

CHAIRMAN'S GOVERNANCE OVERVIEW



“ THE BOARD’S ROLE HAS BEEN TO GUIDE THE BUSINESS THROUGH CHALLENGING HEADWINDS. ”

Archie Norman, Chairman

As outlined in my Chairman’s letter on pages 2 to 3, macro events have had a significant impact on the business this year. My role, and that of the Board, has been to guide our way through these varied and challenging headwinds; ensuring our overarching strategy stays the course. Simultaneously, your Board has remained ready to respond and to adjust for external factors threatening to derail us.

In keeping with the demands made on the Board in these recent, turbulent years, circumstances have made it vital we remain highly engaged. We have been flexible with our time to support and challenge senior leadership, to ensure the continued acceleration of our transformation programmes, and not only to react to events, but have our eyes firmly fixed on the horizon into 2022 and beyond. Naturally, we continue to fulfil our other core duties to oversee M&S’ governance, culture, financial controls, risk and change management.

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

NAVIGATING HEADWINDS

The Board has had to remain vigilant alongside management this year and to stay abreast of current events impacting the business. We continue to deal with uncertainty in our European supply chain, as we enter the fourth Brexit extension period before complete customs checks are implemented. Meanwhile, we experienced a positive trading response

when Covid-19 restrictions were lifted at the start of 2022, but trading in the fourth quarter then slowed, with consumers conscious of cost of living increases amidst inflationary pressures.

The Board has proactively discussed with management how best to trade through these macro impacts, resulting in detailed stakeholder discussions in line with Section 172(1) of the Companies Act 2006 (“s.172(1)”). There has been no “one size fits all” answer across the business, and inevitably trade-offs between our stakeholders have been made. These have been allied with our strategic objectives and have included measures such as price and margin protections, supplier support and buying process improvements.

The invasion of Ukraine has materially impacted the business, as we have franchise agreements in both Ukraine and Russia. While we felt it was important to support colleagues and continue to trade in Ukraine for as long as possible, events have made that impossible. The Board and I are nonetheless heartened by the response from our customers and colleagues who have donated significantly to the aid effort. You can read more on our response on page 5.

Meanwhile, we have suspended shipments to our Russian franchise partner and directed them to cease trading. The result of this decision is that, following legal negotiations with our franchise partner, we have reached a settlement to exit fully our Russian franchise. While our franchise agreement was not captured under the sanctions regime, we strongly believe it is right and just to ensure we are not trading, even indirectly, in that jurisdiction while the war in Ukraine is ongoing.

NEW LEADERSHIP

Shareholders will have noted our recent announcement of a new leadership team structure. Before I outline this, I first want to express my and the business’ thanks to Steve Rowe, our outgoing Chief Executive Officer. Steve has been a magnificent servant of M&S, dedicating 40 years to the Company, coming from the shop floor to lead the business. His career is testament to the opportunities M&S can provide for great people to succeed. The M&S he took over was in parlous shape and throughout my tenure as Chairman, he has been fearless in facing into the challenges and has delivered massive progress.

To replace Steve, we have chosen to promote our internal talent. With effect from 25 May 2022, Stuart Machin has become Chief Executive Officer, taking responsibility for day-to-day leadership of the business and the Executive Committee. He continues to have oversight of his current portfolio of responsibilities, including leadership of the Food business, Operations, Property, Store Development and Technology, and will also take responsibility for HR and Corporate Communications. Katie Bickerstaffe has become Co-Chief Executive Officer, with a particular focus on driving the future of Digital & Data, and of our global omni-channel business. She retains her existing portfolio of responsibility for Clothing & Home, MS2, International and Financial Services. Eoin Tonge has become Group CFO & Chief Strategy Officer. In addition to his current responsibilities, he will play an enhanced role in leading the future development of the business and will also take on oversight of Plan A.

M&S is now embarking on the second phase of its transformation programme “Shaping the Future”. The Board’s view is that, under the leadership of Stuart, Katie and Eoin, the business has made remarkable progress and that continuity of strategy and leadership is the best approach for the Company. Bringing together these three outstanding leaders will provide the stability, pace and bandwidth required to accelerate the pace of change.

I would also like to note the contribution Andy Halford has made to the Board. Noting that his tenure has now reached nine years, he will be stepping down as Chair of the Audit Committee, with Evelyn Bourke replacing him as Chair. Having reviewed and confirmed that Andy remains independent, the Nomination Committee agrees that his role as Senior Independent Director (“SID”) is an important constant while new Board members settle into their roles. He will therefore remain as SID and a member of the Audit Committee for a transitional period, and will leave the Board by the end of 2022.

Board and Executive Committee biographies can be found on pages 60 to 62. 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 66 to 69.

BOARD ACTIVITIES AND CONSIDERATION OF STAKEHOLDERS

The Board’s focus during the year has been to accelerate the Company’s pursuance of its strategic priorities, while steering through macro-induced headwinds. In our meetings, we have continued our approach of considering “strategic deep dives” presented by all areas of the business, which we have then debated and challenged. All while being mindful of the impact of any decisions made on the business’ various stakeholders and on its long-term, sustainable success, in line with s.172(1).

An overview of the range of matters that the Board discussed and debated at its meetings during the year can be found on pages 63 to 64.

The Company’s s.172(1) statement is available on pages 32 to 34.

EMBEDDING ESG

As explained in last year’s Annual Report, the Board’s Environmental, Social & Governance (“ESG”) Sub-Committee was established to assist the Board in providing focus and oversight of the Plan A programme, both in its reinvigoration and its ongoing effectiveness. The report of the ESG Committee for 2021/22 is available on pages 70 to 77.

In demonstration of our commitment to embedding ESG across the organisation, sustainability is now one of the five strategic pillars comprising our corporate purpose. Furthermore, the business negotiated and entered a sustainability linked financing agreement for the first time. While we have strides to take on our Plan A agenda still, the Board, with the support of the ESG Committee, are focused on delivering tangible progress in the year ahead.

FUTURE SHAPING GOVERNANCE

The Company has made a number of strategic investments during the course of the year, following the acquisitions of 50% of Ocado Retail Limited in 2019 and of the Jaeger brand in 2020. In partnership with True Capital, we became the cornerstone investor in a Direct-to-Customer (“D2C”) focused fund. We have also acquired a minority stake in Nobody’s Child Limited, an exciting eco-conscious, affordable fashion brand, and have become the majority owner (with a route to 100% ownership) of The Sports Edit Limited, an activewear platform with proven capability in brand curation and emerging brand identification.

Each of these investments is unique and, as such, the governance arrangements supporting them are bespoke for the nature of the investment and lifecycle of the businesses. This has required the Board to ensure we have the appropriate controls in place, not only to mitigate risk, but also to be a supportive and productive strategic investor.

DIVIDEND

While the balance sheet is strengthening, the Board and I believe on balance, and in line with our approach last year, that non-payment of a dividend is appropriate for the 2021/22 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.

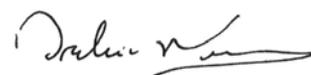
AGM: STAYING DIGITAL

The Annual General Meeting (“AGM”) provides investors with a valuable opportunity to communicate with the Board. We have learnt in recent years that digital meetings are more engaging, more democratic, and allow us to communicate and hear from more of our shareholders, with participation levels trebled at last year’s meeting compared with the last physical meeting. In recognition, we will be conducting this year’s AGM digitally once again. We strongly believe digitally-enabled meetings should become the default across the FTSE and I encourage other companies to follow our example.

In addition to being able to vote and submit questions electronically in advance, all shareholders will be able to join the meeting online to hear from Stuart, Katie, Eoin and me, ask questions and vote on our resolutions.

We will be joined by Anita Anand who will be acting as your shareholder advocate, sharing your views and questioning me and the Board on your behalf. If you would like us to hear from you directly, you also have the option of dialling in and asking your question live on the day, or submitting a video question to be played to the Board for response during the meeting. I look forward to hearing from you all then.

Information on how to participate electronically, both in advance and on the day, can be found on pages 208 to 209.



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 2021/22.

The Board confirms that we complied with all of the provisions set out in the Code for the period under review. Details on how we have applied the principles set out in the Code and how governance operates at M&S have been summarised throughout the Directors’ Report. Our full Corporate Governance Statement outlining our compliance is available online at marksandspencer.com/thecompany.

LEADERSHIP AND OVERSIGHT

Our governance framework facilitates responsive and effective decision-making, ensuring that the Board and its Committees, the Executive Committee and senior management are able to collaborate proactively, consider issues and respond.

BOARD COMMITTEES

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

Audit Committee + See p78-84

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

Remuneration Committee + See p85-107

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

Nomination Committee + See p66-69

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

ESG Committee + See p70-77

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

Disclosure Committee

Responsible for determining the disclosure treatment of material information and identifying confidential and inside information for the purpose of maintaining project lists compliant with the UK Market Abuse Regulations.

BOARD

The Board is responsible for establishing the purpose, values and strategy for the M&S Group, ensuring our culture is aligned, overseeing our conduct and affairs, and for promoting the success of M&S for the benefit of our members and stakeholders. The Board discharges some of its responsibilities directly and others through its sub-committees.

Terms of Reference for the Board and its sub-committees are available in our governance framework, published on marksandspencer.com/thecompany.

Execution of the M&S strategy and day-to-day management is delegated to the Executive Committee, and subsequently to senior leadership forums where relevant, with the Board retaining responsibility for overseeing, guiding and holding management to account.

EXECUTIVE COMMITTEE

The Executive Committee ("ExCo") is our leadership team responsible for executing strategy. It manages, monitors and provides the executive input underlying M&S' strategic and operational decisions, ensuring strong executive alignment on business priorities, investments and actions.

During the year, the ExCo consisted of the CEO, CFO, Chief Operating Officers, and the Managing Directors of each business unit. Authority is conferred on the ExCo by the Group Delegation of Authority, as approved by the Board.

The ExCo reviews strategic opportunities and initiatives from the Group's key businesses and centralised functions, ensuring these contribute to and elevate the Board's overarching strategy. In addition, and in support of the Board's purpose, values and culture setting, the ExCo is responsible for all colleague matters, including the structure and operation of the HR function throughout the business, the development and monitoring of culture and values, and reviewing talent and leadership development and succession plans below ExCo level.



SENIOR LEADERSHIP FORUMS

Underlying this governance feedback loop between the Board, its sub-committees and the ExCo, there are forums comprising senior management supporting each of these governing bodies.

Primarily, each of the Group's key business units have "Operating Review" meetings with streamlined memberships. Their main remit is management of key trading and operational matters, with decision-making delegated to them by the Group Delegation of Authority and underpinned by business unit Delegations of Authority.

Additional forums support on specific projects, business needs, or strategic priorities, meeting as and when required.

Examples include:

Property Committee

For reviewing and approving property investments.

Digital Board

For driving the Company's "Digital First" agenda across the Group.

Brand Forum

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

People Forum

For driving the people and culture agenda across the Group.

Fraud and Loss Committee

For pulling together all fraud related governance activities, reporting directly into the Audit Committee.

Compliance Monitoring Committee

Oversight of credit broking activities within the Group, as regulated by the Financial Conduct Authority.

Plan A (Net Zero) Steering Group

For mobilising action across the business on our net zero roadmap, updating the ESG Committee on progress.

BOARD COMPOSITION AND MEETING ATTENDANCE

BOARD MEETING ATTENDANCE AND DIRECTOR RESPONSIBILITIES IN 2021/22

During the year, the Board held 12 scheduled meetings for which individual attendance is set out below.

Sufficient time is provided, periodically, for the Chairman to meet privately with the Senior Independent Director ("SID") and the non-executive directors to discuss any matters arising.

+ For information on what the **Board did during the year**, see p63-64.

CHAIRMAN	Attended	Maximum possible	Independent	Responsibility in 2021/22	Linked to remuneration
Archie Norman*	12	12		Board governance and performance. Shareholder engagement.	
* Considered independent on appointment.					
EXECUTIVE DIRECTORS					
Chief Executive Steve Rowe	12	12		Group performance and management. Executive Committee leadership.	✓
Chief Financial Officer Eoin Tonge	12	12		Group financial performance, risk management and investor relations. Strategy and transformation planning.	✓
NON-EXECUTIVE DIRECTORS			Role at Board meetings		
Full Year			Independent non-executive directors assess, challenge and monitor the executive directors' delivery of strategy within the risk and governance structure agreed by the Board.		
Evelyn Bourke	12	12	✓	As Board Committee members, directors also review the integrity of the Company's financial information, consider ESG issues, recommend appropriate succession plans, monitor Board diversity and set the directors' remuneration.	
Andrew Fisher	12	12	✓		
Andy Halford	12	12	✓		
Tamara Ingram	11*	12	✓		
Justin King	12	12	✓		
Sapna Sood	11**	12	✓		
Appointed in 2021/22					
Fiona Dawson	11***	10	✓		

* Unable to attend one meeting due to participation in residential course on behalf of M&S.

** Unable to attend one meeting due to external board commitments.

*** Attended 24 May meeting as an observer prior to appointment.

STANDING ATTENDEES			Responsibility
Nick Folland – General Counsel & Company Secretary	12	12	Advising the Board on all legal and corporate governance issues, including sustainability and Plan A.

EXECUTIVE COMMITTEE – ATTENDED BY INVITATION		Role at Board meetings
Sacha Berendji	4	The ExCo comprises the Company's senior leadership team below Board level and is tasked with running the day-to-day operations of the business and facilitating delivery of the strategy as approved by the Board.
Katie Bickerstaffe	11	Members of the ExCo attend Board meetings by invitation to present and discuss matters of strategic importance.
Paul Friston	5	
Stuart Machin	10	Direct reports to ExCo members also attend Board meetings by invitation as and when input is required on their specific areas of expertise.
Richard Price	5	

Note: The tables above provide details of scheduled meetings held in the 2021/22 financial year.

Monitoring non-executive director independence

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

The Chairman was considered to be independent on appointment and is committed to ensuring that the Board comprises a majority of independent

non-executive directors who objectively challenge management, balanced against the need to ensure continuity on the Board.

