

CHAIRMAN'S GOVERNANCE OVERVIEW



The Board's focus during the year has been the accelerated transformation of the business, ensuring it is set up for long-term, sustainable success."

Archie Norman
Chairman

As outlined in my Chairman's letter on pages 2 to 3, this has been a pivotal year for the business; our new and energised executive leadership team has accelerated the pace of change in reshaping M&S. My role, and that of the Board, has been to guide and support management through this acceleration, ensuring they are relentlessly focused on delivering sustainable growth and return for our shareholders.

The Board has been highly engaged this year, being flexible with our time to challenge a refreshed Executive Committee, but also remaining ready to respond to external factors. Given events in recent years, combatting turbulence in our macro-environment is the new normal, and the business has continued to demonstrate its ability to respond effectively. This year, the Board's activities have included a focus on our longer-term strategic objectives, and we held two separate strategy away days. Naturally, we continue to fulfil our other core duties to oversee M&S' governance, culture, financial controls, risk and change management.

Further details on the Board, its Committees and our governance framework are available at corporate.marksandspencer.com.

BOARD ACTIVITIES AND CONSIDERATION OF STAKEHOLDERS

The Board's focus during the year has been the accelerated transformation of the business, ensuring it is set up for long-term, sustainable success, while navigating through headwinds created by the wider environment. A number of key decisions have been made in pursuit of this: the acquisitions of Gist, our Food logistics supplier, and the intellectual property of Thread, to help accelerate our personalisation capability; the investment in store renewals and rotations; the review and increase in front-line colleague pay, to name a few. We remain mindful of the impact of decisions made on the business' various

stakeholders and on its long-term, sustainable success, in line with S.172(1) of the Companies Act 2006 ("S.172").

An overview of the range of matters that the Board discussed and debated at its meetings during the year can be found on pages 75 to 79. How we engaged with our stakeholders and their priorities is summarised on pages 8 to 11. The Company's S.172 statement is available on pages 80 to 82.

NEW LEADERSHIP

With the appointments of Stuart Machin and Katie Bickerstaffe as Chief Executive Officer and Co-Chief Executive Officer, respectively, at the start of the year, the Board chose to promote internal talent to provide the stability, pace and knowhow required to accelerate M&S' transformation. In the remainder of the year, the Board has been focused on ensuring its composition is correct and able to support the new executive team.

As reported in last year's Annual Report, Andy Halford stood down as a non-executive director ("NED") and our Senior Independent Director ("SID") in December 2022, and we are grateful for his continued service as SID during the initial transitional period for our new executive leaders. Recognising Andy's skills and experience, we looked to make new NED appointments to provide additional bench strength in areas integral to our transformation; we appointed Ronan Dunne in August 2022 and Cheryl Potter in March 2023. We also appointed Andrew Fisher as our new SID in December 2022.

Also at the end of 2022, Jeremy Townsend joined the business as Chief Finance Officer, taking up a position on our Executive Committee. The Board and I are pleased Jeremy will now be remaining with the business until May 2025.

Full details of these Board and executive changes, our assessment of the balance of leadership skills and experience, and

our talent and succession processes, can be found in the Nomination Committee Report on pages 85 to 89. Board and Executive Committee biographies can be found on pages 72 to 74.

DIVIDEND

In this final phase of balance sheet strengthening, the Board and I believe, on balance, that non-payment of a dividend continues to be appropriate for the 2022/23 financial year. This continues to be one of the proactive steps we are taking to ensure the business is set up for success in the future. As our operating performance improves, we will look to restore a modest annual dividend payment starting with an interim dividend at the results in November.

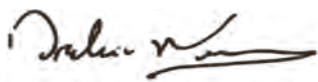
DIGITAL ENGAGEMENT

There are countless examples throughout this Annual Report of the business harnessing the power of digital to make a better M&S. Our shareholder engagement is no different. Shareholders will know how, in recent years, our Annual General Meeting ("AGM") has been held digitally. We continue to see how digital meetings are both more engaging and democratic, with participation levels trebling since our last physical meeting. As a result, our 2023 AGM will be held in the same manner and Anita Anand will act once again as your shareholder advocate, sharing your views and questioning me and the Board on your behalf. I look forward to hearing from you all then. Full details on how to participate electronically, both in advance and on the day, can be found in our Notice of Meeting on pages 218 to 229.

Digital transformation is not limited to our AGMs; we want all our shareholders to benefit from closer, digital engagement with the Company. We are, however, constrained by outdated company law and a shareholding framework that is distancing our shareholders from us, with nominee platforms who are not

obliged to pass on our shareholder communications. I wrote an open letter to the Business Secretary in April, recommending we give all shareholders a voice by reforming company law and bringing it into the 21st century as part of our "Share Your Voice" campaign. I would urge all shareholders interested in having their voices heard to support our campaign by signing our petition to government, requesting changes to the Companies Act 2006. Our campaign open letter and link to sign the petition are available on our corporate website.

 corporate.marksandspencer.com



Archie Norman,
Chairman

UK CORPORATE GOVERNANCE CODE

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 2022/23.

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 this Governance section and elsewhere in this Annual Report as set out below.

1. Board Leadership and Company Purpose	Pages
A. Effective Board	72, 73
B. Purpose, values and culture	8, 9, 12, 13, 28-31
C. Governance framework	70, 71
D. Stakeholder engagement	10, 11, 80-82, 129
E. Workforce policies and practices	28-31
2. Division of Responsibilities	
F. Role of Chairman	71
G. Independence	84, 86
H. External commitments and conflicts of interest	72, 73
I. Board resources	70
3. Composition, Succession and Evaluation	
J. Appointment to the Board	86, 87
K. Board skills, experience and knowledge	72, 73, 86
L. Annual Board evaluation	83, 84
4. Audit, Risk and Internal Control	
M. External Auditor and Internal Auditor	95, 96, 99
N. Fair, balanced and understandable review	94
O. Internal financial controls and risk management	93, 95, 96
5. Remuneration	
P. Linking remuneration to purpose and strategy	103, 108-114
Q. Remuneration policy review	108-114
R. Performance outcomes in 2022/23	116-125


Our full Corporate Governance Statement outlining our compliance is available online at corporate.marksandspencer.com.

OUR GOVERNANCE FRAMEWORK

Our Governance Framework supports the development of good governance practices across the Group.

THE BOARD OF DIRECTORS

The Board is responsible for establishing a clear purpose and for setting the strategic direction of the M&S Group. They ensure our culture is aligned with our strategy, oversee our conduct and affairs, and promote the success of M&S for the benefit of our members and stakeholders. As at the date of this Annual Report, the Board comprises the Chairman, CEO, Co-CEO and eight non-executive directors.

 To see the full breakdown of their responsibilities please visit our website

The effective working relationship between the Board and ExCo facilitates support and challenge through regular dialogue. The Board receives reports from the ExCo at each of its meetings.

The Board delegates certain matters to its four main sub-committees. At each Board meeting, the Chairs of the Committees provide an update on their Committee activities.

EXECUTIVE COMMITTEE

The Executive Committee ("ExCo"), led by the CEO, is our internal leadership team responsible for:


- day-to-day execution of strategy including reviewing strategic opportunities and initiatives from the Group's key businesses and centralised functions;
- management of M&S' core business units ensuring strong executive alignment on business priorities, investments and actions;
- management of all colleague matters, including the structure and operation of the HR function throughout the business, the development and monitoring of culture and values, reviewing talent and leadership development as well as succession plans below ExCo level.

 More information on our ExCo can be found **on page 74**.

BOARD COMMITTEES


AUDIT & RISK COMMITTEE

Responsible for monitoring the integrity of the financial statements, reviewing the effectiveness of the internal audit function, assessing the Group's risk framework, internal controls and maintaining the auditor relationship.

 Read more on pages 92-99


REMUNERATION COMMITTEE

Responsible for remuneration policy, performance-related pay schemes and share-based incentive plans.

 Read more on pages 100-129


NOMINATION COMMITTEE

Responsible for reviewing Board and Committee composition including diversity, proposing new Board appointments and monitoring the Board's succession needs.

 Read more on pages 85-89

ESG COMMITTEE

Responsible for ensuring the Group's ESG strategy remains fit for purpose, and plans are in place and reported on. Advises the Audit & Risk Committee on ESG-related risks, including climate-related issues.

 Read more on pages 90-91

Underlying this governance framework between the Board, its sub-committees and the ExCo, there are a number of senior management forums strengthening our governance and improving Board oversight.

SENIOR MANAGEMENT FORUMS

These bodies support on specific projects, business needs, or strategic priorities, meeting as and when required. Decision-making is delegated to them by the Group Delegation of Authority or Board approved terms of reference. These include:

PROPERTY COMMITTEE

DISCLOSURE & OVERSIGHT COMMITTEE

FRAUD & LOSS COMMITTEE

SHARES & DEALING COMMITTEE

COMPLIANCE MONITORING COMMITTEE

ESG BUSINESS FORUM

Each of the Group's key business units also have regular meetings with a streamlined leadership and management team. For the upcoming financial year, these will take the form of Business Boards. Each Business Board will manage, monitor and provide executive input to support strategic and operational decisions, improving the speed and efficiency of decision-making and aiding the delivery of the transformation plan:

 CLOTHING & HOME

 FOOD

 INTERNATIONAL

 RETAIL & PROPERTY

 OMNI-CHANNEL & CONNECT

 PEOPLE

DIVISION OF RESPONSIBILITIES AND MEETING ATTENDANCE

CEO and Co-CEO

In May 2022, a new leadership team was appointed to accelerate progress with our transformation. This new structure consists of a CEO, supported by a Co-CEO.

Our CEO, Stuart Machin, is responsible for the overall performance and day-to-day management of the Group. This includes monitoring: the Group's current trading; progress against strategic initiatives; the ever-changing competitive landscape; emerging risks; ExCo performance; and succession planning for key roles within the business. He is also responsible for overseeing the development of business strategies for Board approval and achieving timely and effective implementation.

Our Co-CEO, Katie Bickerstaffe, reports into the CEO, and is accountable for specific business areas and the delivery of Board approved operating and capital plans. She has a particular focus on driving the global omni-channel and digital future of the business, alongside maintaining responsibility for the Clothing & Home, International and Financial Services businesses.

Chairman

The Chairman of our Board, Archie Norman, is responsible for leading the Board and for promoting the highest standards of corporate governance, assisted by the General Counsel & Company Secretary. Importantly, he is responsible for establishing effective shareholder engagement and building strong relationships with our wider stakeholders.

Senior Independent Director (SID)

The SID, Andrew Fisher, provides a sounding board for the Chairman, supporting on all governance issues including the annual Board Review and Chairman's review. Additionally, the SID provides a communication channel between the Chairman and non-executive directors and, when required, principal shareholders including representative bodies.

Non-executive directors (NEDs)

Independent NEDs assess, challenge and monitor the executive directors' delivery of strategy within the risk and governance structure agreed by the Board. As Board Committee members, they also review the integrity of the Company's financial information, consider ESG issues, recommend appropriate succession plans, and set the directors' remuneration.

 A full breakdown of the roles and responsibilities of our Board is available on our corporate website, corporate.marksandspencer.com.

BOARD MEETING ATTENDANCE IN 2022/23

During the 2022/23 financial year, the Board held 11 scheduled meetings for which individual attendance is set out below.

Sufficient time is provided, periodically, for the Chairman to meet privately with the SID and NEDs to discuss any matters arising.

For information on key board activities, see pages 75 to 79.

CHAIRMAN	Attended	Maximum possible	Independent
Archie Norman*	11	11	
EXECUTIVE DIRECTORS			
Stuart Machin	9	9	
Katie Bickerstaffe	9	9	
Eoin Tonge**	8	8	
NON-EXECUTIVE DIRECTORS			
Full Year			
Evelyn Bourke	11	11	✓
Fiona Dawson	11	11	✓
Andrew Fisher	11	11	✓
Andy Halford***	8	8	✓
Tamara Ingram	11	11	✓
Justin King	11	11	✓
Sapna Sood	11	11	✓
Appointed in 2022/23			
Ronan Dunne	7	7	✓
Cheryl Potter	1	1	✓

*Considered independent on appointment.

