit scheme valuation, and has concluded that they are appropriate. The assumptions have been disclosed in the financial statements.

See note 11 on p129

REVENUE RECOGNITION IN RELATION TO REFUNDS, GIFT CARDS AND LOYALTY SCHEMES

Revenue accruals for sales returns and deferred income in relation to loyalty scheme redemptions and gift card and credit voucher redemptions are estimated based on historical returns and redemptions. The Committee has considered the basis of these accruals, along with the analysis of historical returns and redemption rates and has agreed with the judgements reached by management.

See note 19 on p162

SUPPLIER INCOME

The Committee is satisfied that this continues to be monitored closely by management and controls are in place to ensure appropriate recognition in the correct period. Further control improvements are planned in the coming year. The financial statements include specific disclosures in relation to the accounting policy and of the effect of supplier income on certain balance sheet accounts.

See note 1 on p129

VALUATION OF MARKS AND SPENCER GROUP PLC COMPANY ONLY INVESTMENT

Marks and Spencer Group plc holds investments in Group companies which are reviewed annually for impairment. Management has prepared an impairment review based on estimated value in use of the Group. A partial impairment reversal of the prior year impairment charge has been recorded (see note C6 Investments on page 185). The Committee has reviewed management papers outlining the key assumptions used in calculating the value in use and is satisfied that these are appropriate.
Deloitte was appointed by shareholders as the Group’s statutory auditor in 2014 following a formal tender process. The lead audit partner, Richard Muschamp, has been in post since the start of the 2019/20 audit. The external audit contract will be put out to tender at least every 10 years. The Committee considers that it would be appropriate to conduct an external audit tender by no later than 2024.

The Committee recommends that Deloitte be reappointed as the Company’s statutory auditor for the 2021/22 financial year. It believes the independence and objectivity of the external auditor and the effectiveness of the audit process are safeguarded and remain strong. The Company is in compliance with the requirements of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and the Corporate Governance Code. There are no contractual obligations that restrict the Committee’s choice of external auditor.

The Committee was provided with a summary of the responses received from management to assist with its own considerations. Feedback from the target groups was overall positive. It was agreed that the audit team had continued to be responsive and cooperative and had again demonstrated flexibility and adaptability in working with management day-to-day to overcome the challenges faced both throughout the year and during the year end as a result of the pandemic and continued remote working. Early engagement throughout the year again on a number of key issues had been appreciated and had allowed a number of items to be addressed in advance of the year end.

The audit partners continue to have a good understanding of our business. A common theme reflected a desire for more engagement outside of the peak year end period.

Non-audit fees to audit fees ratio for the financial year ended 3 April 2021 was 0.09:1, compared with the previous year’s ratio of 0.33:1. The majority of the £0.2m in non-audit fees paid in total to Deloitte during 2020/21 was incurred for assurance services provided during the year. These comprised fees in respect of the Half Year review, turnover certificates and, the annual Euro Medium Term Note (EMTN) programme renewal. It is normal practice for such assurance services to be provided by the Company’s statutory auditor.

In addition, the Committee reviewed and approved the audit fee for the year, making sure any fee increase was understood and reasonable.
ASSURANCE AND INTERNAL CONTROL ENVIRONMENT

The Board assumes ultimate responsibility for the effective management of risk across the Group, determining its risk appetite and ensuring that each business area implements appropriate internal controls. The Group’s risk management systems are designed to support the business in actively managing risk, based on our awareness of risk factors, rather than to simply avoid risks, in order to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. These systems are also designed to be sufficiently agile to respond to changes in circumstances, such as the recent impact of Covid-19.

The key features of the Group’s internal control and risk management systems that underpin the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparing consolidated accounts, capital expenditure, project governance and information security, and the Group’s Code of Conduct.

SOURCES OF ASSURANCE

The Board has delegated responsibility for reviewing the effectiveness of the Group’s systems of internal control to the Audit Committee, which includes financial, operational and compliance controls and risk management systems. The Committee is supported by a number of sources of internal assurance from within the Group to complete these reviews:

1. Internal Audit

The Group’s primary source of internal assurance is delivery of the Internal Audit Plan, which is structured to align with the Group’s strategic priorities and key risks and is developed by Internal Audit with input from management. The plan has been reviewed periodically throughout the year to confirm it remains relevant for new and emerging circumstances, particularly changes during the pandemic which impacted business priorities, our risk profile and assurance activities. For example, multiple lockdowns across all UK and international locations impacted how food safety audits were conducted at our own sites and those managed and operated by suppliers and franchise partners. The findings and actions from Internal Audit reviews are agreed with the relevant business area, communicated to the Audit Committee and tracked through to completion.