The Company maintains clear records of the terms of service of the Chairman and non-executive directors to ensure that they continue to meet the requirements of the UK Corporate Governance Code.

Neither the Chairman nor any of the non-executive directors have exceeded the maximum nine-year recommended term of service set out in the Code, with the exception of our longest-serving non-executive director,

Andy Halford. While Andy's tenure has now reached nine years, the Nomination Committee has reviewed and agreed he remains independent, and his role as SID is an important constant while new executive Board members settle into their roles.

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

+ For information on the **skills and experience** of each director, see p60-62. For more information on **director tenure** see p67.

OUR BOARD

This is our Board as it operated during the year. To see changes for the new financial year please see page 62.



1. Archie Norman Chairman



Appointed: September 2017

Career and external appointments:

Archie is an experienced Chairman and former Chief Executive having led major transformation programmes at ITV, Lazard, Asda, Energis and Hobbycraft. He was previously Deputy Chairman of Coles Limited and was 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 the Global Counsel and Senior Independent Director of Bridgepoint Group plc.

2. Steve Rowe Chief Executive

Appointed: April 2016

Career and external appointments:

Steve joined M&S in 1989 and worked in senior roles across all areas of the business prior to his appointment as CEO, including Director of Home, Director of Retail, Director of Retail and E-commerce, Executive Director, Food, and Executive Director, General Merchandise.

Steve stepped down from the Board on 25 May 2022 and, with heartfelt thanks for his many years of dedication to the Company, will formally leave M&S at the AGM on 5 July 2022.

3. Eoin Tonge Group CFO & Chief Strategy Officer

Appointed: June 2020

Career and external appointments:

Eoin joined the business from Greencore, where he had been CFO since 2016. At Greencore, he oversaw the divestment of their US operations, strengthening the company's balance sheet, returning capital to shareholders and simplifying the business. Prior to that he was MD of Greencore's Grocery business and also worked in a variety of roles across strategy, finance, treasury and capital markets at Greencore and previously Goldman Sachs. Eoin became Group CFO & Chief Strategy Officer on 25 May 2022, taking on oversight of Plan A and playing an enhanced role in leading the future development of the business.

Committee Chairs

4. Andy Halford Senior Independent Non-Executive Director



Appointed: January 2013

Career and external appointments:

Andy's strong finance background and broad knowledge of the UK and international consumer market was gained from CFO positions held in global listed companies. He is Chief Financial Officer of Standard Chartered, which he joined after 15 years at Vodafone, nine of which were spent as Chief Financial Officer.

5. Andrew Fisher OBE Independent Non-Executive Director



Appointed: December 2015

Career and external appointments:

Andrew was instrumental in establishing mobile lifestyle app Shazam, where he was Executive Chairman until October 2018, as a leading mobile consumer brand, 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 member of the UK Advisory Board for Spencer Stuart.

6. Tamara Ingram OBE Independent Non-Executive Director



Appointed: June 2020

Career and external appointments:

Tamara has a longstanding leadership career in advertising, marketing and digital communications, having held leadership roles at WPP since 2002 and as Non-Executive Chair of Wunderman 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 Marsh MacLennan and Intertek Group.

Committees key

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

7. Evelyn Bourke (A) (N)
Independent Non-Executive Director

Appointed: February 2021

Career and external appointments:

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 also has extensive experience in financial services, risk and capital management and mergers and acquisitions; having spent three and a half years as Bupa's CFO and in leadership roles at the Bank of Ireland, Standard Life and Friends Provident. Evelyn joined Admiral PLC as a non-executive director on 30 April 2021 and AJ Bell PLC on 1 July. She is also a Trustee of the Ireland Fund of Great Britain.

8. Fiona Dawson CBE (N)
Independent Non-Executive Director

Appointed: May 2021

Career and external appointments:

Fiona left her position as part of the Leadership Team of Mars Inc. in July 2021 after more than three decades at the business. 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. Fiona is also a non-executive director of LEGO and joined Kerry Group plc as a non-executive director in January 2022. She is a Trustee of The Social Mobility Foundation and Chair of the Women's Business Council.

9. Justin King CBE (A) (N)
Independent Non-Executive Director

Appointed: January 2019

Career and external appointments:

Justin has over 30 years of experience in large retail operations and transformations, and now acts as an adviser to a range of growing businesses. 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.

10. Sapna Sood (E) (N)
Independent Non-Executive Director

Appointed: June 2020

Career and external appointments:

Sapna recently joined The Adecco Group as a Senior Vice President and 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. She has also held leading operational roles in the building materials and industrial gas sectors in Europe and Asia-Pacific, latterly as CEO and President of LafargeHolcim in the Philippines. 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.



Joined the Board on 25 May 2022

11. Katie Bickerstaffe
Co-Chief Executive Officer

Career summary: Katie has held a number of roles at M&S including Non-Executive Director, Chief Strategy and Transformation Director and most recently, joint Chief Operating Officer. On 25 May 2022, she re-joined the Board as Co-Chief Executive Officer. Katie is currently a non-executive director of Barratt Developments PLC and the England and Wales Cricket Board, and 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 leading consumer-focused businesses.



12. Stuart Machin
Chief Executive Officer

Career summary: Stuart took over as Chief Executive Officer on 25 May 2022. Having joined M&S as Food Managing Director in April 2018 with nearly 30 years' experience in the food, fashion and home retail sectors, Stuart was appointed joint Chief Operating Officer in May last year. In his new CEO role, Stuart will continue to serve as a Director of Ocado Retail Ltd. Prior to joining M&S, Stuart was CEO at Steinhoff UK and spent 10 years in Australia working at Wesfarmers as COO and CEO of Coles and Target respectively. Stuart has also held senior operational and commercial positions in UK retailers Sainsbury's, Tesco and ASDA.



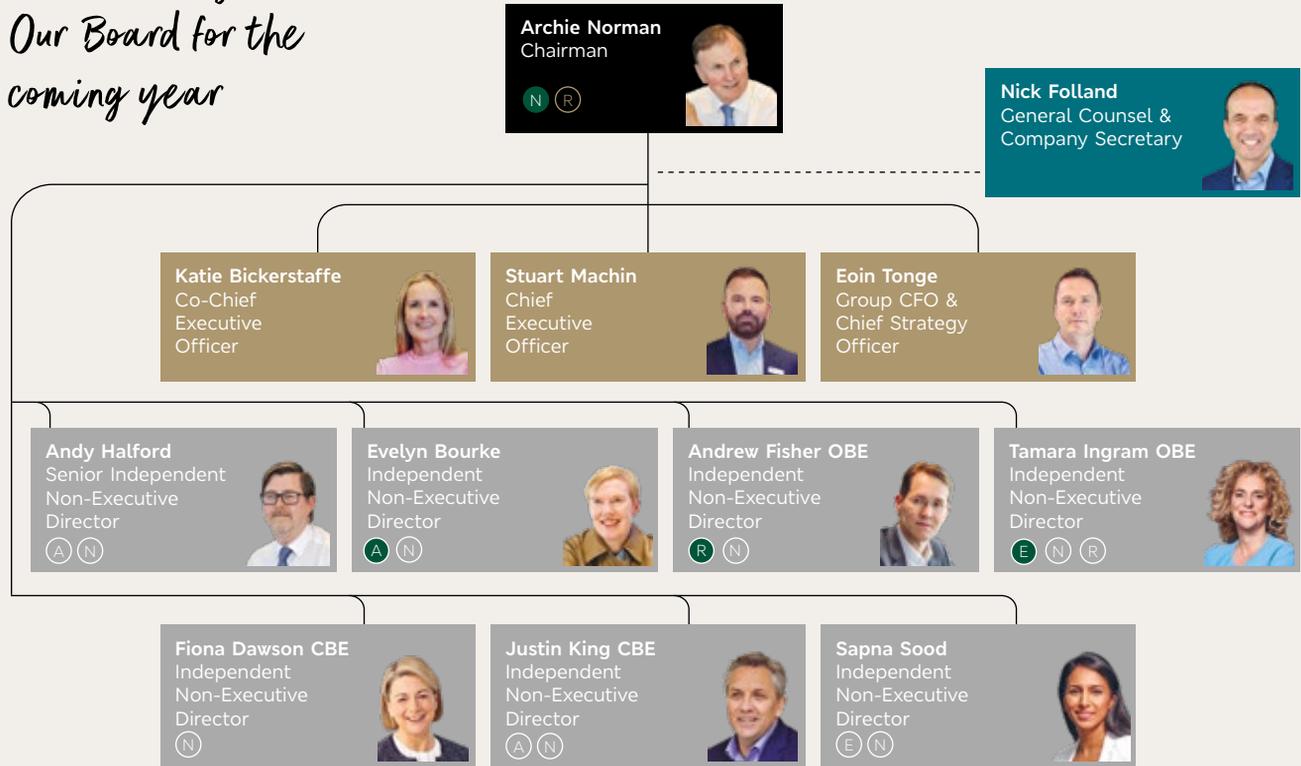
13. Nick Folland
General Counsel and Company Secretary

Appointed: February 2019

Career and external appointments: Nick has extensive legal and governance experience, having been General Counsel and 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 is the Senior Independent Member of the Natural Environment Research Council – the UK's leading public funder of environmental science. He joined HMPPS as a non-executive member of its Audit and Risk Assurance Committee in May 2021.

OUR BOARD CONTINUED

Recent changes:
Our Board for the
coming year



Committees key (A) Audit (N) Nomination (E) ESG (R) Remuneration ● Committee Chair

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.

Richard, Paul and Sacha were members during the year, alongside the CEO, CFO and Chief Operating Officers. They will continue serving as members into 2022/23 with the executive directors.



Richard Price
Clothing & Home
Managing Director

Career summary: Richard joined M&S on 7 July 2020 as Clothing & Home Managing Director. 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. Earlier in his career he worked for Next in a range of merchandising roles across womenswear and menswear from 1989 to 2005. 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.



Paul Friston
Managing Director
of International

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



Sacha Berendji
Group Property, Store
Development and IT Director

Career summary: 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 took up his current position in November 2012.

BOARD ACTIVITIES

The following pages outline the key topics reviewed, monitored, considered and debated by the Board in 2021/22.

Meeting agendas, agreed in advance by the Chairman, CEO and Company Secretary, combine a balance of regular standing items, such as reports on current trading and financial performance, with two or three detailed “deep dives”.

All items for discussion are guided by, and mapped against, the Company’s strategic priorities which are highlighted in the key below.

The Board recognises the importance of understanding and considering the views and interests of all the Company’s stakeholders, and this forms a crucial component of directors’ discussion and decision-making.

The icons below highlight the stakeholders considered and impacted in each key area of activity, together with an example demonstrating the discharge of duties under Section 172(1) of the Companies Act 2006 (“s.172”).

➕ For more information, see p32-34 for our Section 172(1) statement.



GROUP PURPOSE UPDATE 1 2 3 4 5

- As the business moved into the next phase of transformation, the Board discussed a “North Star” under which all the Group’s activities could be collectively focused, guided and galvanised. This took the shape of an updated Group purpose which was relaunched internally in October. This reinvigorated articulation of how and why we serve our stakeholders has been the overarching backdrop against which all subsequent Board discussion and decision-making took place during the year. ● ● ● ● ●
- In shaping the Group purpose, the Board agreed this should be aspirational, exciting and engaging, particularly for colleagues. The Board emphasised the need to balance this with language and concepts which colleagues would find relatable, and also to ensure the integration of sustainability as a key strategic pillar. ● ● ●
- Crucially, directors considered shareholder returns and agreed the updated purpose should remain grounded in commercial reality. ●
- During discussions, the Board and Executive Committee (“ExCo”) explored M&S’ rich heritage and our place in the communities we serve with the help of our M&S Archive. ● ● ● ● ●
- Feedback was sought from leaders across the business and a wider “Talk Straight Survey” invited the views of all employees. The results identified clear communication as an area for improvement, and as a result, alignment with our wider “People Plan” and colleague communication strategy were key focus areas in the relaunch. ● ●

STRATEGY AND TRANSFORMATION

MS2 3 5

The Board has monitored progress of MS2, the Company’s digital and online change programme, which was launched last year with the ambition to bring M&S.com front and centre of our business proposition.

Decisions and s.172 considerations

- In reviewing regular updates on MS2’s progress, the Board monitored and encouraged advancement of growth plans, including appropriate investment in talent. ● ● ● ●

End-to-end supply chain 1 3 5

The Board reviewed regular updates on modernising supply chains across Food, Clothing & Home and International.

Decisions and s.172 considerations

- Guidance was offered on the roll-out of Vanguardie and consideration given to the impact of labour shortages and global delays on our partners, store colleagues, agency workers and shareholders. ● ● ● ● ●

Rotating the store estate 4

Ensuring the store estate is fit for the future continued to be a key priority during the year.

Decisions and s.172 considerations

- In addition to reviewing developments and visiting stores, the Board considered how changes in the community post-Covid-19 had impacted plans for store locations and encouraged management to focus on store geography during budget planning. ● ● ● ● ●

Strategic investments 3

CEO and CFO updates included reports on proposed and in-flight strategic investments and acquisitions, including on Nobody’s Child, The Sports Edit and True Capital III Fund.

Decisions and s.172 considerations

- As part of the Brands strategy, the Board challenged management on integration with M&S colleagues and culture, long-term returns for investors, and adding value to the customer proposition. ● ● ● ● ●

Digital & Data 1 2 3 4 5

The “Digital First” agenda has remained a focal point in the transformation. The Board has monitored progress of programmes to enhance M&S’ utilisation of data including Sparks, Personalisation at Scale and BEAM Academy.

Decisions and s.172 considerations

- The Board supported investment in the True Capital III Fund to enrich M&S’ understanding of changing customer priorities, such as sustainability and convenience, through access to emerging technology. ● ● ● ● ●
- Reviewed and challenged the personalisation plans in relation to more focused customer engagement. ● ●

Plan A 1 2 3 4 5

While Plan A metrics are primarily evaluated by the ESC Committee, the Board reviewed progress against key objectives and considered Plan A factors throughout Board discussions.