**Attended all meetings until he stood down from the Board on 9 December 2022.

***Attended all meetings until he stood down from the Board on 31 December 2022.

OUR BOARD

CHAIR AND EXECUTIVE DIRECTORS



ARCHIE NORMAN
CHAIRMAN



Appointed: September 2017

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 Lead Director at the Department for Business, Energy & Industrial Strategy from 2016-2020. Archie is also the Chairman of Signal AI, Non-Executive Vice Chairman of Global Counsel and Senior Independent Director of Bridgepoint Group plc.



STUART MACHIN
CHIEF EXECUTIVE OFFICER

Appointed: May 2022

Stuart took over as CEO in May 2022, having joined M&S as Food MD in 2018. Prior to his appointment as CEO, Stuart was joint COO where in addition to leading M&S Food he also took responsibility for property and store development, store operations, HR and IT. Prior to M&S, Stuart held senior roles across the UK and internationally, starting his career in Sainsbury's and British Home Stores, Tesco and then Asda. Stuart spent 10 years in Australia as part of Wesfarmers as COO and CEO of Coles supermarkets and Target department stores respectively before returning to the UK as CEO of Steinhof UK. Stuart attended the three-month residential Harvard AMP program in 2013 and CEO program in 2023. Stuart is also a director of Ocado Retail Limited.



KATIE BICKERSTAFFE
CO-CHIEF EXECUTIVE OFFICER

Appointed: May 2022

Katie has held a number of roles at M&S including Non-Executive Director, Chief Strategy and Transformation Director and most recently, joint COO. On 25 May 2022, she rejoined the Board as Co-CEO. Katie is currently a Non-Executive Director of Barratt Developments PLC and at the England and Wales Cricket Board. She was previously Executive Chair of SSE Energy Services and Chief Executive, UK and Ireland of Dixons Carphone plc, with extensive experience of digital, retail and operations and of leading consumer-focused businesses.

NON-EXECUTIVE DIRECTORS



ANDREW FISHER, OBE
SENIOR INDEPENDENT DIRECTOR



Appointed: December 2015

Andrew was instrumental in establishing mobile lifestyle app Shazam, where he was Executive Chairman until October 2018, as a leading mobile consumer brand, and brings over 20 years' experience leading and growing numerous technology-focused enterprises. He is Non-Executive Chair of both Rightmove plc and Epidemic Sound, and is also a trustee at the Royal Marsden Cancer Charity.



EVELYN BOURKE
NON-EXECUTIVE DIRECTOR



Appointed: February 2021

Evelyn retired from her role as CEO of Bupa Group in December 2020 where she led transformative change during her near five-year tenure. She has extensive experience in financial services having spent three and a half years as Bupa's CFO and in leadership roles at Standard Life and Friends Provident. Evelyn has been a Non-Executive Director of Bank of Ireland since May 2018 and chairs the Audit Committee there. She joined the Board of Admiral PLC as a Non-Executive Director on 30 April 2021, and chairs the Remuneration Committee. She joined the board of AJ Bell Plc on 1 July 2021 and is also their Senior Independent Director.



TAMARA INGRAM, OBE
NON-EXECUTIVE DIRECTOR



Appointed: June 2020

Tamara had a longstanding leadership career in advertising, marketing and digital communications, having held leadership roles at WPP since 2002 and as Non-Executive Chair of Wunderman Thompson and CEO of J Walter Thompson. Prior to this, she worked at Saatchi and 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 also a Non-Executive Director of Reckitt Benckiser Group plc, Marsh McLennan and Intertek Group.

Committees key

(A) Audit & Risk**(E)** ESC**(N)** Nomination**(R)** Remuneration**(C)** Committee Chair

NON-EXECUTIVE DIRECTORS CONTINUED



FIONA DAWSON, CBE
NON-EXECUTIVE DIRECTOR

(R) **(N)****Appointed:** May 2021

Fiona retired in July 2021 from Mars Inc., after more than three decades. Her last role was Global President Food, Multisales and Global Customers, and she was also a member of the Global Leadership Team. Fiona has a strong track record in sustainability, health and wellbeing, particularly women's entrepreneurship and human rights and has always been a strong advocate for equality and diversity in the workplace. In May 2021, Fiona was awarded a CBE for services to women and the economy. She is a Trustee of The Social Mobility Foundation, Chair of the Women's Business Council and President elect of the Chartered Management Institute. Fiona is also a Non-Executive Director of LECO and joined Kerry Group plc as a Non-Executive Director in January 2022.



JUSTIN KING, CBE
NON-EXECUTIVE DIRECTOR

(A) **(N)****Appointed:** January 2019

Justin has over 30 years of experience in large retail operations and transformations, and now acts as an adviser to a range of businesses. He holds the Chair positions at Allwyn Entertainment, Dexters Group and, more recently, Itsu Grocery. Between 2004 and 2014, he was the CEO of Sainsbury's, leading the business through a major turnaround. He has also previously held senior positions at M&S, as Head of Food, as well as at Asda, Haagen-Dazs, PepsiCo and Mars.



SAPNA SOOD
NON-EXECUTIVE DIRECTOR

(E) **(N)****Appointed:** June 2020

Sapna joined The Adecco Group in June 2021 and on 1 May 2023, was appointed as President, Adecco APAC. She was previously the Chief of Staff to the Group CEO. She has in-depth knowledge of running complex supply chains, including in food and clothing, as well as experience of leading large transformation programmes and is passionate about sustainability. More recently, Sapna was a senior executive at Compass Group and a Non-Executive Director at Kering SA and is currently an Advisory Board member of Imperial College Business School.

NON-EXECUTIVE DIRECTORS APPOINTED IN 2022/23



CHERYL POTTER
NON-EXECUTIVE DIRECTOR

(N)**Appointed:** March 2023

As the former head of the global consumer team at private equity firm, Permira, Cheryl brings a strong shareholder value focus to the Board. Cheryl currently serves as a Non-Executive Director on the Board of German company, Best Secret, and has done since April 2017. Cheryl is also a passionate advocate for women in leadership, as both a founding Patron of The Prince's Trust Women Supporting Women scheme and as the current Chair of Level 20, a not-for-profit organisation focused on getting more women into senior investing roles in the Private Equity industry.



RONAN DUNNE
NON-EXECUTIVE DIRECTOR

(A) **(N)****Appointed:** August 2022

A commercial leader with extensive international experience in the digital telecoms industry, Ronan also has financial expertise having held Chief Financial Officer roles previously. He has led businesses through technological and people transformation both as CEO of Verizon Consumer Group and CEO of Telefónica UK (O2). Ronan is currently Non-Executive Chairman of Six Nations Rugby as well as a Trustee of the John King Brain Tumour Foundation.

LEAVERS THIS YEAR

On 25 May 2022, **Steve Rowe**, who was Chief Executive for six years from 2016-2022, stepped down from the Board, leaving after 40 years with M&S.

Eoin Tonge stepped down from his position as Group CFO & Chief Strategy Officer on 9 December 2022 having joined M&S two years prior.

Andy Halford, Senior Independent Director and Audit Committee Chair, stood down from the Board with effect from 31 December 2022, having been appointed in 2013.

➔ Read more on the Board's skillset on page 86

OUR EXECUTIVE COMMITTEE

The Executive Committee is established and led by the CEO, and is responsible for executing strategy and the day-to-day management of the business.

Alongside Stuart and Katie, Richard, Sacha and Nick were members throughout the year. Jeremy, Alex, Victoria and Sarah joined the Committee part-way through the year.



JEREMY TOWNSEND
CHIEF FINANCE OFFICER

Jeremy joined M&S on 22 November 2022 and brings a wealth of financial leadership experience. Jeremy has held senior financial and non-executive roles across several public companies and was the Group CFO of Rentokil Initial Plc. Jeremy is currently a Non-Executive Director of PZ Cussons plc, parkrun Global Limited and at NHS England, where he is the Chair of the Audit & Risk Assurance Committee.



RICHARD PRICE
MANAGING DIRECTOR
OF CLOTHING & HOME

Richard spent three years as MD of BHS before becoming CEO of F&F Clothing at Tesco PLC in 2015. Prior to this, Richard was at M&S from 2005 to 2012, first as Head of Merchandise and then as Menswear Trading Director. Richard's career spanning some of the UK's top clothing brands demonstrates his proven track record of delivering growth through stylish, great value product.



ALEX FREUDMANN
MANAGING DIRECTOR
OF FOOD

Alex joined the team at M&S as Managing Director of Food on 7 November 2022 from Australian beer, wine and spirits retailer, Dan Murphy's. Alex has a wealth of experience having worked in food retailing for nearly two decades, previously leading both Grocery and Fresh Foods at Coles, one of Australia's largest retailers. Prior to Coles, Alex worked for Tesco in the UK.



SACHA BERENDJI
OPERATIONS DIRECTOR

Sacha joined M&S in 1994 through the Graduate training 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 is currently Operations Director, looking after stores and store operations, property and store development for UK and Ireland. On 1 February 2023, Sacha was appointed to the Board at Adnams plc as a Non-Executive Director, where he is also a member of the Remuneration and Audit Committees.



VICTORIA MCKENZIE-GOULD
CORPORATE AFFAIRS
DIRECTOR

Victoria has been a part of the leadership team as Corporate Affairs Director since 2019, heading-up colleague communications, external communications, public affairs and, since 2022, sustainability. Victoria is also the Executive Sponsor for Inclusion & Diversity across the business. Victoria is a Non-Executive Director on the Board of Allwyn UK and a member of the Advisory Board for her alma mater, University of Liverpool Management School.



SARAH FINDLATER
GROUP HR DIRECTOR

Sarah has been Group HR Director since March 2022. She joined M&S in 1998 through the HR Graduate programme and undertook HR Business Partner roles in stores and regions across the country, before joining our Support Centre in 2010 leading various functions including Organisational Development and Talent. Sarah sits on the Prince's Trust Retail Leadership Group and is G20 EMPOWER alliance advocate, a Private Sector Alliance for the Empowerment and Progression of Women's Economic Representation.



NICK FOLLAND
GENERAL COUNSEL &
COMPANY SECRETARY

Nick has 30 years of legal and governance experience, and has been General Counsel & Company Secretary in FTSE 100 businesses since 2001. He has held positions as Chief Executive of the Crown Prosecution Service and Chief External Affairs Officer and Chief of Staff to the CEO of the Co-op. Nick joined HMPPS as a non-executive member of its Audit and Risk Assurance Committee in May 2021, and in April 2023, joined the Board of Defence Equipment and Support as a Non-Executive Director and Chair of the Audit and Risk Assurance Committee.

BOARD ACTIVITIES

The following pages outline the key topics the Board has been engaged on, in support of Reshaping M&S.

KEY MILESTONES	2022	
Board approves preliminary results statement 2021/22, announcing new CEO and Co-CEO leadership team.	25 May	
	22-24 June	Board attends strategy away days to consider and finalise the strategic priorities for upcoming months.
Board attends the digital Annual General Meeting ("AGM"), listening and responding to shareholder views.	5 July	
	21 July	Plans to acquire Gist are announced.
Ronan Dunne joins the Board as a non-executive director.	1 August	
	21 September	Our £15m investment in colleague pay is announced, to support colleagues through the cost-of-living crisis.
Completion of Gist acquisition.	30 September	
	12 October	Board members speak to institutional investors on the Group's investment case at our Capital Markets Day.
Board approves Half Year Results trading statement.	8 November	
	31 December	Andy Halford steps down from the Board. Andrew Fisher is appointed as the new Senior Independent Director.
	2023	
Board attends strategy away days to discuss strategic priorities for 2023/24.	1-2 February	
	28 February	A further £57m investment in our colleague pay is announced, increasing it for a second time in response to the ongoing cost-of-living crisis.
Cheryl Potter joins the Board as a non-executive director, making the Board a 55% female majority.	1 March	

BREAKDOWN OF BOARD ACTIVITIES

Meeting agendas, agreed in advance by the Chairman, CEO and Company Secretary, combine a balance of regular standing items as outlined below:



● STRATEGY

The Board considers key areas of strategy during these updates, advising on strategic direction and focus. This year, these sessions were also used for refining our strategic priorities.