The work completed by Internal Audit during the year focused on key risks including information security, preparations for the Ocado launch, financial controls and new business activity like external brands, as well as areas driven by Covid-19, such as furlough, supplier payments, elements of stock management and food safety assurance activities during the pandemic.

2. Management updates and risk deep dives

As part of the Committee’s annual calendar, it receives updates on risk management, maturity of control and assurance activities from individual business areas and functions. These updates are complemented by Internal Audit’s independent audits performed within these areas.

3. Functional assurance

A broad range of assurance activity has been designed and deployed across the business to target key risk areas, such as ethical assurance, food safety, fire, health and safety, and business continuity. While reporting lines for these activities are directly to business areas, the processes and controls of these functions are periodically tested by Internal Audit.

4. Operational oversight

Senior management forums and committees provide oversight and challenge on key risk areas within individual business areas, cross-business programmes and activities, such as business continuity, fire, health and safety, transformation projects, and Brexit. The output from these discussions forms part of the cyclical updates provided to the Audit Committee.

GOVERNANCE

The Group was compliant throughout the year with the provisions of the UK Corporate Governance Code relating to internal controls and the FRC’s revised Guidance on Audit Committees and Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

The Committee has considered the controls findings raised in the independent auditor’s report on pages 111 to 122. No other significant failings or weaknesses were identified during the Committee’s review in respect of the year ended 3 April 2021 and up to the date of this Annual Report.

Where the Committee has identified areas requiring improvement, processes are in place to ensure that the necessary action is taken and that progress is monitored.

Further details of these processes can be found within our full disclosure of compliance with the UK Corporate Governance Code at marksandspencer.com/thecompany.

INTERNAL ASSURANCE FRAMEWORK

<table>
<thead>
<tr>
<th>Source of information</th>
<th>Frequency/nature of reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit</td>
<td>Internal Audit Plan</td>
</tr>
<tr>
<td></td>
<td>Regular reports against Plan</td>
</tr>
<tr>
<td></td>
<td>Follow-up of remediation</td>
</tr>
<tr>
<td></td>
<td>Updates on fraud, whistleblowing and other irregularity</td>
</tr>
<tr>
<td></td>
<td>Ad-hoc engagement with the business in response to new/emerging risks or major incidents – for example, Covid-19</td>
</tr>
<tr>
<td>Management updates and risk deep dives</td>
<td>Papers submitted on a range of issues including:</td>
</tr>
<tr>
<td></td>
<td>– Information security</td>
</tr>
<tr>
<td></td>
<td>– Bribery</td>
</tr>
<tr>
<td></td>
<td>– Code of Conduct</td>
</tr>
<tr>
<td></td>
<td>– GSCOP</td>
</tr>
<tr>
<td></td>
<td>– Financial control</td>
</tr>
<tr>
<td></td>
<td>– Risk deep dives from individual business areas and functions</td>
</tr>
<tr>
<td>Functional assurance</td>
<td>Functional audit activities undertaken, including:</td>
</tr>
<tr>
<td></td>
<td>– Food safety and integrity</td>
</tr>
<tr>
<td></td>
<td>– Ethical audits</td>
</tr>
<tr>
<td></td>
<td>– Trading safely and legally</td>
</tr>
<tr>
<td>Operational oversight</td>
<td>For example:</td>
</tr>
<tr>
<td></td>
<td>– Compliance Monitoring Committee</td>
</tr>
<tr>
<td></td>
<td>– Fire, Health &amp; Safety Committees</td>
</tr>
<tr>
<td></td>
<td>– Customer &amp; Brand Protection Committee</td>
</tr>
<tr>
<td></td>
<td>– Business Continuity Committee</td>
</tr>
<tr>
<td></td>
<td>– Business Unit Operating Reviews</td>
</tr>
</tbody>
</table>