Decisions and s.172 considerations

- The Board considered and approved the addition of sustainability metrics in a renewed revolving credit facility. ● ● ● ● ●
- A newly overhauled and strengthened governance process on charity partnerships and donations was agreed. ● ● ● ● ●

EXECUTIVE UPDATES

Budget and financial performance

1 2 3 4 5

Financial performance was monitored by the Board at every meeting, with deep dives on financial results announcements, in-year budget and the three-year plan.

Decisions and s.172 considerations

- Management re-forecasts were robustly scrutinised by the Board, leading to two market announcements increasing profit outlook guidance. ●●●●●
- The Board debated the Company's cost base, particularly in light of macroeconomic factors such as inflation. Discussing the impact on customers and partners in terms of pricing and supply strategy, it was agreed an emphasis on internal efficiency would remain vital. ●●●●●

Balance sheet management

1 2 3 4 5

As the business recovered from Covid, balance sheet management remained a critical component in sustainability of the Company's performance.

Decisions and s.172 considerations

- The Board considered broad stakeholder support in agreeing the new £850m revolving credit facility, which was linked to net zero sustainability metrics. ●●●●●
- The declaration of a dividend was debated by the Board, concluding prioritisation of balance

sheet and debt management during 2021/22 remained in the best interest of shareholders and their long-term returns. ●●●●●

Invasion of Ukraine 5

Following the invasion of Ukraine by Russia, the Board rapidly engaged in crisis discussions and closely monitored the unfolding situation.

Decisions and s.172 considerations

- The Board unanimously agreed that colleague welfare was the Company's main priority and encouraged management's plans to support the humanitarian crisis. ●●●●●
- Detailed discussions took place on the challenges involved in suspending shipments to the Turkish franchisee's Russian business, and continuing to supply franchise stores in Ukraine. The Board continue to receive regular updates on how the conflict is impacting our franchise partner, suppliers, colleagues, charity partners and investors. ●●●●●

Brexit and Covid-19 1 2 3 4 5

Despite the easing of restrictions, the challenges and opportunities arising from Covid-19, and the ongoing impact and management of Brexit, remained regular topics in the boardroom during 2021/22.

Decisions and s.172 considerations

- Deep dive discussions on the markets most heavily impacted by Brexit, mindful of the diversity of customer perceptions. The Board agreed ways

to best meet customer and community needs, instructing that partners with strong local knowledge should be sought and local sourcing should be engaged wherever possible. ●●●●●

- Regular updates on Covid-19 cases, restrictions and trading patterns were monitored across all markets and sourcing locations. The Board considered colleague welfare and continuity risks, instructing a renewal of contingency plans for the Castle Donington distribution centre. ●●●●●

Third-party brands 3 5

The Board reviewed brand proposals and received progress reports on third-party brand performance against a balanced scorecard, discussing potential structuring models, with both short-term and long-term objectives, and how they would support the M&S "ecosystem".

Decisions and s.172 considerations

- The Board considered how customer and brand partner propositions should be balanced. In doing so, directors reviewed the results of Customer Pulse Surveys and agreed the need to take a simplified and well-articulated position to improve customer understanding. Agreeing also that a clear stance would also support brand partners to curate their own offering. ●●●●●

CULTURE AND ORGANISATION

Risk appetite 1 2 3 4 5

Group-wide risk appetite is set by the Board through a series of assessments at individual business unit level, followed by collective Board debate. See pages 45 to 46 for further information.

Decisions and s.172 considerations

- Data-related risk was debated, with the Board concluding to separate risks associated with customer data versus utilising technology to drive the digital and data agenda more broadly. It was agreed there would be no risk appetite in the former category. ●●●●●
- The Board agreed that the global context of the Clothing & Home supply chain necessitated a separate risk appetite from that of the Food business. ●●●●●

Business Involvement Group ("BIC")

1 2 3 4 5

The Chair of National BIC was invited to several Board meetings throughout the year, with two "deep dive"

discussions dedicated to colleague engagement and feedback.

Decisions and s.172 considerations

- Colleague feedback was considered in relation to pay reviews, the holiday buy programme and the Save As You Earn share scheme. ●●●●●
- The Board encouraged the plans to modernise the BIC network and supported agility in communications between colleagues and management. ●●●●●
- In an additional session dedicated to the Colleague Engagement Survey, the Board debated the themes behind the results, supported the delivery of consequent action plans, and agreed to focus on driving momentum from an inclusion and diversity perspective. ●●●●●

Talent 1 2 3 4 5

Following discussion at the Remuneration Committee, the Board considered an update on talent acquisition, development and retention.

Decisions and s.172 considerations

- The Board supported the "internal first" approach to growing talent and improving diversity in the workforce. ●●●●●
- Changes in both current and potential colleague's priorities were considered, including wellbeing and flexibility. ●●●●●

MyHR 1 2 3 4 5

In September 2021, M&S launched a new system designed to put digital at the heart of people activities.

Decisions and s.172 considerations

- The Board reviewed regular updates leading to the launch of MyHR and considered feedback from listening groups of c.300 colleagues to simplify and embed the system. ●●●●●

LEGAL AND GOVERNANCE

Board evaluation

Last year's external evaluator held regular sessions with the Board, including an all-Board deep dive, to monitor and review Board effectiveness, as well as progress with last year's Board action plan. See page 65 for further information.

Decisions and s.172 considerations

- Consideration was given to the Colleague Engagement Survey results, in line with the Board's action to ensure that people and culture are at the heart of the Company's transformation. With the Board agreeing it should focus on development of other senior leadership in addition to ExCo. ●●●●●

Board committees

The principal Committee meetings are aligned to the cadence of the Board calendar, with the Chair of each Committee providing the Board with their latest updates and recommendations for approval.

Decisions and s.172 considerations

- The Board debated the Remuneration Committee recommendation on an inflationary pay rise across the Group, considering cost of living pressures. ●●●●●

Year-end controls and approvals

After a series of briefings on planning, and following review and recommendation from the principal Committees, the Board considered the year-end approval matrix.

Decisions and s.172 considerations

- Detailed sessions on the Full Year Results and the Annual Report included rigorous debate and scrutiny on principal risks, investor returns, more customer-centric messaging, and communicating colleague recognition. ●●●●●

Shareholder analysis and engagement

The Board reviewed regular updates on analysis of the M&S share register and reports on the priorities of institutional investors and proxy voting agencies.

Decisions and s.172 considerations

- Consideration was given to investors' increased focus on ESG activities and the Company's record on plastic was agreed as a focus area for management. ●●●●●

AGM

Updates on planning for both the practical and legal aspects of the AGM were reviewed by the Board, followed by post-meeting feedback.

Decisions and s.172 considerations

- The Board reviewed plans to reduce the nominal value of the Company's shares and amend its Articles of Association, and supported the evolution of the digital format as a method demonstrating improved shareholder engagement. ●●●●●

Conflicts of interest

Any potential or actual director conflicts of interest are monitored by the General Counsel and Company Secretary and reported to the Board.

Decisions and s.172 considerations

- A number of external appointments were considered by the Board, including Evelyn Bourke's appointment to Admiral Group, Fiona Dawson's Kerry Group directorship and Archie Norman's role at Bridgepoint. In all instances, it was agreed there was no evident conflict. ●●●●●

BOARD REVIEW

BOARD EFFECTIVENESS REVIEW:

After two years of externally facilitated Board Effectiveness and Developmental Reviews, conducted by Curnek Bains of Global Future Partners ("GFP"), it was determined this year's review would be conducted internally and led by the Chairman, Archie Norman, and supported by the General Counsel & Company Secretary, Nick Folland. Last year's externally facilitated Board Review was detailed in our 2020/21 Annual Report on page 70.

IMPACT OF THE 2021/22 BOARD ACTION PLAN:

The action plan resulting from last year's review has been a core foundation of the work conducted by the Board during this financial year. For example, the level, depth and frequency of engagement between the Board and senior executives significantly increased both formally and informally, including via the ExCo mentoring programme. This process clearly built the Board's trust and confidence in senior management, as it has culminated in the promotion of two members of the ExCo to the Board in an executive director capacity; the appointment of Stuart Machin as CEO and Katie Bickerstaffe as Co-CEO. Eoin Tonge also had his duties increased.

As evidenced in the ESG Committee's Report on pages 70 to 77, the Company has worked hard on building capability and focus across the organisation in relation to ESG. This has included the reset of Plan A, new net zero ambitions, and the inclusion of sustainability-related performance metrics built into the Company's £850m revolving credit facility. Against the backdrop of Covid-19, our people responded admirably and the Board has remained focused on ensuring that the culture and people agenda is at the heart of the Company's transformation. This year there has been a greater focus on individual performance monitoring, the introduction of leadership and management trainings as well as wider investment in learning and development across the organisation. The Board is heartened that after five years, the Company's performance has produced a Group-wide bonus, half of which has been deferred for three years and will be awarded in equity – to further strengthen the alignment between colleagues and shareholders.

THE PROCESS

The Board and Committee review took the form of a series of structured interviews conducted internally and led by the Chairman, Archie Norman, and supported by the General Counsel & Company Secretary, Nick Folland, with each of the non-executive directors and ExCo members. These interviews were conducted in accordance with the principles of the UK Corporate Governance Code 2018 and the supporting Guidance on Board Effectiveness. These meetings also provided Board members with the opportunity to discuss further themes that had emerged from last year's Board action plan, as well as addressing topics emerging from sessions held this year.

BOARD REVIEW INSIGHTS

Following the interviews, a Board review report was finalised and circulated to members and became a discussion tool for the Board, helping them to devise the action plan for the year ahead. The main points highlighted are summarised below.

Board performance

- In general, members were very positive about the Board and how it functions, feeling that there had been noticeable improvement following the board review programme in the previous year. Members agreed that there is a good blend of expertise around the table and a high level of energy.
- The Board felt universally that dialogue is open and transparent, and that Steve Rowe and other ExCo members deserved credit for this.
- The executive Board members were considered to be working well with the Board, contributing openly and without defensiveness.
- Newer Board members had settled in well and all Board members had devoted time to understanding the business.

Discussing the critical issues and balancing the agenda

- Board members agreed that meeting agendas addressed the most important issues, with a good balance and range of issues discussed.
- However, there was a perceived need for improvement in the framing of issues for discussion, a desire for more strategic discussion, and a desire to close out returning issues.
- Given the high level of Board activity, Board members felt that keeping meeting schedules tight was a good discipline to force choices and to prioritise the agenda.

Getting the best out of Board members

- The Board agreed they all had good opportunities to contribute and that the expertise around the table is currently appropriate.
- There was a high level of respect for people around the table.
- Although discussions were sometimes considered to be robust, they were also respectful with a good level of debate. The level of challenge to management was viewed as constructive.
- Sometimes discussion felt time-constrained, with members expressing a need to balance more appropriately covering all issues against examining them in depth. It was felt there was a tendency amongst the executive team to present issues already set out in Board papers, causing some minor frustration.

Board papers and information

- The Board papers generally contained a comprehensive overview of business performance. The monthly management reports especially were open about the issues, providing real insight into what the executive were tackling and what their concerns are.

- However, members agreed that the framing of options could be improved, with some papers presenting a narrative on a subject and the steps being taken, without outlining the choices clearly. It was felt this sometimes led to less-focused discussion.

Chairman

- The Chairman received feedback from all Board members on his performance, as well as on the effectiveness of the General Counsel & Company Secretary, with a particular focus on the onboarding of new directors, and the Board involvement programme.
- The Board agreed that the Chairman's style and approach had been appropriate and necessary to drive change during the critical first stage of transformation. Members also agreed that his style would inevitably evolve with the leadership changes and with the differing demands of the next stage of transformation.

Senior Independent Director ("SID")

- Andy Halford was praised for his role on the Board, with members commenting he has played an important role in articulating hard truths, and had been pivotal with new director onboarding.
- There was an awareness that when Andy leaves the Board and his role as SID by the end of 2022, he will be leaving a gap and he will be hard to replace.

2022/23 ACTION PLAN:

- Post-pandemic, and with the anticipation of a new executive leadership team in place, it has been agreed that it is time to revive the Board's informal engagement opportunities outside of formal Board meetings, with breakfasts and dinners. It was also agreed the Board Involvement Programme should be refreshed, with the Board expressing a desire to meet in stores, distribution centres and at Ocado, to increase the Board's visibility in the business and to engage fully with a wide range of colleagues.
- After an intense period of Board involvement and focus on operational issues, the Board's focus should be re-oriented on strategic issues, particularly in the long-term; with technology and M&A activity flagged as possible areas for discussion. The Board has agreed to consider future trends on two or three occasions during the coming year.
- A key focus for the Board will be ensuring that the customer is at the heart of all that M&S does, with heightened attention paid to the M&S brand and consumer behaviour.
- The Board's composition will continue to be reviewed, but with particular emphasis this year on the identification of a successor for Andy Halford as Senior Independent Director, and on the Audit Committee.

NOMINATION COMMITTEE REPORT



“ THE COMMITTEE’S ACTIVITIES WERE FOCUSED ON EMBEDDING THE NEWLY BALANCED BOARD AND PREPARING FOR THE EXECUTIVE TRANSITION. ”

Archie Norman, Chair of the Nomination Committee

REVIEW OF THE YEAR

Following a period of non-executive director changes, the Committee’s activities in 2021/22 were focused on embedding the newly balanced Board and preparing for executive succession.

Since the outbreak of Covid-19, the pace of our transformation has increased significantly. To support this escalation with the appropriate skills and experience, we have seen a number of non-executive director appointments over the last two years. As such, the Committee focused on oversight of a thorough induction for Fiona Dawson in the early part of this year.

As the year progressed, attention turned to the talent pipeline and in particular, executive succession planning. As announced on 10 March 2022, and as I’ve outlined in my Governance Overview on pages 56 to 57, this has culminated in the appointment of Stuart Machin as CEO and Katie Bickerstaffe as Co-CEO on 25 May 2022, following Steve Rowe standing down as CEO.