● DEEP DIVES

Deep dive sessions are presented on areas of importance and focus from Business Unit heads. Over the year, these have included updates on omni-channel, the People Plan and culture, and the role of health in our Food business.

● EXECUTIVE UPDATES

Executive directors provide high-level operational and financial updates, presenting the key challenges and actions taken during the reportable month, as well as a look forward at priorities for the next month.

● GOVERNANCE AND COMMITTEE REPORTS

The General Counsel & Company Secretary provides an update, summarising the legal activities from the period alongside upcoming events or regulatory changes. Contracts for approval outside the Board-approved delegated authorities are presented for consideration, as well as year-end statutory reporting for publication. Committee Chairs also provide regular updates on their recent Committee meetings, highlighting any decisions and key issues for the Board's attention.

BOARD ACTIVITIES CONTINUED

Agenda items for discussion correspond to the Group's strategic priorities, and have taken into consideration the impact on stakeholders; these are highlighted in the key below.

STAKEHOLDER GROUPS



- 1 Shareholders
- 2 Colleagues
- 3 Customers
- 4 Communities
- 5 Suppliers
- 6 Partners

[➔ Read more on pages 10-11](#)


STRATEGIC PRIORITIES



[➔ Read more on pages 12-27](#)


STRATEGY AND TRANSFORMATION

Modernised supply chain

 [2](#) [3](#) [5](#)

Over the year, the Board heard updates on the end-to-end transformation of the Clothing & Home operating model. The Board debated and approved elements of the new model, enabling the business to improve global operations and deliver an efficient omni-channel customer proposition. Additionally, the Board provided guidance on the further implementation of Vanguard, leading to the business successfully executing the principles for the first time through peak trading, with improved stock flow to stores.

Acquisition of Gist

 [1](#) [2](#) [3](#) [5](#)

The Board considered, debated and ultimately approved the acquisition of Gist, enabling the business to take full control of our food supply chain for the first time in M&S history and invest in a “fit for the future” logistics network. They received regular updates from the Project Delivery team, steering management on acceptable transaction parameters and risk appetite, as well as discussing the benefits and challenges the acquisition would bring to the business. This included the benefits arising from elimination of contractual fees and costs, allowing for investment elsewhere to drive shareholder returns and keep prices low for customers. The Board continues to receive updates on the integration of the Gist business and its colleagues into M&S.

[➔ Read more on page 26](#)

Ocado

 [1](#) [3](#) [6](#)

This year, the Board has assessed and debated the ways in which we can maximise the value of our joint venture (“JV”) with Ocado Retail and foster the relationships between both leadership teams. Ocado Retail CEO, Hannah Gibson, was introduced to each NED personally following her appointment, and the Board heard her plans for her first 100 days in post and discussed the future of the JV. Hannah was also invited to present at the Board's strategy away day in February 2023, where the Board advised that Ocado Retail's senior management talent plan needed strengthening to improve organisational processes.

Acquisition of Thread

 [1](#) [3](#)


The Board received regular updates on the acquisition of intellectual property developed by the personalised fashion marketplace, Thread, enabling us to advance in our personalisation strategy. The Board considered and approved the approach, recognising the benefit of buying, not building key technology developments.

Store of the future

 [1](#) [2](#) [3](#) [4](#)

The Board considered and approved the rotation and renewal of legacy stores, including approving trials for new café and Beauty concept offers; all driving either sales or operating efficiency. The Board debated and approved a longer-term plan to reduce the number of full line stores from 247 to 180 and open another 100 Food stores (to 420) by FY25/26. The associated £480m investment will generate over 3,400 new jobs across the country and aims to create a fit for the future M&S store estate with a seamless experience for customers every time they shop. The Board also monitored progress towards net zero emissions from stores by 2035 due to the store renewal scheme.

Sustainability

 [1](#) [3](#) [4](#)

Sustainability and net zero targets remain at the forefront of the Board's decision-making considerations and this year included maintaining an overall focus on ensuring stores are carbon efficient. Alongside store rotation plans, the Board approved the implementation of high-speed electric vehicle charging points at 70 M&S stores. The Board also considered management's plans on how to map and reduce the Group's carbon footprint and received updates from the ESG Committee on workstreams across the business and progress against corresponding sustainability metrics.

[➔ Read more on page 32-33](#)

HOW THE BOARD IS MAKING STRATEGIC DECISIONS TO BUILD A RESHAPED M&S

Strategy Days

WHEN

The Board attended dedicated strategy away days in June 2022 and February 2023, discussing short- and long-term strategic goals, and determining the choices the business needs to make to achieve them.

DISCUSSION THEMES

The main discussion themes over both sessions were:

- Identifying the appropriate strategic priorities and short-term choices required to steer the business towards these;
- Structurally shifting M&S' cost base to improve efficiency;
- Using data and metrics to drive a more granular and fact-based understanding of business performance; and
- Making cultural change and innovation the key to growth.

OUTCOMES

The Board's key conclusions included:

- A more compelling investor narrative to be developed, with a laser focus on communicating how we will deliver consistent returns for shareholders;
- Growth should be a key focus; by investing in projects that guarantee future returns whilst working to achieve growth in our BAU activities; and
- Our costs should be restructured, to ensure efficient treatment across our operating costs, investments and working capital.

FUTURE

Regular strategy away days will continue to be arranged. The Board and management agreed the sessions were extremely productive and will be beneficial as the business continues to transform.

OPERATIONAL AND FINANCIAL UPDATES

Budget and financial performance monitoring



The Board monitored financial performance versus budget on a regular basis throughout the year, alongside reviewing and approving the budget for FY2023. The Board highlighted the importance of preparedness for potential decline from future headwinds.

Disciplined capital allocation



The Board agreed to prioritise strengthening the balance sheet and investing in colleagues by not paying a final dividend for the year, but continue to monitor and discuss the resumption of dividend payments in the near future. The Board emphasised to management the importance of disciplined capital allocation, including prioritising spend that provides greater shareholder returns in the long term.

Marketing the M&S brand



The Board discussed and highlighted the need for improvement in the way we communicate the M&S brand to potential consumers, noting the production of the ITV show "Inside M&S at Christmas" to improve value and quality perception.

Supplier agreements



The Board was involved in assessing key supplier agreements, including approving a renewed agreement with Greencore as supplier of sandwiches, wraps, rolls and sushi in stores and M&S Cafés.

Introduction of Sparks globally



The Board discussed the potential positive impact of globalising the already successful Sparks loyalty scheme. They received updates and supported the launch of the scheme throughout FY22/23: in Republic of Ireland in May, France in September and in October, India, Australia and across 25 M&S international flagship websites serving target markets.

Third-party brands



The Board reviewed third-party brand proposals and received updates on performance of existing third-party brands online and in stores such as Nobody's Child and Ted Baker. The Board provided guidance on the benefit of third-party brands, advising that brands that complement our own label can provide broader appeal and improved growth, and should be considered when developing the refresh of our home and furniture offering.



BOARD ACTIVITIES CONTINUED

RISK MANAGEMENT AND MACRO IMPACTS

Energy price increase



The Board has been working to address this macro challenge, both to minimise the cost impact as well as to support the delivery of our net-zero commitments. The Board agreed a short-term goal to reduce consumption, targeting an initial 5-10% reduction in 2023/24 through a variety of tactical moves in store, including a temperature reduction and a review of bakery operational times. The Board also discussed the importance of investment in refrigeration replacement and energy efficiency, highlighting the need to begin a programme to remove natural gas from our store estate as soon as possible.

FX hedging



The decline of sterling against the US dollar, among other factors, caused an increase in the underlying cost of Clothing & Home product. The Board discussed and agreed to hedge forward volumes through the year to mitigate purchasing exposures.

Inflation



As the level of inflation increased, the Board recognised the need for price investment into a high quality, core value range for customers. The Board supported the “Remarksable Range” and “Price Lock” initiatives, noting the importance of value perception to the strategy, and debated how to communicate this to consumers. The marketing team were engaged in order to align the expectations of the Board to their campaigns. Additionally, our inflation mitigation activity has formed a central part of the Investor Relations narrative, especially in Food.



Russia



The Board directed a full withdrawal of all M&S business from Russia including approving the closure of 48 stores and the online proposition.

Principal and emerging risks



The Board heard updates from the Audit & Risk Committee Chair on principal and emerging risks, in particular highlighting the threat of cyber security attacks and the need for investment to prevent these. The Board reviewed and approved the Group’s refreshed risk appetite statements, as recommended by the Audit & Risk Committee.

[➔ Read more on pages 58-65](#)

ORGANISATIONAL CULTURE AND COLLEAGUES

Supporting colleagues through the cost-of-living crisis



The Board discussed and agreed ways to help colleagues with the cost-of-living crisis, including reviewing benefits packages. The Board received regular updates from management and the Remuneration Committee, ultimately approving the recommendation for out-of-cycle inflationary pay rises for colleagues in both September and February, as well as a £250 voucher to help lower paid colleagues with the costs of the Christmas period. They also debated how to communicate these increases to colleagues and externally.

[➔ Read more on page 81](#)

Structured talent plan



The Board received detailed talent succession plans for all leadership roles and senior management, with an emphasis on the importance of retaining top talent. The Board considered ways in which individuals could progress through the organisation, proposing increased investment into growing talent internally.



Embedding the Closer to Customers programme



The Board supported the new initiative for Support Centre colleagues to spend seven days a year working in stores, assisting colleagues during peak trading as well as reflecting on learnings and innovations required to improve customer experience and store operations. During September 2022, executive directors managed our Bluewater store alongside the leadership team, to be closer to colleagues and closer to customers; using the experiences in store to gain feedback, insight and data and to drive visible improvements in store.

Your Voice survey



The Board carefully considered the results of the colleague "Your Voice" survey, aimed at understanding the areas in which the organisation's culture can be improved. The Board agreed that listening to colleagues is critical to delivering M&S' strategic transformation. Based on feedback from the survey, the Board highlighted the need for increased empowerment across the organisation to drive faster decision-making.

Business Involvement Group



The elected Chair of BIG continues to engage regularly with the Board and attended the April 2022 Board meeting to feedback key messages from colleagues for the Board to discuss. The two key topics considered were the cost-of-living crisis and how this affects colleagues, as well as how Covid-19 impacts are now part of everyday life in the retail sector and the challenges faced by vulnerable colleagues. This feedback contributed to the decision to invest in colleague pay twice this year, in both September and February.

[Read more on page 29](#)

GOVERNANCE AND OVERSIGHT

AGM



The Board continued to support the evolution of our digital AGM format. Following our 2022 AGM, the directors provided post-meeting feedback that the event had been a positive one and was clearly a successful demonstration of using digital tools to increase shareholder engagement.

Share Your Voice Campaign



The Board received updates on digital shareholder engagement during the year, culminating in the launch of the "Share Your Voice" campaign. The campaign calls for updates to the Companies Act 2006 to revitalise shareholder democracy.

[Read more on pages 68-69](#)

Shareholder engagement



The Board was kept up to date with institutional investor engagement throughout the year on topics including strategic direction and director remuneration. Members of the Board attended a Capital Markets Day held at our Waterside Support Centre, where investors heard from executive directors on our longer-term strategic priorities. Feedback on these priorities subsequently contributed to the Board's discussions during their February strategy away days.

NED recruitment and succession



The Board carefully considered and approved the appointment of two new non-executive directors and the succession of the Senior Independent Director and the Audit Committee Chair, on recommendations from the Nomination Committee.

[Read more on pages 85-87](#)

Financial Reporting



The Board reviewed and approved the 2021/22 Annual Report and Accounts and the 2022/23 Half Year results, on recommendation from the Audit & Risk Committee that these were a fair, balanced and understandable representation of the Group's performance and financial position.

Board Committee updates



The Board reviewed changes to the Audit Committee terms of reference, agreeing to it becoming the Audit & Risk Committee. The Board also reviewed and approved changes to the Disclosure Committee's terms of reference to detail explicitly the Committee's oversight of non-financial information as well as financial data, and agreeing to its renaming to the Disclosure & Oversight Committee.