In addition to their current activities, Stuart will be responsible for the day-to-day leadership of the business and Executive Committee, also taking on responsibility for HR and Corporate Communications. Katie will have a particular focus on driving the global omni-channel, digital and data future for the business.

The Board’s executive directors will continue to include Eoin Tonge, whose role has also expanded to Group CFO & Chief Strategy Officer. Eoin’s new responsibilities involve an enhanced role in leading the future development of the business and oversight of Plan A.

In making these executive changes, the Committee appointed and worked with an independent executive search firm, which is a signatory to the Voluntary Code of Conduct for Executive Search

Firms. Together, we reviewed the Board and Executive Committee’s balance of skills, experience and knowledge and considered the business’ immediate and longer-term requirements. In recognition of the progress made under the current leadership team, as well as the recent period of boardroom changes, the Committee agreed that the continuity and stability provided by this new executive trio would be

valuable during this next stage of our transformation, in “Shaping the Future”.

These appointments also bring female representation in the Company’s most senior executive to 33%, and to 45% overall at the Board, supporting the Committee’s ambition to surpass internal and external diversity targets.

COMMITTEE ROLE AND MEMBERSHIP

The Nomination Committee is responsible for ensuring the composition and structure of the Board remains effective, balanced and optimally suited to the Company’s strategic priorities. In practice this involves overseeing the nomination, induction, evaluation and orderly succession of directors. The Committee also ensures the Group’s governance facilitates the appointment and development of effective management that can deliver shareholder value over the long term. The full Terms of Reference for the Committee can be found at marksandspencer.com/thecompany.

The Committee comprises the non-executive directors and is chaired by Archie Norman. Individual meeting attendance and changes to membership are displayed in the below table. More information on the skills and experience of all Committee members can be found on pages 60 to 61.

The Committee’s performance was reviewed as part of the 2021/22 internal Board Review, which is covered on page 65.

The review established that the Committee functions well in terms of planning succession to Board roles and other senior positions.

MEETINGS HELD IN 2021/22

	Member since	Number of meetings attended	Maximum possible meetings
Archie Norman	1 Sep 2017	7	7
Evelyn Bourke	1 Feb 2021	7	7
Andrew Fisher	1 Dec 2015	7	7
Andy Halford	1 Jan 2013	7	7
Tamara Ingram	1 Jun 2020	7	7
Justin King	1 Jan 2019	6*	7
Sapna Sood	1 Jun 2020	7	7
Non-executive directors who served on the Committee for part of 2021/22			
Fiona Dawson	25 May 2021	4*	5

* Unable to join due to prior business commitments.

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

DIRECTOR TENURE

In January 2022, Andy Halford reached nine years of service on our Board. Last year, the Committee reported that Andy remained independent, and would provide a key point of stability during 2021/22. In light of the executive changes made at the start of 2022/23, the Committee has agreed Andy's skills and experience remain vital to the Board's composition during this period of transition. The Committee has also discussed his independence in depth and, in agreement with the internal Board Review (see page 65), we have established that Andy remains independent in both character and judgement. He has no other significant links to the Company and continues to make an effective and valuable contribution.

In line with our succession plans already in place, Andy steps down as Chair of the Audit Committee on 7 June, with Evelyn Bourke replacing him. Andy will remain a member of the Audit Committee and our Senior Independent Director until he leaves the Board by the end of 2022.

TALENT MANAGEMENT

Following the change from the Operating Committee into the Executive Committee ("ExCo") in 2020, each Nomination Committee member became a mentor to a member of the ExCo. This guidance has continued and developed during the year, with particular focus on broader HR and talent management.

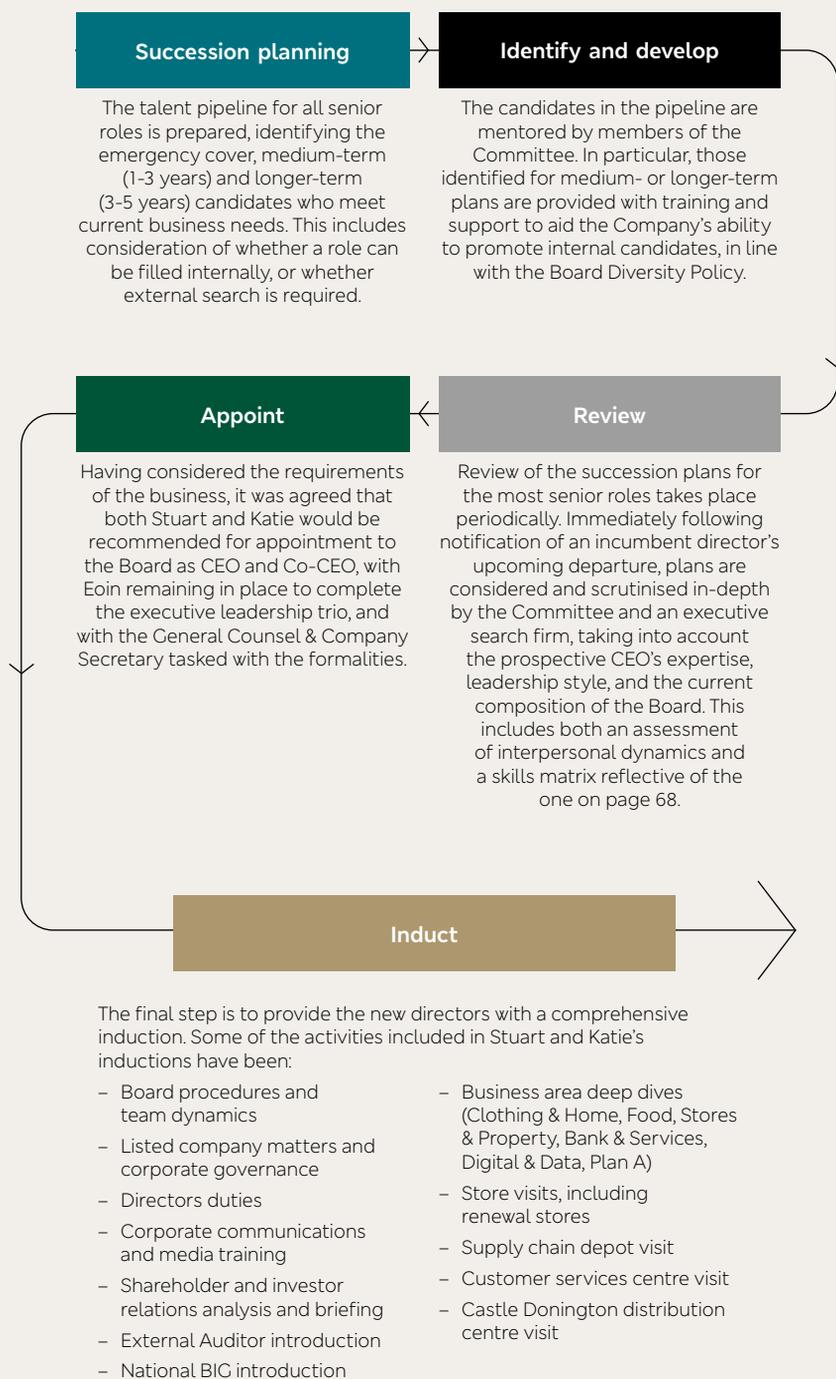
Discussions around the contribution of talent management to the Company's transformation have principally taken place at the Board and Remuneration Committee. The Committee supports the stronger governance controls and improved succession planning which has been taking place.

Last year, our review processes focused on senior leaders. In 2021/22 the review and development of our most senior individuals progressed, in addition to new arrangements for the acquisition, assessment and nurture of talent throughout the entire organisation.

The Committee acknowledges the important role growing talent internally plays in M&S' diversity ambitions, aligning with the Board's own diversity policy, which encourages directors to contribute to the development of a diverse range of future leaders. Internally promoting talent in our CEO succession is, we believe, an important demonstration of our commitment to talent development.

CEO SUCCESSION PROCESS

In light of the Committee's most recent activities, we have taken the opportunity to provide an insight into our approach to succession and induction of our new CEO and Co-CEO. The process is designed to ensure the appointment of our executive directors is strategic, orderly and comprehensive. Since the new executives have been part of the business for a number of years, their inductions are primarily focused on providing a robust understanding of their new responsibilities as statutory directors of a premium listed company. However, both Katie and Stuart will undertake some deep dive introductions to areas of the business not previously under their remit.



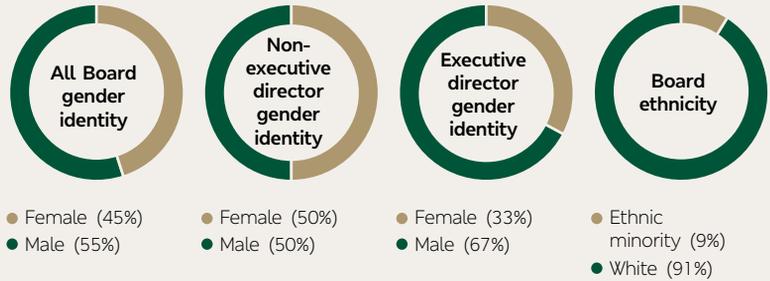
NOMINATION COMMITTEE REPORT CONTINUED

Balanced leadership

BOARD

Evidencing effectiveness

Throughout 2020/21 and until the publication of last year's report, the Company took steps to ensure, in line with our Board Diversity Policy (the "Policy"), that Board appointments contributed to our Group-wide ambition of driving inclusion and diversity ("I&D"). Consolidating the improving trendline, 2021/22 then focused on embedding our newest non-executive directors and harnessing the value of an effective boardroom dynamic. As director diversity increased, so too did the frequency of the I&D agenda as a consideration across many topics at Board level. In addition, the Board Evaluation established the Board as continuing to demonstrate effective debate and decision-making; a key outcome the Policy seeks to produce.



Figures as at publication date.

Shaping the future

It is our belief, supported by external evidence, that a Board which is diverse in gender, ethnic and social background correlates with a wealth and diversity of skill, experience and perspective shared in the boardroom. The Board skills and experience matrix below demonstrates this belief. The matrix is regularly reviewed to ensure it meets current business needs and was an essential tool in the CEO succession process. The ongoing consideration of the competencies highlighted in the matrix and, crucially, its alignment with our strategic priorities, has also ensured the Board is fully equipped to drive the next stage of the transformation.

Skills and experience

	1 2 3 4 5 Retail and consumer	1 2 Food and beverage	1 2 3 4 5 Supply chains	1 2 3 4 5 Marketing and media	1 2 3 4 5 Data and digital	1 2 3 4 5 Transformation and strategy	1 2 3 4 5 Finance	1 2 3 4 5 Risk management	1 2 3 4 5 Property and real estate	1 2 3 4 5 Organisational design and corporate culture	1 2 3 4 5 Sustainability	1 2 3 4 5 Corporate transactions, legal and regulatory
Archie Norman	●	●		●	●	●	●		●	●		●
Steve Rowe	○	○	○		○	○		○	○	○	○	○
Eoin Tonge		●	●			●	●	●		●	●	●
Andy Halford	●					●	●	●		●		●
Andrew Fisher	●			●	●	●	●		●			
Tamara Ingram	●			●	●	●					●	
Evelyn Bourke						●	●	●		●		●
Fiona Dawson	●	●	●	●		●				●	●	
Justin King	●	●	●			●						
Sapna Sood	●		●			●				●	●	
Stuart Machin	○	○	○	○	○	○			○	○	○	
Katie Bickerstaffe	○	○		○	○	○			○	○	○	
Nick Folland	●					●		●		●	●	●

○ Newly appointed ○ Outgoing ● General Counsel & Company Secretary

Strategic priorities:

- 1 **M&S Food** high-performing business and market share growth
- 2 **Ocado** transitioning to strong capacity growth post pandemic reversion
- 3 **Clothing & Home** on track for a more profitable model capable of growth
- 4 Building **store rotation** pipeline, driving exit from legacy stores
- 5 **International** absorbing Brexit related costs, but embryonic global strategy encouraging

Expanding goals

In 2020, we met both our internal target set out in the Policy and the external target laid out in the FTSE Women Leaders Review (formerly the Hampton-Alexander Review), ensuring a 33% female Board. Towards the end of last year, we surpassed these goals with the appointments of Evelyn Bourke and Fiona Dawson. Since then, we have expanded scope and, in recognition of the different roles of non-executive and

executive directors, we have also achieved a 33% female executive population. In addition, we are fully compliant with the Parker Review's target to appoint at least one Board member from an ethnic minority background. However, the Board recognises the importance of all forms of diversity and remains committed to striving for further progress in this space.

FTSE Women Leaders Review



Parker Review

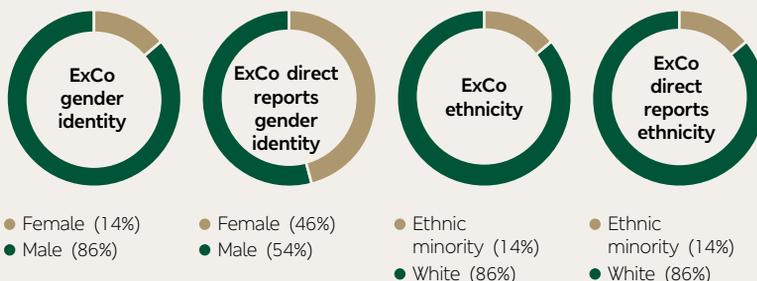


EXECUTIVE COMMITTEE

Wider leadership

As reported above, the improved gender diversity of our executive directors has been a positive outcome of the CEO succession. Separately, the balance of individuals reporting into ExCo members who identify as female has also seen improvement this year. In recognition of the importance of the talent pipeline, we have also outlined the ethnic diversity of senior leadership below ExCo level for the first time. We are pleased to report that our senior leadership is representative of the wider organisation, of which 12% are from ethnic minority backgrounds. However, we remain committed to enhancing the quality of the talent pipeline while driving change.

More detail on diversity in the wider organisation can be found on page 27.