HFSS regulation



Executive members of the Board were proactive in reacting to The Food (Promotion and Placement) (England) Regulations 2021 brought in this year, engaging with several members of parliament to discuss the legislation which is aimed at reducing the availability of products high in fat, salt and sugar in high footfall areas and bought through promotions. The Board discussed the important role that health plays in the business and regularly discussed how to best adhere with, and anticipate, further regulation.

Board Review



The Board were involved in an internal review, in which the Chairman held structured interviews with each of the non-executive directors and sought feedback from executive directors. The purpose of the review was to assess overall performance including balance of board expertise and quality of constructive and transparent dialogue.

[Read more on pages 83-84](#)



S.172 STATEMENT

Decisions made by the Board must balance the sometimes conflicting needs and priorities of our stakeholders, whilst also ensuring they promote the long-term success of M&S and protect our reputation. This duty is enshrined in Section 172(1) (a) to (f) of the Companies Act 2006 (“S.172”).

Engagement therefore plays a key role in ensuring directors fully understand stakeholder needs and can make well informed decisions that have addressed differing priorities. Our overview of stakeholder engagement that has taken place during the year can be found on pages 10 to 11.

The following pages comprise our S.172 statement and detail how the Board has fulfilled its duty this year to have regard to the matters set out in S.172. Examples of three key decisions taken by the Board during the year on pages 81 to 82 detail how the Board considers stakeholder needs in practice and how this impacted decisions.

The below table outlines other areas of this report which detail how the directors have had regard to the S.172 factors.

HOW THE DIRECTORS FULFIL THEIR S.172 DUTY UNDER THE COMPANIES ACT 2006:

Diverse set of skills, knowledge and experience

- The Board has a diverse set of skills, knowledge and experience which assists it in making informed decisions promoting the long-term success of the Company whilst considering the needs of our stakeholders.
- Further information on our Board composition, including the skills and experience of our directors, can be found in Our Board on pages 72 to 73 and in the Nomination Committee Report on pages 85 to 89.

Board information and monitoring

- The Board receives detailed papers and in-person updates from management, including stakeholder priority and outcome analysis, which they query, challenge, and debate, to ensure conflicting views are carefully considered.
- Updates on the progress of actions and decision implementation are also provided, to allow the Board to review and alter where appropriate as situations (and stakeholder priorities) inevitably evolve.


- Further information on the Board’s activities can be found on pages 75 to 79.

Board discussion

- All directors are expected to constructively challenge and contribute to discussions, as well as offer additional perspectives, advice and strategic guidance.
- Further information can be found within the Division of Responsibilities and Meeting Attendance section on page 71, and the Board Review on pages 83 to 84.

Strategic direction and culture

- The Board is responsible for setting the strategic direction, values and culture of the Company. It sets the tone of how business is done throughout M&S and has embedded expectations that stakeholder considerations are central to decision-making at all levels of the organisation.
- Further information on culture can be found on pages 28 to 31, and further information on our strategy can be found on pages 12 to 27.

S.172 FACTOR	FURTHER INFORMATION CAN BE FOUND:	S.172 FACTOR	FURTHER INFORMATION CAN BE FOUND:
(a) The likely consequence of any decisions in the long term	Our Business Model: pages 8-9 Our Strategic Priorities: pages 12-27 Stakeholder Considerations: pages 81-82	(d) Impact of operations on the community and environment	Our Business Model: pages 8-9 Stakeholder Engagement: page 11 Our Strategic Priorities: page 15 and 18 TCFD Report: pages 44-55 Stakeholder Considerations: pages 81-82 ESG Committee Report: page 91  marksandspencer.com/sustainabilityreport2023
(b) Interest of employees	CEO & Co-CEO Q&A: page 6 Our Business Model: pages 8-9 Stakeholder Engagement: page 10 People & Culture: pages 28-31 Stakeholder Considerations: pages 81-82 Remuneration Committee Report: page 106	(e) Maintaining a reputation for high standards of business conduct	Our Business Model: pages 8-9 TCFD: pages 45 and 54 Risk Management: pages 56-57 Stakeholder Considerations: pages 81-82 Audit Committee Report: page 95
(c) Fostering the Company’s business relationships with suppliers, customers and others	CEO & Co-CEO Q&A: pages 6-7 Our Business Model: pages 8-9 Stakeholder Engagement: pages 10-11 Our Strategic Priorities: pages 14, 18-21, and 25 Stakeholder Considerations: pages 81-82	(f) Acting fairly between members of the company	Our Business Model: pages 8-9 Stakeholder Engagement: page 10 Our Strategic Priorities: page 27 Stakeholder Considerations: pages 81-82 Remuneration Committee Report: page 106

STAKEHOLDER CONSIDERATIONS

SUPPORTING STAKEHOLDERS THROUGH THE *cost-of-living crisis*



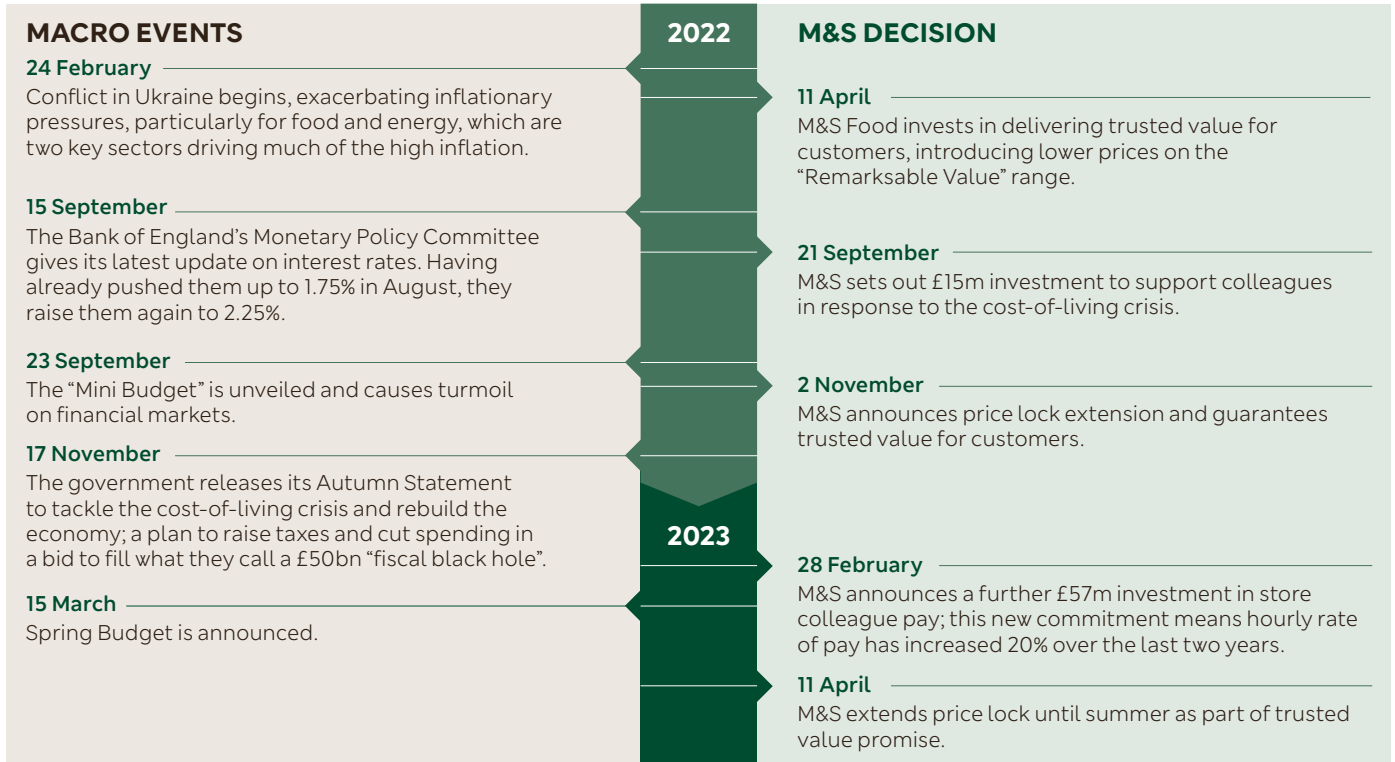
“Cost-of-living is the most talked about issue amongst our colleagues ... We are pleased our leadership team has listened to colleagues and responded.”

Graham Bennett
Chair, National Business Involvement Group



“Everyone across the country is feeling the pressure of rising costs. We want to do what we can to help ease some of that strain; that’s why we have invested in price to deliver better value for our customers and why we are investing in our colleague base pay for the second time this year.”

Stuart Machin
CEO



The cost-of-living crisis has been felt across the business and by all our stakeholders. The topic has frequently featured on Board agendas and directors have discussed in detail how best to strike the balance between supporting those impacted, whilst delivering on M&S’ growth ambitions to promote the long-term success of the business.

The central theme of Board discussions has been managing the increasing costs caused by inflation. The Board and senior management have noted the progress made in recent years to build value credentials with customers, while upholding quality and sustainable practices with suppliers. Passing too much cost on to customers and suppliers could jeopardise these relationships and our reputation. However, investing too much in price for customers and suppliers could come at the expense of shareholders and colleagues; by failing to sustain sufficient margin to drive value for shareholders, or jeopardising potential pay adjustments for front-line colleagues.

Following extensive consideration of the issues faced by each stakeholder group, the Board carefully balanced these conflicting priorities and made the following decisions:

- At a time when family budgets were under stress, it was deemed a priority to sustain our “trusted value” status amongst customers. In April 2022, our Remarksable Value range was relaunched, focusing investment on everyday lines. The decision was made to price lock 100 family favourites. The Board kept this approach under constant review, agreeing that investing in products highly valued by customers was the right approach. This decision to support and preserve our standing with customers has since proven to drive volume growth, which should create long-term benefit for shareholders. The investment made in Remarksable Value resulted in a 40% increase in sales, with products now featuring in c.20% of customer baskets.

- The Board worked closely with colleague representatives in our Business Involvement Group (“BIG”) to ensure our benefits package accurately reflected the changing needs of colleagues. The Chair of National BIG attended the Remuneration Committee (“RemCo”) meeting in September 2022 to communicate the key issues facing colleagues. As a result, RemCo agreed a £15m inflationary pay rise for colleagues, as well as a £250 voucher to help lower paid colleagues with the costs of the upcoming Christmas period. The RemCo has since carefully monitored inflation and the consequent ongoing challenges being experienced by colleagues. Recognising that for M&S to succeed in the longer term our colleagues must feel supported and appreciated, in February 2023, the RemCo agreed to a further investment of £57m in store colleague pay, meaning hourly rates of pay have increased 20% over the last two years.

STAKEHOLDER CONSIDERATIONS CONTINUED

EV Charging CONTRACT WITH BP

1 3 4 6



In September 2022, the Board approved an exclusive agreement with bp pulse to expand its national charging network with high-speed electric vehicle (“EV”) charge points at 70 M&S stores. The Board’s view in making this decision was that the agreement would benefit our key stakeholders and the business in the longer term as the UK converts to EV ownership in the coming years.

70

M&S stores to have EV chargers installed

- The agreement further enhances and cements our relationship with bp as a franchise partner.
- The installation of charging points adds a new revenue stream for the business. This will not only offset the cost of installation and maintenance; it will increase footfall in M&S stores and provide us with a competitive edge over other retailers who do not have such facilities. Ultimately the Board believes this will benefit shareholders and the long-term success of the business.
- EV charge points provide a better experience for our customers who own electric vehicles as they can charge while they shop.
- Providing EV charging facilities demonstrates our commitment to the environment as well as our willingness to support sustainable transportation, which helps improve our reputation.

Acquisition OF GIST

1 2 3 5

The acquisition of Gist was a key agenda item in Board meetings this year. Having restored M&S Food to an industry-leading position on volume growth in recent years, the Board’s discussions centred on vertical integration in Food as a means of creating a more effective and efficient supply chain. Gist was identified as an acquisition target, having worked with M&S as its principal Food logistics supplier, and the Board considered the potential supply chain benefits: the ability to invest in the network and reduce the cost to serve, and the ability to update legacy systems and improve automation. The Board recognised the potential the acquisition had to generate immediate benefits to M&S through these operational synergies, including the ability to build on the successful implementation of the “Vanguard” supply chain optimisation programme.

Alongside these cost savings and operational benefits, the Board considered the needs of other key stakeholders, and the benefits the acquisition might create for them. Having additional control of the network had potential benefits for customers and colleagues.

The reduction in costs would provide M&S with flexibility to maintain product prices, while the increased network control could create colleague efficiencies through more joined up ways of working, and improvements to forecasting, ordering and allocation.

The Board unanimously agreed the acquisition would be a critical enabler of our end-to-end supply chain transformation, helping to drive long-term returns for shareholders, as well as providing benefits to a number of other key stakeholders. The Board noted, following completion, it would be important to manage the integration process carefully, ensuring Gist colleagues felt part of the M&S family. As a result, a comprehensive integration plan is underway and is being closely monitored by the Board to ensure successful delivery of the transaction’s strategic objectives, particularly the realisation of stakeholder benefits.



£145m

initial consideration paid

BOARD REVIEW

The Board reflects on its performance and effectiveness annually. This year, our evaluation was facilitated internally by the Chairman, with support from the General Counsel & Company Secretary. Our last externally facilitated Board Review took place in 2021. In accordance with the principles of the UK Corporate Governance Code, we intend to externally facilitate next year's Board Review.

One-to-one discussions were held with each of the directors, covering a broad range of topics relating to the Board, its committees and the directors' individual contributions. The Senior Independent Director met with each of the directors to review the Chairman's performance and the feedback was subsequently shared with the Chairman.

The review focused on:

- **Board:** composition, diversity and expertise, dynamics, time management, stakeholder focus and strategic oversight.
- **Committees:** effectiveness of the committee chairs and the committees themselves, focus of agendas, composition and time management.
- **Chairman:** relationships and communication, meeting management, as well as managing relationships with shareholders.
- **Individuals:** preparation for and attendance at meetings, time commitment, director relationships, knowledge, experience and overall contribution.

IMPACT OF THE 2022/23 ACTION PLAN

The outcomes and actions agreed following last year's review were a focus for the Board throughout the year, and progress was assessed in the review.

2022/23 Action

Examples of action taken in the year

Review the Board's informal engagement opportunities, as well as the Board's Involvement Programme, to be closer to stakeholders

- The directors have connected frequently in informal settings such as breakfasts and dinners.
- Each of the NEDs met individually with Hannah Gibson, CEO Ocado Retail, and Hannah also attended the Board's strategy away day in February 2023.
- The executive directors ran the Bluewater store for a week in September 2022 to get closer to both customers and store colleagues.

➔ [More information on stakeholder engagement can be found on pages 10-11.](#)

Focus on strategic issues and consider future trends

- The Board attended two strategy away days in June 2022 and February 2023.
- The Board considered, debated, and approved the acquisitions of Gist and the intellectual property of Thread.
- The Board assessed and debated ways in which the value of our joint venture with Ocado Retail could be maximised and how best to foster relationships between both leadership teams.

➔ [More information on the Board's strategic discussions and decisions can be found on pages 75-82.](#)

Review the Board's composition and identify Andy Halford's successor as SID

- The Chair of the Nomination Committee consulted with all members of the Committee, and it was unanimously agreed Andrew Fisher should succeed Andy Halford as SID.
- Ronan Dunne was appointed as a NED to increase financial, international and commercial focus.
- Cheryl Potter was appointed as a NED to bring additional shareholder-value focus to the Board.

➔ [More information on the Nomination Committee's discussions can be found on pages 85-89.](#)

BOARD REVIEW CONTINUED

BOARD REVIEW INSIGHTS

Board Performance

- The overall sentiment following the review was generally positive in terms of how the Board operates. The directors believed there was a good variety of expertise around the table and the dynamics between each of them were positive.
- The directors thought the new executive directors had transitioned to their roles successfully. Communication between Stuart, Katie and the rest of the Board was clear and transparent.
- All directors were considered to be working effectively and had sufficient time to commit to their role. The newest members of the Board were settling in and building strong relationships with the other directors and the business.

Chairman and Senior Independent Director

- Feedback from the directors emphasised the Chairman continued to demonstrate strong leadership and his performance and contribution remained impactful.
- The Board noted Andy Halford provided a suitable handover of responsibilities to his successor, Andrew Fisher. Andrew had taken on the additional duties and remained a trusted and valued colleague among directors.

Committee Performance

As part of the 2022/23 review, each of the committees' performance was assessed following the same informal discussion format. The appraisals found each of the committees were performing effectively, with strong leadership from the committee chairs. Each committee was considered to be operating within the scope of their terms of reference.

- Feedback from ESG Committee members recognised meetings were frequent, but agreed this was useful in driving the importance of sustainability with management.
- Nomination Committee members agreed they had worked in an agile manner and with pace to successfully lead the recruitment and appointment of two new non-executive directors.
- The Audit & Risk Committee was considered to be functioning effectively under its expanded terms of reference, which recognised the Committee's increased focus on risk management. Committee members agreed the transition to a new Committee Chair was handled well and Evelyn had shown strong leadership in her first few months as Chair.
- Matters discussed by the Remuneration Committee during the year continued to fulfil the Committee's remit, with members agreeing agenda items were thoughtfully debated in the context of internal and external factors.

MONITORING NON-EXECUTIVE DIRECTOR INDEPENDENCE AND TENURE

As part of the annual review, the Board monitors the independence and tenure of each of the directors. Following each of his discussions, the Chairman and General Counsel & Company Secretary concluded each of the non-executive directors remain independent.

Neither the Chairman, nor any of the current non-executive directors, have exceeded the maximum nine-year recommended term of appointment, as set out in the UK Corporate Governance Code. Andy Halford's tenure had exceeded nine years when he stepped down from the Board in December 2022. As we reported in last year's Annual Report, the Nomination Committee agreed Andy remained independent in both character and judgement, and would provide the Board with a key point of stability during the executive transition.

The Board therefore concluded the non-executive directors have the ability, through their independence, to sufficiently challenge management, balanced against a need to ensure continuity.

➔ More information on the Board's composition can be found on pages 72-73.

➔ More information on director tenures can be found on page 86.

2023/24 ACTION PLAN

- Continue to build on and develop the relationships between the Board and ExCo members.
- Maintain focus on ensuring the customer is at the heart of activity across the business.
- Continue to guide the business towards a strengthened and sustainable balance sheet, including reintroduction of dividends and an improved credit rating.

NOMINATION COMMITTEE REPORT



This year, we continued our work to embed the new executive leadership structure and appraise the senior talent pipeline.”

Archie Norman,
Chair of the Nomination Committee

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

The Committee comprises the non-executive directors and is chaired by Archie Norman. Individual meeting attendance and changes to membership are detailed below.

Committee members	Member since	Resigned	Number of meetings attended
Archie Norman	1 Sep 2017		6/6
Evelyn Bourke	1 Feb 2021		6/6
Fiona Dawson	25 May 2021		6/6
Andrew Fisher	1 Dec 2015		5*/6
Tamara Ingram	1 Jun 2020		6/6
Justin King	1 Jan 2019		6/6
Sapna Sood	1 Jun 2020		6/6
Andy Halford	1 Jan 2013	31 Dec 2022	4/4
Ronan Dunne	1 Aug 2022		4/4
Cheryl Potter	1 Mar 2023		1/1

* Unable to join due to prior business commitments.

ROLE AND RESPONSIBILITIES

- Regularly reviewing the composition, structure and diversity of the Board and its committees; while considering the longer-term leadership and succession needs of the business in light of challenges and opportunities facing the Group.
- Assessing the range of skills, attributes and experience on the Board, ensuring it remains effective, balanced and suited to the Group’s strategic and transformation priorities.
- Overseeing a formal, rigorous and transparent procedure for the nomination, induction, evaluation and orderly succession of directors.
- Keeping under review other directorships held by the Board, taking account of demands on directors’ time.

The full Terms of Reference for the Committee can be found at corporate.marksandspencer.com.

NOMINATION COMMITTEE EFFECTIVENESS REVIEW

The Committee’s performance was reviewed as part of the 2022/23 internal Board Review, details of which can be found on pages 83 to 84. The review established the Committee functions well in terms of supporting the orderly succession to Board roles and other senior leadership positions.

REVIEW OF THE YEAR

The Committee had a busy year continuing its focus on succession planning, and overseeing a number of Board changes. We also continued our work on firmly embedding the new executive leadership structure and appraising the Group’s senior management and talent pipeline.

Following Steve Rowe’s departure from the Board on 25 May 2022, we started the year with the comprehensive induction of Stuart Machin and Katie Bickerstaffe as they began their new roles as CEO and Co-CEO. The induction’s focus was to provide a robust understanding of their additional responsibilities as leaders of the business and as statutory directors of a premium listed company.

We selected appropriate successors for Andy Halford as Audit Chair and as Senior Independent Director (“SID”). Andy stepped down as Audit Committee Chair in June 2022, the Committee having identified Evelyn Bourke as his successor. Recognising Andy’s deep financial knowledge and experience, we oversaw the selection and appointment process for a new non-executive director with recent and relevant financial experience. This led to the Committee identifying and recommending Ronan Dunne as a valuable addition to the Board. A successor was also required for Andy’s role as SID. I consulted with all members of the Committee and, given his position as a trusted and valued colleague, it was unanimously agreed Andrew Fisher should succeed Andy as SID.

As announced on 21 July 2022, Eoin Tonge stepped down as Group CFO and Chief Strategy Officer on 9 December 2022. The process to appoint and induct a new CFO involved reviewing both the internal talent pipeline and working with an independent executive search firm which is a signatory to the Voluntary Code of Conduct for Executive Search Firms. The search culminated in Jeremy Townsend being welcomed to the business as Interim CFO in November 2022, taking up a position on the Executive Committee. Jeremy will now remain with the business until May 2025.

Most recently in March 2023, we welcomed Cheryl Potter to the Board as our newest independent non-executive director. With her background in private equity, she brings experience in commercial operating improvement and a clear focus on shareholder value delivery. Cheryl’s appointment brings us to a female majority Board, with representation up to 55% as at 1 April 2023.

NOMINATION COMMITTEE REPORT CONTINUED

BOARD COMPOSITION AND SUCCESSION PLANNING

RESHAPING FOR GROWTH

We believe that Board members should bring a blend of expertise and skills with a variety of perspectives, to facilitate constructive discussions and effective, balanced decision-making. This underpins the FTSE Women Leaders Review (formerly the Hampton-Alexander Review) and the Parker Review, which emphasise the importance of ensuring Boards are diverse in gender, as well as ethnic and social background. The Committee endorses this view and ensures diversity factors strongly in its work on succession planning.

The Committee monitors the internal and external pipeline of talent to ensure it meets current and future business needs, and its focus this year was forward-looking in line with shifting Board priorities. After an intense period of Board involvement and concentration on operational issues, this year the Board was focused on longer-term strategic issues. As such, consideration was given to the competencies highlighted in the below skills matrix which we believe enable the Board to deliver against our strategic priorities. Particular emphasis

was given to additive knowledge which culminated in a revised internal and external pipeline being developed by the Committee. The revised pipeline informed this year's CFO succession and NED appointment process and has ensured the Board is fully equipped to continue reshaping M&S.

SKILLS AND EXPERIENCE OF THE BOARD

	Retail and consumer	Food and beverage	Supply chains	Marketing and media	Data and digital	Transformation and strategy	Finance	Risk management	Property and real estate	Organisational design and corporate culture	Sustainability	Corporate transactions, legal and regulatory
Stuart Machin	●	●	●	●	●	●			●	●	●	
Katie Bickerstaffe	●	●	●	●	●	●			●	●	●	
Archie Norman	●	●	●	●	●	●	●		●	●		●
Evelyn Bourke						●	●	●		●		●
Fiona Dawson	●	●	●	●		●				●	●	
Ronan Dunne			○	○	○	○	○	○		○	○	○
Andrew Fisher	●			●	●	●	●		●	●		
Tamara Ingram	●			●	●	●		●			●	
Justin King	●	●	●	●		●		●	●	●		
Cheryl Potter	○	○				○	○	○			○	○
Sapna Sood	●		●			●				●	●	
Eoin Tonge		●	●			●	●	●		●	●	●
Andy Halford	●					●	●	●		●		●

● Existing ○ Newly appointed ● Outgoing

DIRECTOR TENURE AND INDEPENDENCE

Director tenure and independence was reviewed as part of the annual Board Review. No current directors' tenure exceeded nine years and it was concluded that each NED remained independent and continues to make a significant contribution to the Board. More information can be found on page 84.