Skills and experience

	1 2 3 4 5	1 2	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	1 2 3 4 5	
	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
Steve Rowe	○	○	○	○	○	○	○	○	○	○	○	○
Eoin Tonge		●	●			●	●	●		●	●	●
Stuart Machin	●	●	●	●	●	●			●	●	●	
Katie Bickerstaffe	●	●		●	●	●			●	●	●	
Richard Price	●		●	●		●				●		
Paul Friston	●		●		●	●	●		●			
Sacha Berendji	●		●		●	●	●	●	●	●		

○ Newly appointed ○ Outgoing

OUR COMMITMENT

Our objective of driving the benefits of a diverse Board, senior management team and wider workforce is underpinned by the Policy, which can be viewed on our corporate website at marksandspencer.com/thecompany.

In addition to the above mentioned commitments to promote gender diversity, ethnic diversity and succession planning, the Policy covers other inclusion initiatives taking place within the Company which are sponsored and endorsed by the Board.

During the year, these have included:

- A reset, including budget allocation, for the seven employee-led networks on gender, ethnicity, sexual orientation (LGBTQ+), and disabilities 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 16-24-year-olds on Universal Credit who are at risk of long-term unemployment.
- 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.

- Added our first LGBTQ+ charity partnership to Sparks for our customers and colleagues to support AKT, a charity supporting LGBTQ+ young people aged 16-25 in the UK who are facing or experiencing homelessness or living in a hostile environment.
- Continued to drive and improve mandatory I&D training across the business, with a particular focus on line managers.

➕ Read more in our Sustainability Report

ESG COMMITTEE REPORT



“OUR PRIORITY HAS BEEN ENSURING SUSTAINABILITY REMAINS AT THE HEART OF M&S’ CUSTOMER PROPOSITION.”

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

INTRODUCTION

Last year, we established our Environmental, Social & Governance (“ESC”) Committee to provide the business with rigour, support and challenge on ESG matters. Throughout the course of 2021/22, our priority has been the reinvigoration of Plan A – our multi-year sustainability programme – ensuring our leadership position is upheld and sustainability remains at the very heart of M&S’ customer proposition. This report outlines our activities in support of this aim, and how we have discharged the responsibilities delegated to the Committee by the Board.

Doing the right thing by our planet, people and the places we serve, is a value that has been core to M&S’ culture since its inception. In recognition of this, the Committee and I would like to thank Steve Rowe for his consistent leadership in this regard. He has ensured this year, as a standing attendee, that this was forefront of the Committee’s minds, and in turn confirmed sustainability, in particular climate change, as a key strategic pillar in the Company’s purpose as it moves through the next stage of its transformation.

In line with the intention we set last year, the Committee has reviewed the sustainability strategies of each of

the Group’s accountable businesses, challenging management to ensure they are relevant to all stakeholders. This culminated in our reset of Plan A with a singular focus; to cut our carbon footprint by one-third by 2025 and to become a net zero business by 2040. We have developed a multi-stakeholder plan spanning customers, colleagues and suppliers to deliver on this target.

Important progress has been made with our Plan A reset, which included the return of our iconic “Look behind the Label” campaign to engage customers in the stories behind our responsibly sourced, everyday products, from coffee to cotton. We have also introduced new propositions including our partnership with Hirestreet (the clothing hiring business), and our Sparking Change Challenge encouraging customers to live more sustainably by reducing food waste and exploring more plant-based protein. Bringing customers along on our sustainability journey is and will increasingly become vital; to ensure, alongside our own sustainability efforts, we are positively influencing the sustainability of our wider community. This approach will be necessary for us to achieve our Scope 3 net zero emissions targets.

The Committee has been conscious this year that unless we hold ourselves accountable against our actions plans and targets, our efforts to reset Plan A will ultimately become futile. Embedding sustainability throughout the business, ensuring all decisions are aligned to Plan A, strengthening our governance to manage climate-related risks and opportunities, and monitoring progress with our net zero target, have all therefore been key areas of focus for the Committee.

COMMITTEE ROLE AND MEMBERSHIP

The Committee is responsible for ensuring that the Company has an ESC strategy (“Plan A”) that is both inspiring and differentiates M&S from its competitors, while also remaining fit for purpose. The Committee will also review the effectiveness of Plan A, including the governance arrangements for ensuring the successful delivery of the strategy and monitoring its overall performance. In addition, the Committee advises the Audit Committee on ESC-related risks, including climate-related issues.

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

The Committee comprises Tamara Ingram as Chair and Sapna Sood, with Archie Norman, Steve Rowe, Eoin Tonge and Nick Folland standing attendees at Committee meetings. Individual meeting attendance is displayed in the table below. More information on the skills and experience of Committee members can be found on pages 60 to 61.

MEETINGS HELD IN 2021/22

	Member since	Number of meetings attended	Maximum possible meetings
Tamara Ingram	16 Dec 2020	6	6
Sapna Sood	16 Dec 2020	6	6
By standing invite			
Archie Norman	N/A	6	6
Steve Rowe	N/A	6	6
Eoin Tonge	N/A	6	6
Nick Folland	N/A	6	6

We recognise we must never be complacent. The world is unpredictable, complex and changing fast. As a consequence, the Committee will continue to challenge the business proactively to tackle relevant sustainability topics, climate-related risks and opportunities, respond to stakeholder expectations, and ensure the business has appropriate controls in place to meet our Plan A targets.

WHAT WAS ON THE COMMITTEE'S AGENDA 2021/22

The Committee's time during the year was devoted to the following interlocking key areas of focus:

- Strategy
- Embedding
- Controls

Strategy

The Committee received updates from the Executive Committee ("ExCo") on the sustainability strategies for the Food, Clothing & Home and International businesses, as well as the common themes across the Group on climate change, community, human rights and ethical trading. ExCo and senior leadership were challenged to develop these strategies with a focus on key customer concerns, our market position on sustainability and upcoming regulatory issues. These reviews concluded with the reset of Plan A, under a unifying Group commitment to be a net zero business (including Scope 3) by 2040. As an interim but meaningful step, we have also made a public commitment to cut our carbon footprint by one-third by 2025 and the teams across the business have been tasked with developing operational plans to deliver against this.

The Committee was also presented with "deep dives" on the following areas, to aid its thinking and development of sustainability objectives:

- Customer insights on sustainability concerns and perception of M&S' sustainability performance.
- M&S' market position on sustainability.
- Climate change.
- Animal welfare.
- Plastics.
- Community investment.

Embedding

The Committee has emphasised during the year the importance of creating and embedding a sustainability culture within the business, to ensure all decision-making is aligned with Plan A objectives.

As such, and to promote the alignment of Plan A with investment and financing decisions, the Committee reviewed, advised on and supported the proposal to link a new £850m revolving credit facility to the delivery of net zero targets. Further detail can be found on page 74.

The Committee also considered aligning colleague mindset with Plan A by incorporating sustainability objectives in performance-related pay, recommending that the Remuneration Committee investigate this further. More information is given on page 76.

Controls

In addition to reviewing and advising the Audit Committee on ESG risks and opportunities (further detail on page 76), the Committee has challenged the business to improve its controls on ESG-related reporting and Plan A progress. At the Committee's direction to enhance accountability, the business now compiles and tracks progress with metrics spanning all ESG activities. Progress with the net zero roadmap is also overseen via a new Plan A (Net Zero) Steering Group, providing the Committee with assurance that progress is consistently monitored.

Outside In – Rolling programme

The Committee has been keen to hear from as many significant voices in the sustainability world as possible. As such, it has heard from a host of external speakers and will continue this practice in the coming year:

- CEO of a leading consumer goods business, on embedding sustainability through controls and culture, and the market's response.
- Chief Sustainability Officer of a global fashion company, on the importance of innovation, supplier relationships, transparency through global supply chains, and changing consumer sentiment.
- A scientific adviser on animal welfare, farming subsidies, agricultural automation, and labour shortages.

ESG COMMITTEE EFFECTIVENESS REVIEW

The Committee's performance was reviewed as part of the 2021/22 internal Board Evaluation, which is covered on page 65. The Committee also proactively discussed its own effectiveness and progress against objectives in its first full year of operation.

The review found that the Committee was considered to be operating well. The frequency of meetings, while more often than the Board's other sub-committees, was not considered overly onerous given the need to maintain momentum with the Committee's objectives. It is felt that having the Committee meet frequently and providing leadership is having a positive and galvanising effect on the business while we are trying to embed sustainability more deeply.

The level of challenge provided by the Committee to management was deemed appropriate, and Committee members also felt the quality of input from external guest speakers was valuable. The Committee agreed that a key focus for next year would be enhancing customer communication of our Plan A practices.

2022/23 action plan:

- Demonstrate visible change to customers and colleagues aligned to our Plan A objectives, on customer focus points such as carrier bags, hangers and plastic packaging.
- Agree strategies for sustainability focus areas, including on Community, Circular Fashion and Low Impact Farming.
- Review our existing strategies on Human Rights, Health and Animal Welfare.
- Monitor delivery against our net zero targets, ensuring accountable businesses have targets integrated into their three-year plans.
- Strengthen ESG skills and talent across the business.

ESG COMMITTEE REPORT CONTINUED

Task Force on Climate-related Financial Disclosures report

INTRODUCTION

This report sets out our climate-related financial disclosures, which M&S believes demonstrate our alignment to the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations. For ease, an index table of page references for our TCFD-aligned disclosures can be found on page 77.

Marks and Spencer Group plc has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures. Further detailed information can be found in our Sustainability Report, a supplement to our Annual Report which enables the Group to provide more detailed and comprehensive reporting of our climate strategy and progress against our Plan A metrics in alignment with the TCFD recommendations and recommended disclosures. The Sustainability Report was published on 7 June 2022 and is available at corporate.marksandspencer.com/sustainabilityreport2022.

In our report last year, we set out the actions required for us to disclose fully against all TCFD recommendations. Our progress against this plan is set out below:

2021/2022 Actions	Update	
Publish the delivery roadmap to underpin our new net zero ambition with clear targets across each of the three scopes.	In September we relaunched our Plan A sustainability programme, supported by a detailed roadmap which identifies the immediate priority areas that we must focus on now as we make our journey towards net zero.	✓
Continue to track our performance against the baseline.	Our Scope 1 and 2 greenhouse gas emissions continue to be tracked in line with the Greenhouse Gas Protocol and can be found on page 75. This year we have chosen to disclose our Scope 3 emissions, recognising that our ability to track Scope 3 emissions is still very limited due to the complexity of measurement. Improvement in Scope 3 emissions measurement has been identified as a clear enabler to delivering our strategy.	✓
Conduct scenario analysis.	We have undertaken scenario analysis on three key areas of our business – Protein, Cotton and Property – see page 74.	✓
Publish the climate-related risks and opportunities over the short, medium and long term.	This disclosure articulates how we have considered the climate-related risks and opportunities we face, over the short (<3 years), medium (3-10 years), and long term (>10 years).	✓

STRATEGY AND RISK MANAGEMENT

Since its launch in 2007 Plan A, our sustainability programme, has underpinned the resilience of our organisation's strategy, ensuring that we are managing the environmental and ethical risks and opportunities we face as a business, including climate-related issues. In September 2021, our Executive Committee and the Board's ESG Committee reset Plan A to focus exclusively on our new Group goal of being a net zero business by 2040, integrating this ambition into our core strategic planning processes, budgeting and commercial strategy. Led by the CEO, over the course of 2021 the Executive Committee reviewed and updated the sustainability strategies of the Group and accountable businesses. An independent expert review was commissioned to identify the most material sustainability issues for our business and assess our performance relative to competitors. This review highlighted the

importance of climate change as an issue for multiple stakeholders and for the M&S business over the short, medium and long term, and led to the inclusion of climate change as a standalone emerging risk in last year's Annual Report. Our response to TCFD last year explored this emerging risk and identified the need to better understand the transitional and physical risks and opportunities we face as a business.

As we have further developed our understanding of our climate-related risks and opportunities, we have moved climate change from an emerging risk and have disclosed "Climate change and environmental responsibility" as an evolution of the previously disclosed "Social, ethical and environmental responsibility" principal risk to emphasise the importance of climate-related issues, and acknowledge our short term requirement to deliver rapid decarbonisation by 2025.

In line with the identification of this principal risk, each of our accountable businesses and key functional areas have considered risks relating to climate change, and more broadly the delivery of our net zero commitment, as part of the Group risk management process. This has allowed the businesses to consider how climate-related issues may impact their strategy both in the short term and beyond, and therefore to implement the required controls to manage these.

Further integration of climate change into our risk management process, as a principal risk, has increased the visibility of how the businesses are decarbonising their activities. This approach has also provided broader oversight through the risk reviews taking place at business leadership and executive team level, as well as to the Audit Committee through Group risk reporting. More information on our risk management process can be found on page 45, which includes the consideration of climate-related risks.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

Climate risks and opportunities

The below table provides a high-level summary of the risks and opportunities we have identified over the short, medium and long term across the business, and the potential impacts these could have.

Policy and regulatory landscape (S) (M) (L)	Current and future policies and regulations could impact the financial performance of our business and affect our ability to trade. Governments, including the UK's, are expected to introduce carbon pricing mechanisms to cut emissions in line with targets set out in the Paris Agreement. Policies that control the production and use of raw materials could increase costs of key commodities in our supply chain.
Technological changes (M) (L)	To achieve the targets set out in the Paris Agreement, new technologies will be required to support a low-carbon future. A number of these technological changes could also be driven by regulation. For M&S, these could include the requirement to move away from internal combustion engine vehicles and to move to low-carbon refrigeration systems.
Changing consumer preferences (S) (M)	Our continued success as a business is reliant on our ability to adapt and meet the changing expectations and needs of our customers. As public awareness of climate change grows, consumers are seeking more sustainable product choices, embracing plant-based alternatives, and choosing reusable packaging options.
Impact of extreme weather on raw material supply chain (L)	We are reliant on raw materials as ingredients in our food and fibres in our clothing and home products. Extreme weather and the effects of changing temperature and precipitation can impact the growth of raw materials such as cotton and produce. Any impact in supply could increase the cost of raw materials.