NON-EXECUTIVE DIRECTOR APPOINTMENT PROCESS

During the year, the Committee led the recruitment and appointment process for two new non-executive directors, Ronan Dunne and Cheryl Potter. The process is designed to ensure the search for, and appointment of, our NEDs is thorough and inclusive with a focus on character, merit and chemistry with the Board. The Committee focuses on additive knowledge to ensure the Board has a balance of skills supporting the Company's strategic priorities now and into the future. Inductions aim to provide an effective introduction to M&S; both to the business as a whole and to the boardroom.

In making these appointments the Committee worked with independent executive search firms Russell Reynolds, MBS and MWM. In line with our Board Diversity Policy, these firms are signatories to the Voluntary Code of Conduct for Executive Search Firms and, other than the provision of search services, do not have any other connections to the Company or its directors.

DIRECTOR TENURE



- 0-3 years **67%**
- 4-6 years **22%**
- 7-9 years **11%**

OUR NED APPOINTMENT PROCESS

1. SEARCH CRITERIA

The Chairman, working with the General Counsel & Company Secretary, determines the search criteria using a skills matrix reflective of the one on page 86, considering the long-term strategic priorities of the business. This is provided to an executive search firm who is asked to ensure the search includes a diverse range of candidates from various backgrounds and industries, including individuals with little or no FTSE board experience.

PROCESS IN ACTION - RONAN DUNNE

SEPTEMBER 2021

Search criteria developed for Andy Halford's successor, which included:

- Recent and relevant financial experience
- Additive knowledge (in areas including data and digital)

JANUARY 2022

Executive search firm engaged

2. REVIEW AND IDENTIFY

The executive search firms review the specification and produce a long list of candidates for the Committee to review. The Chairman identifies a shortlist of candidates, following feedback from the SID and other members of the Committee. These candidates are contacted to establish interest.

FEBRUARY 2022

Committee received a long list of candidates.

MARCH 2022

Shortlisted candidates contacted, including Ronan Dunne.

Ronan's experience:

- Chartered Accountant
- International experience in the digital telecoms industry
- Leading technological and people transformation

3. ASSESS

Candidates are interviewed by the Chairman and assessed in line with the candidate specification. Informal meetings with other Committee members, the CEO and Co-CEO are also conducted with preferred candidates to determine chemistry and interpersonal dynamics and assess whether their skills and experience would be additive to the Board as a whole.

APRIL – MAY 2022

Interviews and meetings.

4. APPOINT

The Committee reconvenes to consider and discuss feedback received. Once a decision has been made, the successful candidate is recommended for appointment to the Board and the General Counsel & Company Secretary is tasked with the formalities.

JUNE 2022

Committee meeting to discuss the proposal to appoint Ronan Dunne, with subsequent recommendation to the Board and approval of his appointment. Ronan is offered and accepts the appointment as NED to commence from 1 August 2022.

5. INDUCTION

The final step is to provide our new directors with a robust induction, tailored to suit their individual needs. This is an invaluable step to not only support directors in meeting their statutory duties, but also give them a comprehensive introduction to the business and its strategic priorities.

JUNE 2022 ONWARDS

The below provides a snapshot of the activities and introductions arranged for Ronan's induction, bringing him closer to decision-makers and those tasked with running the day-to-day management of the business:

Before arrival:

- Attended June Board strategy away days
- Met with our General Counsel & Company Secretary on UK listed company requirements and corporate governance
- Provided with comprehensive pre-read of Board and relevant Committee papers from the previous 12 months

Within the first month:

- Introduced to business unit leadership teams and centralised functions including introductions to Investor Relations, Corporate Communications and Plan A

Within the first three months:

- Visited store, including a morning working in store
- Introduced to key partners and external auditor

Within the first year:

- Will attend a National BIG meeting and colleague services and HR overview
- Will visit customer services centre and M&S Company Archive
- Will attend management meetings and product previews
- Will visit supply chain depot, Castle Donington distribution centre

NOMINATION COMMITTEE REPORT CONTINUED

EXECUTIVE COMMITTEE COMPOSITION

We seek to foster and develop internal talent across the business. Last year's promotion of two senior leaders to the Board as CEO and Co-CEO was the outcome of a long planned process. Wider talent and succession programmes remained a key focus of the Board and Committee during the year. This was reflected in the Committee's support for the organisation's cultural reset, with the Executive Committee ("ExCo") introducing high-performance culture as a strategic priority to support talent management across the business.



Read more on pages 23 and 29-30.

The Committee supported the expansion of the ExCo to include additional members of the senior leadership team, ensuring the ExCo comprises a wider range of specialist skills and improving the efficiency and effectiveness of decision-making. The expansion also supports M&S' ambition to improve gender diversity within the leadership talent pipeline, with an additional two women now included in the ExCo's membership.

The balance of skills and experience on our ExCo is set out below.

Members of the Committee continued to act as mentors to the ExCo, available to advise the ExCo in its review of senior leadership and succession planning. The Committee has emphasised in its advice the importance of identifying candidates for critical roles that would support the reshaping business and continue to make progress against M&S' diversity ambitions.

SKILLS AND EXPERIENCE OF THE EXECUTIVE COMMITTEE												
	Retail and consumer	Food and beverage	Supply chains	Marketing and media	Digital and Data	Trans-formation and strategy	Finance	Risk management	Property and real estate	Organisational design and corporate culture	Sustainability	Corporate transactions, legal and regulatory
Stuart Machin	●	●	●	●	●	●			●	●	●	
Katie Bickerstaffe	●	●	●	●	●	●			●	●	●	
Jeremy Townsend	●	●			●	●	●	●	●			●
Sacha Berendji	●		●		●	●	●	●	●	●		
Sarah Findlater	●									●		
Nick Folland	●					●		●		●	●	●
Alex Freudmann	●	●	●	●	●	●			●	●		
Victoria McKenzie-Gould				●				●		●	●	●
Richard Price	●		●	●		●				●		

OUR COMMITMENT TO DEVELOPING A DIVERSE WORKFORCE

DIVERSE LEADERSHIP

Throughout the year, and in line with our Board Diversity Policy, the Committee ensured appointments to our Board and its sub-committees contributed to the Group-wide inclusion and diversity ambitions. The Board met each of the FCA Listing Rules and FTSE Women Leaders Review targets of maintaining a minimum of 40% female representation on the Board, ahead of the 2025 deadline. With the appointment of Katie Bickerstaffe as Co-CEO we made progress towards the additional target of having at least one senior Board position held by a female. We also achieved the Parker Review and FCA Listing Rules targets of ensuring at least one Board member is from an ethnic minority background. Nonetheless, the Committee recognises these are the beginnings of a journey to increase all forms of diversity.

The Board and senior leadership's gender identity and ethnicity data presented in accordance with Listing Rule 9.8.6R(10) can be found on page 131.

Our Board Diversity Policy is available on our corporate website at corporate.marksandspencer.com

BOARD GENDER IDENTITY



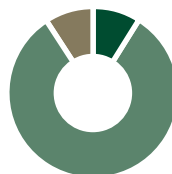
Female 21/22: 45%
Male 21/22: 55%

EXCO GENDER IDENTITY



Female 21/22: 14%
Male 21/22: 86%

BOARD ETHNICITY



Ethnic minority 21/22: 9%
White 21/22: 91%
Not specified/prefer not to say 21/22: N/A

EXCO ETHNICITY



Ethnic minority 21/22: 14%
White 21/22: 86%
Not specified/prefer not to say 21/22: N/A

DIVERSE WORKFORCE

The balance of individuals reporting into ExCo members who identify as female has once again seen improvement this year, whilst ethnic diversity in this population has seen a decrease.


We acknowledge there is still work to be done and remain committed to enhancing the ethnic diversity of our talent pipeline. The Committee believes progress should be led by example and the Board's ethnic diversity, as well as the Committee's focus on this, is evidence of this commitment.

In addition to our commitments to promote gender and ethnic diversity in succession planning, our Board Diversity Policy covers inclusion initiatives taking place across the business which are sponsored and endorsed by the Board.

During the year, these have included:

- A reset for the seven employee-led networks and surrounding framework to maximise the potential of these networks to the members and the business – Gender Equality, Menopause, Culture and Heritage, LGBTQ+, Family and Carers, Armed Forces Community, and Ability and Health conditions.
- Continued involvement in the 30% Club, an organisation committed to increasing female representation on UK boards through developing our junior leaders. This year, opportunity to join was extended to all under-represented groups.
- The Marks & Start programme, which continues to support young people, the homeless, lone parents and those with disabilities in finding work at M&S.
- The Kickstart Scheme, through which M&S provides six-month employment contracts and helps to develop skills in 16 to 24 year olds on Universal Credit who are at risk of long-term unemployment.
- Launched our Diversity Insights Programme targeted at students in the early stages of their degrees who are from black heritage and/or low socio-economic backgrounds. Successful students are offered internships which may lead to graduate role opportunities in 2024.

- 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.
- Continued to support a range of diverse charity partnerships through Sparks, including Albert Kennedy Trust, Blue Print for All, The Black Curriculum and Scope.
- Continued to drive and improve mandatory Inclusion & Diversity training across the business, with a particular focus on line managers.

 **Read more on inclusion and diversity in the wider organisation on pages 28 to 31, and in our Sustainability Report.**

ESG COMMITTEE REPORT



Plan A is core to M&S delivering exceptional products and upholding our trusted brand.”

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

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

The Committee comprises Tamara Ingram as Chair and Sapna Sood. Regular attendees include the Company Chairman and the CEO, with business leaders and relevant subject matter experts attending when required. Individual meeting attendance is detailed in the table below. More information on the skills and experience of Committee members can be found on page 86.

	Member since	Number of meetings attended
Tamara Ingram	16 Dec 2020	7/7
Sapna Sood	16 Dec 2020	7/7
By standing invite		
Archie Norman	N/A	6/7
Stuart Machin	N/A	3/3
Steve Rowe*	N/A	2/2
Eoin Tonge*	N/A	4/4

* Meetings attended before leaving the business.

ROLE AND RESPONSIBILITIES

- Ensuring the Company has an Environmental, Social, and Governance strategy that is both inspiring and differentiates M&S, while also remaining fit for the future, anticipating and responding to changing consumer and wider societal needs and expectations.
- Reviewing the effectiveness of the strategy, including the governance arrangements for ensuring the successful delivery of targets and monitoring overall performance.
- Approving and recommending all ESG reporting for the Board’s approval, including the Company’s Sustainability Report and Task Force on Climate-related Financial Disclosures (“TCFD”) Report.
- Advising the Audit & Risk Committee on ESG-related risks, including climate-related issues.

The full Terms of Reference for the Committee can be found at marksandspencer.com/thecompany.

ESG COMMITTEE EFFECTIVENESS REVIEW

The Committee’s performance was reviewed as part of the 2022/23 internal Board Review, which is covered on pages 83 to 84. The review found the Committee was operating well to maintain momentum and galvanise the business to embed sustainability more deeply.

REVIEW OF THE YEAR

Our priority last year was the deeper integration of Plan A to drive performance against newly agreed targets, including our goals for a 2.1m reduction in carbon emissions by 2025/26, and to be a net zero business by 2040. Throughout the course of 2022/23, our focus has turned to developing milestones and monitoring progress along our net zero roadmap; ensuring there is adequate governance and reportable metrics in place.

The Committee has also continued to highlight the importance of ensuring our ESG activities, including Plan A, are understood and are able to demonstrate visible, meaningful change to our stakeholders. The progress made on reducing food waste, plastic packaging, and raising the bar in animal welfare standards are particularly encouraging, as we know these issues really matter to our customers and colleagues.