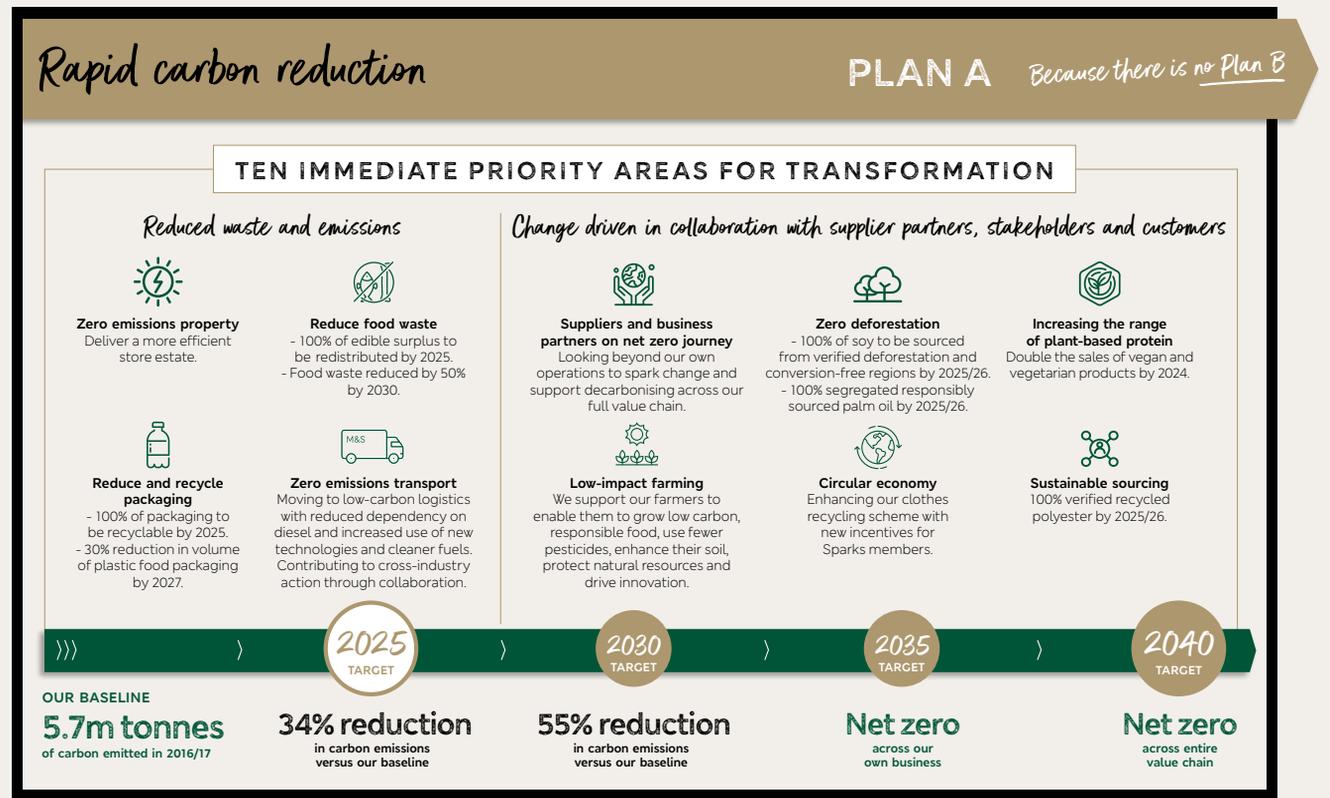
Risk key (S) Short term (M) Medium term (L) Long term

Building on these risks and opportunities, we believe it is highly likely that factors such as the cost of carbon and sustainable consumer choice will become the norm. It is therefore imperative that we act now to be ahead of the curve and manage the impact of these risks and opportunities, so we can deliver long-term, sustainable, profitable growth for our investors, colleagues and wider communities, and avoid material financial risk in the future.

Our agreed Group goal, developed in response to the long term climate-related regulatory pressures we face, is to be a net zero business across our entire supply chain and products by 2040, 10 years ahead of the UK Government's strategy. To support this, we have set a medium-term target (2030), aligned to the Paris Agreement.

To be on track to meet this target, we know that rapid decarbonisation of our entire business is essential to ensure we mitigate medium-term risks such as carbon pricing in high emissions activities. In the short term, we have set ourselves an interim goal of reducing emissions by almost 2 million tonnes by 2025 and have set out a detailed roadmap outlining the immediate priorities we will focus on as we make our journey towards net zero.

OUR ROADMAP TOWARDS NET ZERO



ESG COMMITTEE REPORT

CONTINUED

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

The 10 workstreams identified in our roadmap towards net zero cover emissions reductions in our property estate and logistics network, as well as sourcing lower impact raw materials for our products and engaging suppliers and business partners to reduce emissions from their own operations. As an own brand retailer, we are uniquely positioned to influence upstream to effect change with our

trusted supplier partners, and downstream to incentivise changes in customer behaviour thanks to the unique relationships we have.

To support our net zero ambition, we are resetting our investment approach to ensure Plan A sits at the very centre of investment decisions. We have begun to integrate the climate-related risks and opportunities into

our three-year financial planning process by, for example, including the capital expenditure required to manage the impact of our climate-related risks in our operations and the profit impact from climate-linked products and services. As part of our broader financial strategy, we have also launched our first sustainability-linked loan facility.

£850m Sustainability-linked loan facility

In December, we agreed a new £850m Revolving Credit Facility, directly linked to the delivery of net zero targets. Under the terms of our new facility, which will run to June 2026, we will benefit from a lower interest rate for delivery against four metrics that deliberately focus on material emissions hotspots aligning to our roadmap towards net zero, and areas of customer concern. These cover zero deforestation, sustainable fibre sourcing, packaging reduction and reducing our property emissions. We have engaged Deloitte to undertake an ISAE 3000/3401 limited assurance engagement in respect of M&S' reported information aligned to the metrics associated with our Revolving Credit Facility. You can read more from our Group Treasurer on our corporate website: corporate.marksandspencer.com/stories/blog/driving-net-zero-with-our-first-sustainability-linked-loan-facility

Quantitative scenario analysis

We are clear on the importance of understanding climate risks and opportunities over the short, medium and long term. Recognising climate-related risks and opportunities is an emerging area but critical issue, we complimented our existing risk management process outlined on page 45 with a bespoke scenario analysis to assess potential implications of climate-related risks in the medium term.

2030 reflects a medium-term timeframe for climate risks and opportunities to emerge, whilst also allowing for the integration of risk management into our business planning cycles. We chose a narrow scope for our quantitative scenario analysis, focusing on animal protein, cotton and UK property. These areas were selected following a materiality assessment which considered both the potential climate-related impact and the impact on financial performance to M&S, whilst ensuring fair and balanced reporting across the accountable businesses.

Exposure was determined based on percentage of profit, percentage of total consumption and total emissions. Our analysis looked at the impact of two plausible future states – average global temperature increases of 1.5°C and 4°C due to climate change by 2100. The transition and physical risks identified are outlined in the table on page 75 (Impact in 2030).

For the purpose of this risk assessment and analysis, we have assumed that M&S' business activities remain static, that we do not innovate or mitigate the impacts or change our sourcing strategy; and increases in costs are absorbed by M&S. This is a worst-case scenario approach, focusing on the risk exposure in these areas. Our financial modelling has not included quantitative analysis of opportunities, however, these are considered qualitatively in our mitigating strategies.

What does a 1.5°C scenario look like?

A low-carbon transition scenario (known as transition risk) focuses on the rapid policy, regulatory, technological and market changes that will be required by 2030 to restrict emissions to a level which limits global warming to 1.5°C. Examples of the types of changes include the application of carbon pricing schemes in both advanced and emerging economies to reduce emissions across various sectors, and an increasing awareness within society on climate change resulting in a change in lifestyle choices and habits.

Based on the climate risks and opportunities outlined on page 73, we have identified the expected introduction of carbon pricing mechanisms to cut emissions in line with targets set out in the Paris Agreement as the greatest risk we face in the medium term. This is also a transition risk that is suitable for quantitative scenario analysis, as we have quantifiable data which is linked to detailed measures set out by the UK Climate Change Committee required to deliver UK emissions net zero by 2050. We have therefore focused our scenario analysis on the impact of a carbon tax on the three scope areas.

What does a 4°C scenario look like?

The physical climate impact scenario (known as physical risk) assumes limited policy or regulatory support for emission reduction, leading to a world with increasing physical climate change impacts. The scenario showcases a future world where there are gradual, chronic changes in temperature and precipitation patterns, as well as more frequent and intense extreme weather events.

We have undertaken our scenario analysis on the following risk areas, focusing on the most material risks for which climate data from credible sources is available:

- Chronic climate change – changes in temperature and precipitation.
- Extreme weather events – floods, droughts, heatwaves and cold waves.

Whilst it is clear that the impact of risks under a 1.5°C and 4°C scenario could happen simultaneously, for the purposes of our scenario analysis we have assumed them to be mutually exclusive. This year we have chosen to disclose our impact qualitatively. Moving forward, we want to expand our quantitative scenario analysis to other areas of the business, and consider longer-term horizons to help us continue to build a better picture of the climate-related risks and opportunities facing M&S.

As we expand our scenario analysis to develop a more detailed understanding of the financial risk on our business, we will share the quantitative impact.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

To ensure the resilience of our organisational strategy across these different climate-related scenarios, our plans for mitigation highlighted in our quantitative scenario analysis are integrated within Plan A and delivered via our roadmap workstreams (see page 73). The outcomes of the scenario analysis were then embedded in the risk registers of our various businesses, via the risk owners. Our mitigating strategies outlined on the right-hand side of the table below are four of the 10 workstreams identified in the roadmap. More details of the ongoing progress within these workstreams can be found in our Sustainability Report under the relevant headings.

Impact in 2030

Business area	Scope	Transition risk (1.5°C scenario)	Physical risk (4°C scenario)*	Impact of climate risks on our organisation's financial performance	Net Zero Workstream mitigating strategies to ensure resilience
				In 2030, the highest financial risk arises from modelled transition risk, not modelled physical risk.	
Protein	UK and Ireland sourced beef, lamb, pork, chicken and turkey products	Carbon tax on agricultural emissions (to the farm-gate)	Extreme weather events and chronic climate change impact on agricultural production	Beef has the largest cost impact due to the high carbon emissions associated with its production.	 Low-impact farming – to reduce agricultural emissions  Increasing our range of plant-based protein – to encourage plant-based diets for our customers
Cotton	Globally sourced raw material used in our clothing	Carbon tax on agricultural (seed to farm-gate) and manufacturing (all steps in cotton production) emissions	Extreme weather events and chronic climate change impact on agricultural production	Cost impacts from manufacturing emissions are higher than agricultural emissions, as manufacturing is a more carbon intensive process. The financial exposure is greatest on cotton sourced and manufactured in India and China, due to our reliance on cotton products from these countries.	 Working with supplier and business partners on net zero journey – Sustainable Apparel Coalition – to support partners to reduce emissions in manufacturing
Property	UK Property Estate	Carbon tax on Scope 1 and 2 emissions	Flood risk	The financial impact may manifest itself in an increased cost of compliance.	 Zero emissions property – Our Scope 1 and 2 greenhouse gas emissions – to reduce Scope 1 and 2 emissions

* Financial exposure from physical risk analysis to 2030 is low and therefore not considered as part of the mitigating strategies outlined above. Moving forward we will consider longer-term horizons when assessing physical risks.

METRICS AND TARGETS

Our net zero ambition builds on our absolute science-based target, aligned to the UN ambition to limit global warming to 1.5°C. Behind this ambition is a roadmap with clear milestones:

- 2025 target – 34% reduction in carbon emissions versus our baseline¹.
- 2030 target – 55% reduction in carbon emissions versus our baseline.
- 2035 target – Net zero across our own business.
- 2040 target – Net zero across our entire value supply chain.

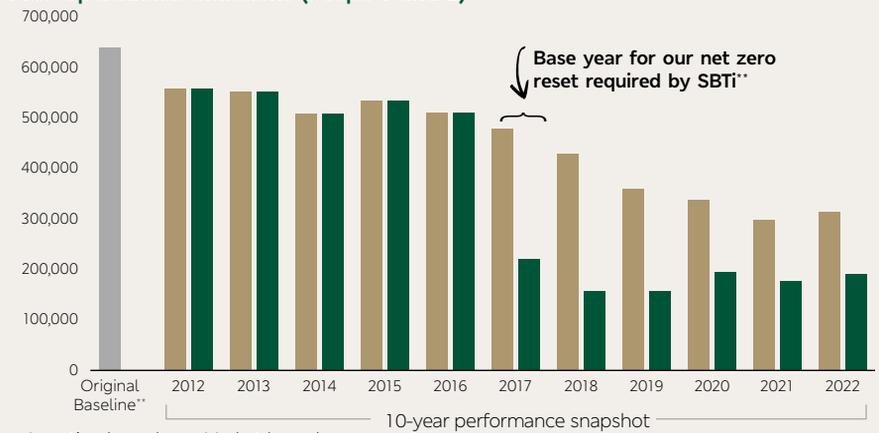
To achieve these targets, our roadmap includes 10 key workstreams outlining the immediate priorities we will focus on as we make on our journey towards net zero. These workstreams are at differing levels of maturity. Those more mature workstreams have targets (see roadmap on page 73) with associated metrics to measure performance. The remaining workstreams have more formative goals. Performance against these metrics, and updates on the remaining workstreams can be found in our Sustainability Report under the relevant headings.

1. Our baseline is 5.7 million tonnes of carbon emitted in 2016/2017.

Greenhouse gas emissions

Our Scope 1 and 2 carbon emissions, reported in line with the Greenhouse Gas Protocol are outlined in the chart below. These are assured by DNV Business Assurance Services UK Limited – more information can be found in the Sustainability Report Independent Assurance Statement.

M&S operational emissions (Scope 1 and 2)^{*}



● Location based ● Market based

* Please note, in accordance with GHG protocol guidelines, and in the absence of appropriate renewable sourcing in our 2015-16 reporting year and prior, our location-based emissions were equal to market-based emissions. Significant reductions in market-based performance in 2017 is primarily due to the procurement of renewable electricity. All figures represent scope 1 and 2 data only so as to present a fair and like-for-like trend for comparison.

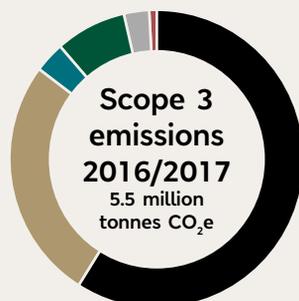
** Our original baseline was 2006/07. This has been used consistently as our baseline year in annual Plan A performance reports. Following the reset of Plan A, our base year is now 2016/17. This is used for our Science Based Target submission and will be used for our submissions to the Carbon Disclosure Project (CDP).

ESG COMMITTEE REPORT

CONTINUED

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

METRICS AND TARGETS CONTINUED



- Sourcing
- Manufacturing
- Packaging
- Operations
- Franchise
- Investments

In addition to Scope 1 and 2 emissions, we have chosen to disclose the Scope 3 emissions that form the basis of our science-based target. Moving forward, this baseline will be used to track the emissions reduction that form our rapid decarbonisation plan to reduce our footprint by 34% by 2025.

Integrating sustainability metrics in remuneration

During the year, the ESG Committee recommended the inclusion of a sustainability-related metric into performance share plan awards should be investigated. The Remuneration Committee considered this, instructing a review of feasibility with input from our remuneration advisers, PwC, on the market position. More information on the outcome of this is provided in the Remuneration Committee Report on page 88.

Streamlined energy and carbon reporting

Energy and transport fuel consumed

	This year 2021/22 (GWh)	Last year 2020/21 (GWh)*	% Change
UK Operations	1,132	1,072	6%
International Operations	25	18	35%
Group	1,157	1,091	6%

* Energy consumption (GWh) for 2020/21 has been re-stated to account for a historical reporting error that has been identified, concerning reported energy from diesel fuel. Consumption of diesel fuel has been reported accurately in litres, with fuel cards being used to collect data. A conversion factor used to calculate energy (GWh) from fuel consumption (litres) has previously been applied incorrectly, and as such, the energy reported last year has been re-stated. The conversion factor used to calculate greenhouse gas emissions (tCO₂e) from diesel fuel consumption (litres) was applied correctly and reported as such.

In 2021/22 operations were not impacted by national lockdowns in the way they had been in 2020/21. As a result, energy and fuel consumption increased this year, as compared to the previous year, by 6%, returning to similar levels of consumption as seen in 2019/20 (+4%). Location-based Scope 1 and 2 greenhouse gas emissions have gone up in line with the increase in energy consumption, but also reflecting a reported increase in emissions from refrigerant leakage, as maintenance of refrigerant systems and top-ups resumed this year following Covid-related disruption last year. Market-based Scope 1 and 2 emissions have increased by a smaller amount, due to a greater portion of electricity being purchased via a green tariff. Measures taken to improve energy efficiency throughout this year have included the installation of LED lighting in our International division, introduction of ISO 50001 in our Clothing and Home warehouses and improved metering in UK and ROI properties.

GOVERNANCE

The Board has ultimate responsibility for both risk management and ESG matters, including those risks and opportunities related to climate change. Responsibilities in relation to ESG matters are discharged to the ESG Committee. Responsibilities in relation to risk management are discharged to the Audit Committee. Board members are on both of these Committees. The CEO is accountable for the delivery of the Company's ESG programme including climate change. Climate change and the delivery of our net zero goal are a strategic priority as outlined in the ESG Committee Report (page 70).

Executive accountability for overseeing the structure of the Group's overall risk management framework sits with the CFO, supported by the Group Risk team. At a management level, the leadership teams of

the business areas (Food, Clothing & Home, International, Retail & Property and Bank & Services) are responsible for their business' risk register, and for managing and resourcing mitigating activities.

ESG risks, including those climate change risks identified via our TCFD scenario analysis, are considered as part of the business' risk register. The Executive Committee members are individually responsible for reviewing and confirming risks in their own areas, with the executive directors reviewing the entirety of the principal risks at the half year and year end, providing the Audit Committee with assurance that significant risks are appropriately monitored and managed.

As required by the UK Corporate Governance Code, the Audit Committee is tasked with

ensuring the effectiveness of the risk management process, as well as confirming that the principal risks and uncertainties of the business are appropriately addressed. The Audit Committee review the principal risks twice a year, of which climate change and environmental responsibility is one. In addition to this, as part of our governance and non-financial control arrangements, the ESG Committee have oversight of our climate change and environmental responsibility principal risk and continue to support the risk management process by reviewing and providing the Audit Committee with recommendations on all ESG-related risks, including climate change. Further details on the Group's overall risk management process and governance are available on page 45.

Greenhouse gas ("GHG") emissions

	This year 2021/22 (000 tonnes)	Last year 2020/21 (000 tonnes)**	% Change
Direct emissions (Scope 1)	174	157	11%
of which UK & ROI:	172	156	10%
Indirect emissions from purchased electricity (Scope 2)	140	141	-1%
of which UK & ROI:	124	129	-4%
Total gross location-based method Scope 1+2 GHG emissions	314	298	5%
of which UK & ROI:	296	285	4%
GHG intensity per 1,000 sq ft of salesfloor	16	15	6%
Procured renewable energy	124	120	3%
Total gross market-based method Scope 1+2 GHG emissions	190	177	7%
of which UK & ROI:	172	165	5%

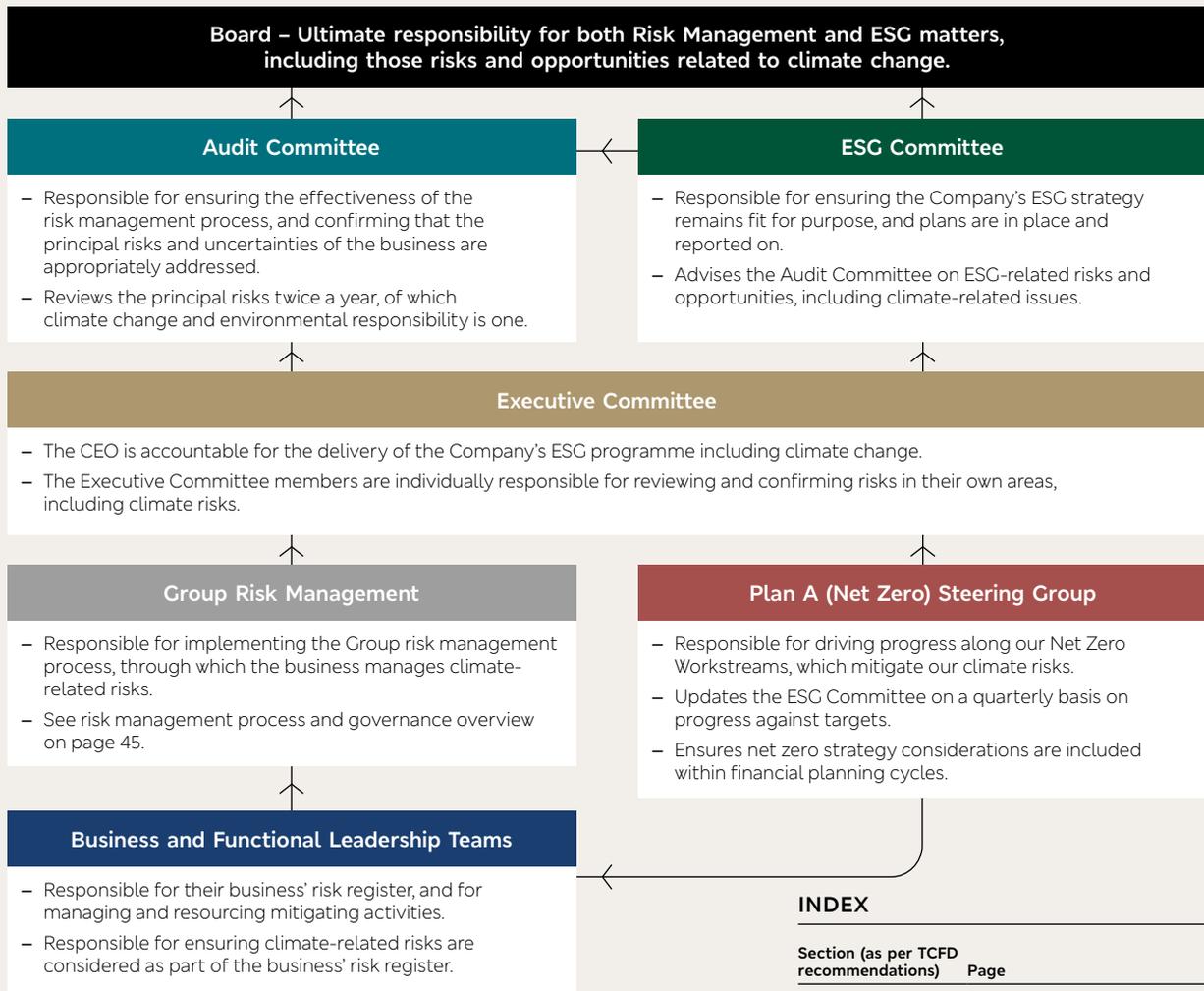
** GHG emissions (000 tCO₂e) for 2020/21 have been restated to account for the Motherwell warehouse coming into M&S' boundary of operational control in 2021/22, since operations began at the site during 2020.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES REPORT CONTINUED

Following confirmation of our Group goal, we set up a Plan A (Net Zero) Steering Group to mobilise action across the business in line with the roadmap towards net zero. This Steering Group is formed of business representatives across the leadership team and sponsored by the CFO and Nick Folland,

our General Counsel & Company Secretary, who are responsible for Plan A. The Group meets bi-monthly to drive progress along our roadmap and workstreams, ensuring that targets are delivered to mitigate our climate risks, including those identified in our scenario analysis. The Steering Group also ensures

suitable considerations are included within the financial planning cycle. The Steering Group updates the ESG Committee, a sub-committee of the Board, on a quarterly basis on progress against our net zero targets.



- ACTIONS WE WILL TAKE IN 2022/23**
- Undertake a detailed business-wide review of climate risks and opportunities over the short, medium and long term.
 - Extend our scenario analysis to focus on additional business areas.
 - Develop a financial framework to support our roadmap towards net zero.
 - Review the inclusion of sustainability-linked performance metrics into share plan awards.
 - Update on progress for tracking Scope 3 emissions data with initial focus on own brand products across Foods and Clothing & Home.

INDEX

Section (as per TCFD recommendations)	Page
1a	Page 76 and 77
1b	Page 76 and 77
2a	Page 73, 74 and 75
2b	Page 73, 74 and 75
2c	Page 72, 74 and 75
3a	Page 72
3b	Page 72 (Risk Management Section – page 45)
3c	Page 72 (Risk Management Section – page 45)
4a	Page 75 and 76 Sustainability Report
4b	Page 75 and 76
4c	Page 73, 75 and 76

AUDIT COMMITTEE REPORT



“ THIS YEAR CONTINUED TO BE CHARACTERISED BY CHANGE AND UNCERTAINTY. NAVIGATING THE RISKS ASSOCIATED WITH MACROECONOMIC FACTORS WERE KEY COMPONENTS OF DISCUSSION. ”

Andy Halford, Chair of the Audit Committee

INTRODUCTION

As Chair of the Audit Committee (the “Committee”), I am pleased to present my ninth and final report. These pages outline how the Committee discharged the responsibilities delegated to it by the Board over the course of the year ended 2 April 2022, and the key topics it considered in doing so.

During the year, the Committee’s core duties remained unchanged and the usual cadence of activities relating to risk, assurance and internal controls remained in place. While many immediate challenges arising from Covid-19 and Brexit had dominated the prior year, the backdrop of this year continued to be characterised by change and uncertainty. In particular, navigating the risks associated with macroeconomic factors were key components of discussion in every area of the business, including the Russian invasion of Ukraine in the latter part of the financial year. Detail on our risk mitigating activities can be found on pages 49 to 54.

The Committee continued its work to strengthen non-financial controls and governance arrangements including: updating and improving policies, metrics and assurance processes to ensure compliance with our Code of Conduct; refreshing accountabilities of the Financial Services Compliance Monitoring Committee to enhance oversight of duties relating to M&S Bank and Services; and driving progress with business unit level improvements to risk reporting and monitoring.

The Committee fulfils a vital role in the Company’s governance framework, providing valuable independent challenge and oversight across all financial reporting and internal control procedures. Ultimately, it ensures our shareholders’ interests are protected, the Company’s accelerated transformation is supported and long-term value is created.

As referenced in the Chairman’s Overview and the Nomination Committee Report, I have served as a non-executive director of M&S and chaired this Committee for nine years. I am therefore stepping down as Chair of the Committee on

7 June and, having ensured a smooth transition, will retire from the Board and as a Committee member by the end of 2022.

Evelyn Bourke will take over as Chair of the Audit Committee, bringing a wealth of knowledge from a variety of financial and risk-related leadership roles, including at the Bank of Ireland, Admiral and AJ Bell. I leave the Committee in good hands.

COMMITTEE MEMBERSHIP

The Committee solely comprises independent non-executive directors. Detailed information on the experience, qualifications and skillsets of all Committee members can be found on pages 60 to 61.

MEETINGS HELD IN 2021/22

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

It is important for the Committee Chair to understand fully any topics of concern to facilitate meaningful dialogue during Committee meetings.

INDEPENDENCE AND EXPERIENCE

The Board has confirmed that 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.

The Board has also confirmed that it is satisfied both Andy Halford and Evelyn Bourke possess recent and relevant financial experience.

To support him in fulfilling this role during the year, Andy Halford met regularly, on a one-to-one basis, with the CEO and CFO, the Director of Group Finance, the Head of Internal Audit & Risk, members of senior management and the lead audit partner from Deloitte.