To see our Clothing & Home supply chain and sourcing in action, I visited Turkey and Bangladesh in July. I was impressed by the extensive knowledge the local teams and suppliers possessed. This solidified my belief that building, maintaining and valuing long-term supplier relationships is vital as we seek to maintain our high-quality credentials, drive improvements across our supply chain and tackle the challenges presented by climate change. Management has been pursuing this strategic approach, recognising that without an engaged and strategically aligned supplier base, we will not achieve our net zero ambition.

There have, of course, been external factors to contend with, which has widened the range of social issues our stakeholders expect us to act on: the devastating earthquakes in Turkey and Syria; the ongoing war in Ukraine; the cost-of-living crisis and how this continues to impact our colleagues, customers and communities alike. In considering cost-of-living impacts, we remained alert to conflicting pressures, ensuring that short-term cost pressures do not negatively impact the progress made so far in plans to source more recycled polyester, reduce plastic packaging, or increase animal welfare standards.

We closed the year’s activities with a review of our approach to sustainability, being one-year post reset of Plan A. As a Committee, we agreed that our Plan A ambitions are the right ones; for us as a business, for our community, customers, and for the planet.

WHAT WAS ON THE COMMITTEE'S AGENDA 2022/23

Delivery of Strategy and ESG Reporting

The Committee received progress updates from members of the Executive Committee ("ExCo") and senior leadership against delivery of our ESG programme and key sustainability initiatives. Key updates included:

- Progress against Clothing & Home's net zero roadmap, highlighting engaging suppliers in garment and fabric manufacturing and chemistry as areas where good progress has been made. Fabric traceability, particularly the need to build stronger strategic partnerships with fewer suppliers, was identified as a priority area for improvement.
- A deep-dive into the end-to-end journey of clothing hangers and plans to prevent hangers ending in landfill. Including consideration of how these plans might impact productivity at Castle Donington.
- An overview of Food's sustainability strategy and the solid progress made to date. The Committee agreed with management that, given cost pressures, a priority for the strategy is finding ways to reduce waste in our operations and to also help customers reduce food waste while saving money. The Food team have also been working collaboratively with suppliers on their roadmaps for carbon reduction, noting their substantial contribution to our Scope 3 carbon emissions.
- Progress with the ethical audit compliance programme and human rights due diligence in supply chains. The Committee discussed increasing risks arising from labour shortages in the UK, the changes to the Seasonal Agricultural Workers Scheme and how the Food business acted together with suppliers, the wider industry and government, to tackle the issue of modern slavery.
- Progress and challenges across the property estate to deliver our net zero ambitions and the need to invest in improved energy efficiency data on a store-by-store basis.
- Plans to overhaul the Community strategy, with the Committee providing constructive feedback to reshape and embed this into the Group's business model and ways of working.
- Gist's integration into the Group, adopting our net zero ambition and aligning to our ESG programme. The Committee heard about the

sustainability research and trials underway on new trailers, vehicles and alternative fuels, and discussed the reputational and emissions implications of acquiring Gist.

Delivery of sustainability objectives was also monitored via centrally compiled targets and metrics spanning all ESG activities, including ethical trade and human rights. This collated ESG reporting was tracked, reviewed and challenged by the ESG Business Forum, chaired by a member of ExCo, to enhance accountability and provide the Committee with assurance that progress is consistently monitored. The Committee discussed the importance of improving controls for non-financial metrics, particularly relating to assurance of metrics linked to the Company's Revolving Credit Facility.

Stakeholder Communications

Alongside monitoring delivery of our ESG programme, the Committee has been focused on how we best communicate our sustainability programme of activities to stakeholders. It has heard updates on:

- Development of a quarterly customer insights survey, to better understand customer perspectives on ESG issues and track how that changes over time. The intention is to use these insights to ensure our messaging on sustainability resonates in our product and marketing plans, and in doing so, equip our customers to make better choices on issues that matter to them.
- 2021/22 ESG reporting, to review and verify the processes behind proposed disclosures, as well as recommend for Audit & Risk Committee or Board approval: Energy & Carbon reporting, TCFD report, Modern Slavery Statement, Sustainability Report.
- Integration of ESG messaging into product marketing and plans that demonstrate visible change to customers and colleagues on ESG focus points, such as plastic packaging removal and charity partnerships.

"Outside In" and Risks

As part of its horizon scanning of sustainability issues and stakeholder expectations, the Committee has been keen to hear from diverse voices and perspectives on sustainability matters. It has heard from a host of external speakers and will continue this practice in the coming year:

- A scientific adviser providing insight on the UK government's expectations of businesses to deliver new environmental targets, and the framework under development for nature-related financial disclosures (Taskforce on Nature-related Financial Disclosures).
- Chief Commercial Officer of a key supplier, on the importance of embedding sustainability strategy into the culture of a business, highlighting how investing in long-term relationships with suppliers can contribute to achieving our Scope 3 targets, by helping suppliers to prioritise their own sustainability initiatives.
- Chief Sustainability Officer for a multinational technology company, providing insight on how their increased focus on sustainability has produced strategic commercial opportunities. As well as how an internal carbon charge helped to drive sustainability focused culture change.

Throughout the year, the Committee has also requested updates on external ESG issues:

- Following the Myanmar coup in February 2021, due diligence in factories increased to ensure ethical sourcing, and the Committee discussed the balance between trying to be a force for good for workers depending on the garment industry and responding to the ongoing situation. Ultimately, the Committee has supported and advised management in its decision to exit the region, ensuring this exit is responsibly managed to minimise impact on workers.
- In response to the war in Ukraine and earthquakes in Turkey and Syria, cash and inventory contributions were made to UNHCR and UNICEF.

Finally, the Committee has discussed and assessed ESG risks and opportunities, for onward advisement to the Audit & Risk Committee in their half year and full year review of principal risks.

 [Read more on our climate-related risks and opportunities in our full TCFD Report on pages 44-55.](#)

 [Read more in our Sustainability Report marksandspencer.com/sustainabilityreport2023](https://marksandspencer.com/sustainabilityreport2023)

AUDIT & RISK COMMITTEE REPORT



The Committee provides independent challenge and oversight; ensuring our transformation is supported.”

Evelyn Bourke,
Chair of the Audit & Risk Committee

REVIEW OF THE YEAR

During the year, the Committee's core duties remained largely unchanged and our usual cadence of activities relating to financial reporting, risk, assurance and internal controls remained in place. However, in recognition of the Committee's increased focus on risk management we reviewed and updated our Terms of Reference, formalising our Board advisory role and updating our Committee name to include "Risk". As such, navigating risks remained a key component of Committee activities, with handling macroeconomic factors a recurring discussion topic. Detail on our risk management activities can be found on pages 56 to 65.

The Committee plays an important role in the Group's governance framework, providing valuable independent challenge and oversight across all financial reporting and internal control procedures. Ultimately, it ensures shareholders' interests are protected, our accelerated transformation is supported and long-term value is created. This year, our oversight has been focused particularly on the accounting judgements being made in support of M&S' Reshaping: the fair value treatment of the Ocado contingent consideration payment; the business combination accounting for the Gist acquisition; and the treatment of charges and reversals associated with our store rotation programme. More detail on these is provided in our Significant Issues section on pages 97 and 98.

A final challenge for the Committee this year was the management of our external auditor tender process. While we invited firms to participate, only one participant, our incumbent auditor, responded positively. I met with representatives from the Financial Reporting Council (FRC) alongside management to discuss our situation and potential next steps. This culminated in our successful application to the FRC to extend the maximum duration of our existing audit engagement. Read more on page 99.

COMMITTEE MEMBERSHIP AND MEETING ATTENDANCE

The Committee solely comprises independent non-executive directors. In its 2022/23 internal Review, the Board confirmed it is satisfied all Committee members possess an appropriate level of independence and relevant financial and commercial experience across various industries, including the retail sector. More information on the skills and experience of all Committee members can be found on page 86.

Regular attendees include the Company Chairman, CEO and CFO, with members of senior management invited to attend and present as and when specialist technical knowledge is required. The Committee meets without management present where required before meetings. It also meets privately with the lead external audit partner, and separately with the Head of Internal Audit & Risk, as and when necessary after meetings.

Committee members	Member since	Resigned	Number of meetings attended
Evelyn Bourke	1 Feb 2021		5/5
Andy Halford	1 Jan 2013	31 Dec 2022	3/3
Justin King	4 Nov 2019		5/5
Ronan Dunne	1 Aug 2022		4/4

ROLE AND RESPONSIBILITIES

- Monitoring the integrity of the annual and interim financial statements as well as any formal announcements relating to the Group's financial performance, reviewing the significant financial reporting judgements within them.
- Maintaining an appropriate relationship with the external auditor and reviewing the independence, objectivity, and effectiveness of the audit process, taking account of the relevant professional and regulatory requirements.
- Reviewing the internal audit programme and any significant findings, as well as the effectiveness and independence of the Internal Audit & Risk function.
- Considering and advising the Board on risk management activities, including the identification and mitigation of principal and emerging risks and the risk appetite statements.
- Reviewing and assessing the effectiveness of systems of internal control, including financial, operational and compliance controls, in addition to the framework for fraud risk management.

The full Terms of Reference for the Committee can be found at corporate.marksandspencer.com.

AUDIT & RISK COMMITTEE EFFECTIVENESS REVIEW

The Committee's performance was reviewed as part of the 2022/23 internal Board Review, which is covered on pages 83 to 84. The review found that the Committee functions effectively, with significant issues and risk discussions dealt with in a thoughtful, clear and rigorous manner. The review noted that the transition to a new Committee Chair was handled professionally and without disruption.

WHAT WAS ON THE COMMITTEE'S AGENDA 2022/23

FINANCIAL REPORTING

Being responsible for the integrity of financial reporting, the Committee monitors the Group's financial information and key accounting treatments. This year, this has included:

- Review of regular trading and performance updates, including scrutiny of the statutory financial statements and interim results ahead of recommendation to the Board.
- Consideration of key accounting and reporting judgements, including the appropriateness of the business combination accounting method for the Gist acquisition, recognition of store impairments and the accounting impact of the store rotation programme.
- Discussion of the accounting treatment for the Ocado contingent consideration, particularly the fair value assessment and probability weightings applied to the consideration trigger scenario analysis.

RISK MANAGEMENT

The Committee received detailed risk and control updates from one or more business areas at each of its meetings. Each update included a review of the risk register, noting progress made to implement key mitigating activities, emerging risks being monitored and outstanding actions from Internal Audit reviews completed. Management also confirmed their key control and assurance activities. These presentations are scheduled on a rolling 12-month basis, with additional matters identified by the Committee or by recommendation from Internal Audit added throughout the year as they arise.

Clothing & Home

- Evaluated the risks and management of the sourcing strategy, particularly in areas of over-reliance on specific suppliers and locations.
- Discussed ongoing uncertainties from inflationary pressures in raw materials, labour and freight, as well as the record high US dollar to Sterling exchange rate.

Food

- Reviewed the practices and risk mitigations in place to monitor value and inflationary pressures, supplier resilience and quality perception.
- Monitored progress and risks associated with implementing the replacement Food forecasting and allocation system.
- Considered the changing regulatory landscape and action plans in relation to HFSS, Deposit Return Scheme, and Extended Producer Responsibility.

GSCOP

- Reviewed progress against the Groceries Supply Code of Practice ("GSCOP") improvement plan, noting the significant improvement to be ranked third in 2022 (11th of 13 regulated retailers in 2020 and 2021).

Gist

- Discussed risks relating to integrating Gist into the Group, and how to manage business stability during peak trading.
- Considered the impact of the Gist acquisition on the Group's risk landscape.

Group Asset Protection

- Monitored improvements to reduce stock loss and discussed loss prevention methods.

Bank & Services

- Following a reset to the M&S Bank strategy, considered the resulting increased regulatory responsibilities alongside the reduced reputational and financial risks. Received assurance from the Financial Services Compliance Monitoring Committee on the controls and oversight in place to address the increased regulatory responsibilities.
- Discussed the increasing risks and uncertainty resulting from the war in Ukraine, including the volatility of energy markets and the impact on M&S Energy.

Digital & Technology

- Following an organisational restructure combining the Digital and Technology teams, discussed risks associated with talent and capabilities, including third-party provider capability.