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

	Member since	Number of meetings attended	Maximum possible meetings
Evelyn Bourke	1 Feb 2021	5	5
Andy Halford	1 Jan 2013	5	5
Justin King	4 Nov 2019	5	5

WHAT WAS ON THE COMMITTEE'S AGENDA IN 2021/22

CORE DUTIES

The Committee undertook the following core activities during the year:

- Monitored the integrity of the annual and interim financial statements and any formal announcements relating to the Company's financial performance, with a focus on reviewing the significant financial reporting policies and judgements within them.
- Reviewed internal controls and risk management processes particularly in the context of challenges posed by Covid-19 and Brexit.
- Reviewed the Board's approach to assessing the Company's long-term viability.
- Debated and agreed changes to the principal risks.
- Maintained the relationship with the external auditor, including monitoring their independence and effectiveness.
- Reviewed the effectiveness of the Company's whistleblowing, fraud, gifts and hospitality procedures.
- Reviewed and approved the Company's statement of compliance with the Groceries Supply Code of Practice ("GSCOP").
- Assessed whether the Annual Report, taken as a whole, was fair, balanced and understandable.
- Reviewed the effectiveness and independence of the Internal Audit & Risk function.
- Reviewed relevant financial and climate-related scenario analysis, identifying future climate risks and opportunities with the support of the Environmental, Social & Governance ("ESG") Committee, for the purpose of aligning with the recommendations from the Task Force on Climate-related Financial Disclosures ("TCFD").

INTERNAL CONTROLS FRAMEWORK

The Committee received updates on internal control matters from the Internal Audit team at each meeting, as part of its key duty to review the Company's internal control processes. This regular monitoring of the internal control framework ensured timely identification of issues and formal tracking of remediation plans.

Instances where the effectiveness of internal controls were deemed to be insufficient were discussed during the year, either by the Audit Committee or the full Board, and the resulting improvement plans were monitored by the Committee.

In particular, the Committee debated M&S' response and approach to the BEIS white paper on restoring trust in audit and corporate governance. Whilst our gap analysis indicated the business would be in a strong position to comply with each of the potential requirements, it was agreed that steps should be taken to strengthen the Company's internal control environment, regardless of the outcome of the BEIS proposals. The progress of the Control Strategy delivery plan was then monitored by the Committee.

Risk and control updates

In line with the Group Risk 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 Audit Committee through annual updates provided directly by management, and summarised below.

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.

MANAGEMENT UPDATES

The Committee received detailed 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 actions, emerging risks being monitored and outstanding actions from Internal Audit reviews completed. Management has also confirmed how it continues to maintain key control and assurance activities. These presentations are scheduled on a rolling 12-month basis, with additional matters identified by Internal Audit added throughout the year as they arise.

Retail, Property and Business Continuity

- Evaluated the plans to rotate the store estate, considering risks relating to inflationary pressures on renewal costs, sustainability factors, and the potential need to expand human resources to maintain and accelerate pace. The accounting treatment of the store programme was also debated and agreed with the external auditors.
- Monitored results and agreed actions from business continuity exercises and assurance reviews which had taken place globally. Assessment areas included disaster recovery plans at distribution centres and the manufacturing and sourcing model.

Clothing & Home

- Evaluated the risks arising from delivery of Plan A commitments in light of the scale and complexity of the net zero challenge, and risks arising from the introduction of third-party brands. Considered and agreed controls to manage these and other changes, including creation of a new Finance role.
- Discussed post-Covid customer behaviour and uncertainties arising from inflationary pressures in raw material, labour and freight.
- Monitored compliance in the supply chain with emphasis on modern slavery, child labour, chemicals and product safety regulations, including a return to in-person audits.

Food

- Reviewed and assessed risks relating to Ocado Retail, from the launch of new products on the platform through to financial and strategic impacts of the joint venture.
- Considered GSCOP compliance, agreed on additional training for suppliers and monitored the supply chain transformation risk.
- Discussed and agreed stronger controls and process adherence in food product development and food safety.

International

- Monitored risks arising from macroeconomic conditions, including delivering growth in priority markets, end-to-end supply chain and brand investment by franchise partners.
- Evaluated the mitigating actions presented by management against Brexit and differing responses to Covid-19 in local jurisdictions.

Bank & Services

- Considered the regulatory responsibilities and risks associated with having commercial partners operating under the M&S brand.
- Examined updates from the Financial Services Compliance Monitoring Committee, including an annual review of the framework and accountabilities.

Digital & Data

- Discussed risk appetite and ethics around data use.
- Assessed cyber security risk and instigated a review of existing insurance policies. Later in the year, the Committee evaluated the potential security impact of the invasion of Ukraine and reviewed actions to manage the increased threat.
- Monitored the technology transformation and discussed key areas of risk including available talent resource, quarterly investment assessments, cloud migration and compliance with payment data standards.

HR

- Considered the launch of the MyHR system and recommended a project implementation review with regards to colleague onboarding, particularly during the Company's peak-trading period.

AUDIT COMMITTEE REPORT

CONTINUED

AUDIT COMMITTEE EFFECTIVENESS REVIEW

The Committee's performance was reviewed as part of the 2021/22 internally facilitated Board Evaluation, which is covered on page 65.

The review found that the Committee functions effectively, with strong leadership from Andy Halford. Issues are dealt with in a thoughtful, clear and rigorous manner. Feedback on the level of challenge and quality of updates provided by the Committee to the Board was positive.

The Committee was considered to be operating well in terms of meeting structure. There is an awareness and acceptance that the demands on members time are significant but necessary. The remit and duties of the Committee were considered correct, particularly with its expanded oversight of risk, with a greater focus on non-financial controls and cyber threat, both of which are only expected to increase. The range of assurance provided to the Board by the

Committee was deemed appropriate, and its interactions with the ESG Committee were considered to be working well. It was agreed more work was required to tackle business actions, structural issues, and topics that frequently reappear on the Committee's agenda.

The Committee made good progress on the 2021/22 action plan, particularly in relation to increasing the focus on technology, with risk reporting and compliance monitoring becoming embedded into the business in a more robust way. The Company's business units are becoming more accountable for risk management, but further work is required in this area to continue to improve.

2022/23 ACTION PLAN:

- Support the transition of the Committee Chair, and related Committee composition.

- Prepare for the next external audit tender, and Partner rotation the following year.
- Review the effectiveness of the Internal Audit function and its activities.
- Continue review of the Group's controls framework as well as monitoring the implications of the BEIS Restoring Trust in Audit and Corporate Governance reforms when they are published.
- Continue to push the accountability agenda for risk reporting at a business unit level.
- Continue to assess what improvements are required in the Company's information security, systems and technology.
- Drive and encourage management to tackle structural or reoccurring risk and issue areas.

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Committee has considered whether, in its opinion, the 2022 Annual Report & Financial Statements are fair, balanced and understandable, and whether they provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The structure of the Annual Report focuses strongly on the key strategic messages in the Strategic Report. It was therefore important for the Committee to ensure these messages are fairly summarised and lead to the overall transparency of the disclosures made throughout the report, which it knows stakeholders find useful, and that the messages presented by the business are both clear and reflective of the Company as a whole.

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

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

IS THE REPORT FAIR?

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

IS THE REPORT BALANCED?

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

- Are the key judgements referred to in the narrative reporting and the significant issues reported in this Audit 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 Deloitte 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 2022 Annual Report & Financial Statements are representative of the year and present a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

SIGNIFICANT ISSUES

The Audit Committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates.

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

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

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

PRESENTATION OF THE FINANCIAL STATEMENTS

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

+ See note 5 on p143.

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

The Committee has considered the assessments made in relation to the accounting associated with the Group's UK store estate strategy. The Committee received detailed reports from management outlining the accounting treatment of the relevant charges 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/sub-let costs, the sale proceeds expected to be recovered on exit, where relevant, and the cash flows to be generated by each cash-generating unit in the period to closure). The Committee has challenged management and is satisfied that the assumptions made are appropriate. The Committee is also satisfied that appropriate costs and associated provisions have been recognised in the current financial year.

+ See notes 1, 5, 15 and 22 on p130, p143, p159 and p175 respectively.

IMPAIRMENT OF GOODWILL, BRANDS, AND TANGIBLE AND INTANGIBLE ASSETS

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

+ See notes 1, 5, 14 and 15 on p130, p143 and p157-159 respectively.

INVENTORY VALUATION AND PROVISIONING

As a direct result of the restrictions on non-essential retail imposed in response to the Covid-19 pandemic, the Group's ability to sell through existing Clothing & Home stock was deemed to be significantly impacted, and additional Clothing & Home inventory provisioning was required at the end of 2019/20. However, strong trade has allowed the Group to continue to sell much higher volumes of stock than assumed versus the Covid-19 scenario on which the provision was created. As a result and supported by the vaccines and removal of Covid-19 restrictions, a net credit has been recorded. After taking into account this release, the Covid-related inventory provisions recorded in the 2019/20 financial statements have now been fully released and inventory provisioning methodology has returned to pre-pandemic methodology.

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

The Committee considered the Group's current provisioning policy, the impact of expected future expectations of sell-through impacting the recoverability of the cost of inventories held at the balance sheet date and the nature and condition of current inventory. When calculating inventory provisions, the Group has considered the nature and condition of inventory, as well as applying assumptions around future trade. The Committee has concluded that such are appropriate. The assumptions have been disclosed in the financial statements.

+ See notes 1 and 5 on p130 and p143 respectively.

AUDIT COMMITTEE REPORT

CONTINUED

SIGNIFICANT ISSUES CONTINUED

GOING CONCERN AND VIABILITY STATEMENT

The Committee has reviewed the Group's assessment of viability over a period greater than 12 months. In assessing viability, the Committee has considered the Group's position presented in the approved budget and three-year plan. In the context of the current challenging environment as a result of Covid-19, the unfolding humanitarian crisis following the invasion of Ukraine, 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 renegotiation of its revolving credit facility, which is set to run until June 2025, and replaces the facility which was due to mature in April 2023.

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

+ See note 1 on p130.

RETIREMENT BENEFITS

Following the significant increase 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 p149.

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 p163.

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 p130.

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 186). 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. The external audit contract will be put out to tender at least every 10 years. The Committee considers that it would be appropriate to conduct an external audit tender by no later than 2024.

The Committee recommends that Deloitte be reappointed as the Company's statutory auditor for the 2022/23 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 Committee, which involves the Committee's own 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: the Chief Financial Officer, Director of Group Finance, the four Finance Directors for Clothing & Home, Food, International and Retail & Property, the Head of Investor Relations, the Group Financial Controller and Head of Finance Business Services.

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

Feedback from the target groups was overall positive. It was agreed that the audit team had continued to be responsive and cooperative and had again demonstrated flexibility and adaptability in working with management day-to-day to overcome the challenges faced throughout the year as restrictions on working from home began to lift. The audit partners continue to have a good understanding of our business. 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 common theme reflected a desire for more focus on planning and communication during certain aspects of the audit cycle with opportunities for improvement available, as well as more engagement, including insights, outside of the peak year-end period.

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 marksandspencer.com/thecompany.

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 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 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.

The non-audit fees to audit fees ratio for the financial year ended 2 April 2022 was 0.09:1, compared with the previous year's ratio of 0.09:1. The majority of the £0.2m in non-audit fees paid in total to Deloitte during 2021/22 was incurred for assurance services provided during the year. These comprised fees in respect of the Half Year review, turnover certificates and ESC assurance. It is normal practice for such assurance services to be provided by the Company's statutory auditor.

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.

AUDIT COMMITTEE REPORT CONTINUED

ASSURANCE AND INTERNAL CONTROL ENVIRONMENT

The Board assumes ultimate responsibility for the effective management of risk across the Group, determining its risk appetite and ensuring that each business area implements appropriate internal controls. The Group's risk management systems are designed to support the business in actively managing risk to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. These systems are also designed to be sufficiently agile to respond to changes in circumstances, such as the evolution of Covid-19, EU-UK border regulations and more recently managing the implications of Russia's invasion of Ukraine.

➤ See p47-54 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, and policies and procedures that cover financial planning and reporting, preparing consolidated accounts, capital expenditure, project governance and information security.

SOURCES OF ASSURANCE

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

1. Internal Audit

The Group's primary source of internal assurance is delivery of the Internal Audit Plan, which is structured to align with the Group's strategic priorities and key risks and is developed by Internal Audit with input from management. The plan has been reviewed periodically throughout the year to confirm it remains relevant for new and emerging circumstances, both internal and external. The findings and actions from Internal Audit reviews are agreed with the relevant business area, communicated to the Audit Committee and tracked through to completion.

The work completed by Internal Audit during the year focused on key risks including corporate compliance and responsibility, information security, our property estate

and new legal and regulatory requirements, like Natasha's Law and TCFD.

2. Management updates and risk deep dives

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

3. Functional assurance

A broad range of assurance activity has been designed and deployed across the business to target key risk areas, such as ethical 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 Committee.

4. Operational oversight

Senior management forums and committees provide oversight and challenge on key risk areas within individual business areas, cross-business programmes and activities, such as business continuity, fire, health and safety, ESG responsibilities, fraud risk

management, property estate, technology and other areas of change. The output from these discussions forms part of the cyclical updates provided to the Audit Committee.

GOVERNANCE

The Group was compliant throughout the year with the provisions of the UK Corporate Governance Code relating to internal controls and the 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 113 to 123. No other significant failings or weaknesses were identified during the Committee's review in respect of the year ended 2 April 2022 and up to the date of this Annual Report.

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

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

INTERNAL ASSURANCE FRAMEWORK

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. Covid-19/Brexit 	Formal updates presented to the Committee at each meeting. Updates to the Audit Committee Chair as required.	Audit Committee
Management updates and risk deep dives <ul style="list-style-type: none"> Papers submitted on a range of issues including: <ul style="list-style-type: none"> Information security Bribery 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 <ul style="list-style-type: none"> Functional audit activities undertaken, including: <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 Fire, Health & Safety Committees Customer & Brand Protection Committee Business Continuity Committee Business Unit Operating Reviews 	Updates presented to the Committee annually and as needed.	