- Discussed risk appetite and ethics around data use.
- Reviewed the outcome of the Technology Disaster Recovery internal audit, including actions required to address immediate risks, and discussed the growth in cyber-attacks across the retail industry.

People

- Monitored compliance with HR-related requirements, including national minimum wage, right to work and GDPR.
- Considered findings from the project implementation review of the MyHR system, noting the need for a cultural reset amongst line managers to unlock the system's benefits.
- Reviewed progress against actions to address colleague discount misuse.

INTERNAL CONTROLS

The Committee received regular updates on internal control matters from the Internal Audit team and the Finance Change & Control team, 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 Committee or the Board, and the resulting improvement plans were monitored by the Committee.

Management updates

In line with the Group Risk Management Policy, our accountable businesses and key functions remain responsible for managing and reporting their risks, as well as maintaining their internal control environment. The output of these activities is reviewed by the Committee through annual updates provided directly by management, as summarised on this page.

External audit

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

AUDIT & RISK COMMITTEE REPORT CONTINUED

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Committee has considered whether, in its opinion, the 2023 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 is therefore essential that the Committee ensures these messages are fairly summarised and are both clear and reflective of the Group as a whole, to provide stakeholders with transparent disclosures.

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.

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 reported 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?
- Are the key judgements referred to in the narrative reporting and the significant issues reported in this Audit & Risk Committee Report consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?
- How do the significant issues identified compare with the risks that the external auditor plans to include in its report?

IS THE REPORT UNDERSTANDABLE?

- Is there a clear and understandable framework to the report?
- Are the important messages highlighted appropriately throughout the document?
- Is the layout clear with good linkage throughout in a manner that reflects the whole story?

CONCLUSION

Following its review, the Committee was of the opinion that the 2023 Annual Report & Financial Statements are representative of the year and present a fair, balanced and understandable overview, providing shareholders with the necessary information to assess the Group's position, performance, business model and strategy.

ASSURANCE AND INTERNAL CONTROL ENVIRONMENT

The Board, through delegated authority assigned to the Audit & Risk Committee, assumes ultimate responsibility for the effective management of risk across the Group, determining its risk appetite and monitoring how each business area implements appropriate internal controls. The Group's risk management systems are designed to support the business in actively managing risk to achieve business objectives, and can only provide reasonable but 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 consequences of acquisitions like Gist, changes triggered by new law or regulation like HFSS, and the array of significant external events seen over the past few years.

➔ See pages 58 to 65 of the Strategic Report for more information on our principal risks and uncertainties.

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, the Group's Code of Conduct, policies and procedures that cover financial planning and reporting, preparing consolidated accounts, capital expenditure, project governance and information security and a dedicated Financial Controls team.

SOURCES OF ASSURANCE

The Board has delegated responsibility for reviewing the effectiveness of the Group's systems of internal control to the Audit & Risk 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 through 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 is reviewed periodically throughout the year to confirm it remains relevant for new and emerging circumstances, both internal and external. The findings and actions from Internal Audit reviews are agreed with the relevant business area, communicated to the Audit & Risk Committee and tracked through to completion.

Key risks underpinning the internal audit plan during the year included corporate compliance and responsibility, business transformation, information security, and risks linked to our joint ventures (Ocado Retail and M&S Reliance India).

2. Management updates and risk deep dives

As part of the Committee's annual calendar, it receives updates on the maturity of control and assurance activities and risk management from individual business areas and functions, and on whistleblowing and fraud. These updates are complemented by Internal Audit's independent audit work.

3. Functional assurance

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

4. Operational oversight

Senior management forums and committees provide oversight and challenge on key risk areas within individual business areas, cross-business programmes or activities, such as business continuity, fire, health and safety, ESG responsibilities, anti-bribery and corruption, fraud risk management, property, technology, data governance and other areas of change. The output from these discussions form part of the cyclical updates provided to the Audit & Risk Committee.

➔ A summary of the above activities is provided in the table on page 96.

ANTI-BRIBERY & CORRUPTION

A key element of our control framework is our Anti-Bribery & Corruption Policy ("ABC") and programme of controls. Our ABC Policy outlines the expected standards of conduct that colleagues, contractors, suppliers, business partners and any other third parties who act for or on behalf of M&S are obliged to follow.

Our programme includes detailed procedures and controls around giving and receiving gifts, hospitality and entertainment; procedures for engaging new suppliers and partners, specifically those who are based in higher-risk jurisdictions; standard contract clauses; and clear reporting channels, including confidential reporting.

All colleagues are required to undertake mandatory ABC e-learning. The Company will consider taking disciplinary action against anyone who fails to comply with its ABC Policy, up to and including dismissal. Any potential incidents reported internally or to the external confidential reporting channels are followed up and full investigations launched where such action is deemed appropriate after preliminary enquiries. All investigations are subsequently reported to the Audit & Risk Committee.

Bribery Risk Assessments are conducted on an annual basis with outcomes reported to the Audit & Risk Committee.

AUDIT & RISK COMMITTEE REPORT CONTINUED

GOVERNANCE

The Group was compliant throughout the year with the provisions of the UK Corporate Governance Code relating to internal controls and the Financial Reporting Council'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 135 to 143. No other significant failings or weaknesses were identified during the Committee's review in respect of the year ended 1 April 2023 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 [corporate.marksandspencer.com](https://www.marksandspencer.com/corporate).

Source of information		Frequency/nature of reporting
Internal Audit	<ul style="list-style-type: none"> – Internal Audit Plan – Regular reports against Plan – Follow-up of remediation – Updates on fraud, whistleblowing and other irregularity – Ad hoc engagement with the business in response to new/emerging risks or major incidents – e.g. the acquisition of our logistics business 	<p>Formal updates presented to the Committee at each meeting.</p> <p>Plus updates to the Audit & Risk Committee Chair as required.</p>
Management updates and risk deep dates	<p>Papers submitted on a range of issues including:</p> <ul style="list-style-type: none"> – Information security – Anti-Bribery and Corruption – Code of Conduct – GSCOP – Financial control – Business continuity – Risk deep dives from individual business areas and functions 	Formal updates presented to the Committee annually and as needed.
Functional assurance	<p>Functional audit activities undertaken, including:</p> <ul style="list-style-type: none"> – Food safety and integrity – Ethical audits – Trading safely and legally 	Updates provided to the Committee as part of annual business updates where appropriate and as requested.
Operational oversight	<ul style="list-style-type: none"> – Compliance Monitoring Committee – ESG Committee – Group Safety Committee – Customer & Brand Protection Committee – Business Continuity Committee – Business Unit Operating Reviews 	Updates presented to the Committee annually and as needed.

SIGNIFICANT ISSUES

The Audit & Risk 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 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: the implementation and execution of strategic programmes; net charges associated with the acquisition of Gist; impairment reversals and write-offs of the carrying value of stores and other property charges; remeasurement of Ocado Retail Limited contingent consideration; and, the reduction in M&S Bank charges incurred in relation to the insurance mis-selling provision.

See note 5 on page 161.

UK STORE ESTATE PROGRAMME (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 and reversals, 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/reversals (most notably in relation to the costs associated with property exit/sublet 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.

See notes 1, 5, 15 and 22 on pages 150, 161, 178 and 194 respectively.

IMPAIRMENT OF TANGIBLE ASSETS

The Committee has considered the assessments made in relation to the impairment and impairment reversals of tangible fixed assets, including land and buildings, and store assets. The Committee received detailed reports from management outlining the treatment of impairments and reversals, 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 and reversals, 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 impairments and reversals of tangible assets have been recognised.

See notes 1, 5 and 15 on pages 150, 161 and 178-180 respectively.

ACQUISITION ACCOUNTING – VALUATION OF ACQUIRED ASSETS AND SETTLEMENT OF EXISTING RELATIONSHIP

In September 2022 the Group completed its acquisition of Gist from Linde. The Committee has considered the judgements and assessments made in completing the acquisition accounting. This has included understanding the assumptions used in fair valuing the assets and liabilities acquired, as well as those included in the calculation of settlement of the Group's pre-existing relationship with Gist. The Committee is comfortable with the accounting for the transactions and judgements applied.

See note 31 on page 201.

FAIR VALUATION OF CONTINGENT CONSIDERATION PAYMENTS

The Committee has considered the impact of developments during the year on the future probability of the final contingent consideration payment due to Ocado Group plc being met. This included understanding and challenging management's probability weighted scenarios used in fair valuing the contingent consideration liability recognised on the balance sheet. Having reviewed management's calculations and challenged the judgements made, the Committee is comfortable with the fair value of the liability recognised.

See notes 5 and 21 on pages 161 and 193 respectively.

AUDIT & RISK COMMITTEE REPORT 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 approved budget and three-year plan. In the context of the current challenging environment as a result of the ongoing cost-of-living crisis and continued inflationary pressures on the business, a severe but plausible downside scenario was applied to the plan. This included assumptions such as a sustained economic recession, increased costs and an inability for the Group to execute the transformation plan. 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 successful extension of its revolving credit facility, which is now set to run until June 2026.

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

See note 1 on page 150.

RETIREMENT BENEFITS

Following the decrease 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 page 168.

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 page 182.

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. 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 page 150.

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. An impairment charge has been recorded (see note C6 Investments on page 206). The Committee has reviewed management papers outlining the key assumptions used in calculating the value in use and is satisfied that these are appropriate.

EXTERNAL AUDITOR

TENURE

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.

On 10 May 2023 the FRC approved a two-year extension to Deloitte's appointment as external auditor due to exceptional circumstances relating to the possibility of a competitive tender.

The Committee recommends that Deloitte be reappointed as the Company's statutory auditor for the 2023/24 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.

EFFECTIVENESS

The effectiveness of our external auditor is assessed in accordance with a process agreed by the Audit & Risk Committee, which involves the solicitation of the Committee's views, as well as providing opportunity to comment, via completion of a questionnaire, from a targeted group that have regular interactions with the external auditor. The targeted group include Chief Financial Officer, Director of Group Finance, Director of Finance for Clothing & Home and International and Director of Finance for Food, Property & Retail, Head of Investor Relations, Group Financial Controller and Head of Finance Business Services and Transformation.

The Committee was provided with a summary of the responses received from management to assist with its own considerations.

Feedback from the target group was positive overall. It was agreed that the audit partners have a good understanding of our business, as well as the wider industry in which we operate and the challenges we face. This was especially felt in relation to the challenges faced by the business in relation to inflationary pressures, as well as the accounting treatment for the acquisition of Cist and the fair value judgements in relation to the Ocado Retail contingent consideration payment.

Early engagement throughout the year on key accounting judgements continues to be appreciated and allows a number of items to be addressed in advance of the year end.

A continued common theme reflected a desire for more focus on planning and communication during certain aspects of the audit cycle with opportunities for improvement available particularly on areas of the audit that can be brought forward outside of the peak year-end.

NON-AUDIT FEES

To safeguard the independence and objectivity of the external auditor, the Committee has put in place a robust Auditor Engagement Policy which it reviews annually. The policy is disclosed on our website at corporate.marksandspencer.com.

The Committee is satisfied that the Company was compliant during the year with both the UK Corporate Governance Code and the Financial Reporting Council's Ethical and Auditing Standards in respect of the scope and maximum permitted level of fees incurred for non-audit services provided by Deloitte. Where non-audit work is performed by Deloitte, both the Company and Deloitte ensure adherence to robust processes to prevent the objectivity and independence of the auditor from being compromised.

All non-audit work performed by Deloitte, with fees in excess of £50,000, was put to the Audit & Risk Committee for prior consideration and approval. For non-audit work where fees were below £50,000, approval was obtained from the Chief Financial Officer and the Audit & Risk Committee notified of all work falling within this threshold. Further details on non-audit services provided by Deloitte can be found in note 4 to the financial statements on page 160.

The non-audit fees to audit fees ratio for the financial year ended 1 April 2023 was 0.11:1, compared with the previous year's ratio of 0.09:1. The total non-audit fees paid to Deloitte for the year was £225,000. The majority of these fees relate to assurance services provided during the year.

No additional recurring or one-off non-audit services were provided during the year.

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